São Martinho

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

INDEPENDENT AUDITOR'S REVIEW REPORT ON QUARTERLY INFORMATION

The Shareholders, Board of Directors and Officers
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 September 30, 2017, which comprise the balance sheet as of September 30, 2017, the related statements of operations and comprehensive income for the three and six-month periods then ended and changes in shareholders' equity and cash flows for the six-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 six-month period ended September 30, 2017, prepared under the responsibility of

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

Campinas, November 9, 2017.

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

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

Contents

Statement of financial position

In thousands of reais

ASSETS	Note	Company September 30, 2017	Company March 31, 2017	Consolidated September 30, 2017	Consolidated March 31, 2017
CURRENT ASSETS					
Cash and cash equivalents	5	327,277	142,020	327,559	142,454
Short-term investments	5	710,514	548,611	1,059,706	1,029,113
Trade accounts receivable	6	96,071	135,972	215,666	168,868
Derivative financial instruments	22	110,083	172,917	110,693	172,917
Inventories and advances to suppliers	7	880,237	189,917	1,111,886	256,574
Biological assets	11	389,815	437,656	524,674	586,362
Taxes recoverable	8	74,663	84,653	95,118	102,310
Income and social contribution taxes (IRPJ and CSLL)	19	8,354	10,081	8,354	11,159
Dividends receivable	9	5,200	7,661	-	-
Other assets		15,939	9,620	20,477	12,293
TOTAL CURRENT ASSETS		2,618,153	1,739,108	3,474,133	2,482,050
NONCURRENT ASSETS					
Short-term investments	5	546	532	25,809	24,667
Inventories and advances to suppliers	7	84,555	74,978	96,153	88,766
Transactions with related parties	9	2,687	4,623	2,000	3,867
Derivative financial instruments	22	28	27	28	27
Trade accounts receivable	6	-	-	21,062	25,810
Receivables from Copersucar		10,560	9,355	10,560	9,355
Taxes recoverable	8	110,169	94,961	123,197	106,518
Income and social contribution taxes (IRPJ and CSLL)	19	128,823	124,285	128,823	124,285
Judicial deposits	21	23,845	24,707	27,977	32,423
Other assets		439	439	439	439
		361,652	333,907	436,048	416,157
Investments	10	2,588,596	2,772,664	31,989	31,184
Property, plant and equipment	12	2,315,010	2,534,563	4,994,157	5,288,550
Intangible assets	13	393,269	394,877	463,582	473,942
		5,296,875	5,702,104	5,489,728	5,793,676
TOTAL NONCURRENT ASSETS		5,658,527	6,036,011	5,925,776	6,209,833
TOTAL ASSETS		8,276,680	7,775,119	9,399,909	8,691,883

LIABILITIES AND EQUITY	Note	Company September 30, 2017	Company March 31, 2017	Consolidated September 30, 2017	Consolidated March 31, 2017
CURRENT LIABILITIES					
Borrowings	14	870,437	1,175,682	1,065,178	1,499,583
Derivative financial instruments	22	24,625	76,097	24,625	76,097
Trade accounts payable	15	240,941	103,122	261,556	138,923
Payables to Copersucar	16	8,583	8,583	8,583	8,583
Salaries and social charges		115,382	96,494	145,191	121,664
Taxes payable		9,806	11,500	25,210	20,478
Income and social contribution taxes (IRPJ and CSLL)	19	-	-	7,462	4,471
Dividends payable		-	74,243	-	74,243
Advances from customers		3,316	2,702	4,734	4,174
Acquisition of ownership interests	9 and 30	11,812	11,958	11,812	11,958
Other liabilities		15,364	17,714	23,341	28,659
TOTAL CURRENT LIABILITIES		1,300,266	1,578,095	1,577,692	1,988,833
NONCURRENT LIABILITIES					
Borrowings	14	2,821,944	1,998,712	3,087,131	2,219,477
Derivative financial instruments	22	349	5	349	5
Payables to Copersucar	16	234,610	237,602	234,610	237,602
Taxes in installments		13,890	14,614	13,890	14,614
Deferred income and social contribution taxes	19	447,690	413,020	997,857	663,143
Provision for contingencies	21	63,991	66,577	94,440	101,715
Acquisition of ownership interests	9 and 30	50,130	50,130	50,130	50,130
Other liabilities	10	12,778	13,044	12,778	13,044
TOTAL NONCURRENT LIABILITIES		3,645,382	2,793,704	4,491,185	3,299,730
EQUITY	17				
Capital		1,549,302	1,494,334	1,549,302	1,494,334
Capital reduction		-	(55,662)	-	(55,662)
Capital reserve		10,057	10,057	10,057	10,057
Treasury shares		(92,134)	(92,134)	(92,134)	(92,134)
Stock options granted		10,508	8,284	10,508	8,284
Equity adjustments		1,200,452	1,432,243	1,200,452	1,432,243
Income reserves		469,810	606,198	469,810	606,198
Retained earnings		183,037	-	183,037	-
TOTAL EQUITY		3,331,032	3,403,320	3,331,032	3,403,320
TOTAL LIABILITIES AND EQUITY		8,276,680	7,775,119	9,399,909	8,691,883

See accompanying notes.

São Martinho

Statement of profit or loss

Periods ended September 30, 2017 and 2016

In thousands of reais, unless otherwise stated

					Company
		September 30, 2017		September 30, 2016	
	Note	Quarter	Six-month period	Quarter	Six-month period
Revenues	25	377,418	1,036,704	567,916	1,099,756
Cost of sales	26	(325,914)	(800,398)	(443,688)	(850,930)
Gross profit		51,504	236,306	124,228	248,826
Operating income (expenses)					
Selling expenses	26	(22,535)	(49,053)	(27,725)	(53,377)
General and administrative expenses	26	(32,691)	(70,237)	(36,266)	(73,697)
Equity pickup in subsidiaries	10	78,040	140,393	66,455	118,125
Other revenues, net		247	(239)	1,802	2,440
		23,061	20,864	4,266	(6,509)
Operating income		74,565	257,170	128,494	242,317
Finance income (costs)	27				
Finance income		23,835	57,051	25,041	53,071
Finance costs		(72,471)	(154,806)	(79,393)	(148,939)
Monetary and foreign exchange differences, net		20,991	25,809	(4,984)	5,747
Derivatives		(10,047)	(1,707)	1,008	(45,582)
		(37,692)	(73,653)	(58,328)	(135,703)
Income before income and social contribution taxes		36,873	183,517	70,166	106,614
Income and social contribution taxes (IRPJ	19(b)				
Current		4,786	(13,828)	-	-
Deferred		11,356	199	(1,253)	1,968
Net income for the period		53,015	169,888	68,913	108,582
Basic earnings per share (in reais)	28	0.1585	0.5078	0.2042	0.3215
Diluted earnings per share (in reais)	28	0.1580	0.5065	0.2036	0.3206

See accompanying notes.

São Martinho

Statement of profit or loss

Periods ended September 30, 2017 and 2016

In thousands of reais, unless otherwise stated

					Consolidated
		September 30, 2017		September 30, 2016	
	Note	Quarter	-month period	Quarter	-month period
Revenues	25	614,025	1,426,291	603,674	1,158,420
Cost of sales	26	(450,045)	(986,925)	(435,662)	(833,429)
Gross profit		163,980	439,366	168,012	324,991
Operating income (expenses)					
Selling expenses	26	(27,918)	(56,932)	(28,024)	(54,180)
General and administrative expenses	26	(46,089)	(91,055)	(41,010)	(79,365)
Equity pickup in subsidiaries	10	97	(1,795)	27,097	46,339
Other revenues, net		559	1,243	2,070	2,659
		(73,351)	(148,539)	(39,867)	(84,547)
Operating income		90,629	290,827	128,145	240,444
Finance income (costs)	27				
Finance income		31,302	76,096	29,102	61,950
Finance costs		(82,055)	(176,995)	(79,734)	(149,739)
Monetary variations and foreign exchange diffe		22,635	25,154	(4,984)	5,747
Derivatives		(9,437)	(1,097)	1,009	(45,581)
		(37,555)	(76,842)	(54,607)	(127,623)
Income before income and social contribution taxes		53,074	213,985	73,538	112,821
Income and social contribution taxes (IRPJ	19(b)				
Current		(6,143)	(27,048)	(2,954)	(5,580)
Deferred		6,084	(17,049)	(1,671)	1,341
Net income for the period		53,015	169,888	68,913	108,582
Basic earnings per share (in reais)	28	0.1585	0.5078	0.2042	0.3215
Diluted earnings per share (in reais)	28	0.1580	0.5065	0.2036	0.3206

See accompanying notes.

São Martinho

Statement of comprehensive income

Periods ended September 30, 2017 and 2016

In thousands of reais, unless otherwise stated

Company and Consolidated	September 30, 2017 Quarter	September 30, 2017 Six-month period	September 30, 2016 Quarter	September 30, 2016 Six-month period
Net income for the period	53,015	169,888	68,913	108,582
Items that will be reclassified subsequently to P&L				
Changes for the period:				
Changes in fair value				
Commodity derivatives - Futures, options and forward contracts	11,541	105,354	(65,605)	(170,601)
Foreign exchange derivatives - Options / NDF	47,300	19,584	8,338	78,070
Foreign exchange differences on borrowing agreements (Trade Financ	27,630	(29,744)	(13,652)	156,613
Swap contracts	-	-		11
	86,471	95,194	(70,919)	64,093
Recognition in operating income				
Commodity derivatives - Futures, options and forward contracts	(65,091)	(121,552)	52,501	74,625
Foreign exchange derivatives - Options / NDF	(6,753)	(39,636)	(43,733)	(74,202)
Foreign exchange differences on borrowing agreements (Trade Financ	118,784	171,003	50,861	115,156
Swap contracts	-	-	104	104
	46,940	9,815	59,733	115,683
Write-off due to ineffectiveness				
Commodity derivatives - Futures, options and forward contracts	10	61	803	1,623
Foreign exchange derivatives - Options / NDF	(5)	649	-	(585)
Foreign exchange differences on borrowing agreements (Trade Financ	-	(3,166)	-	-
	5	(2,456)	803	1,038
Total changes for the year				
Commodity derivatives - Futures, options and forward contracts	(53,540)	(16,137)	(12,301)	(94,353)
Foreign exchange derivatives - Options / NDF	40,542	(19,403)	(35,395)	3,283
Foreign exchange differences on borrowing agreements (Trade Finance)	146,414	138,093	37,209	271,769
Swap contracts	-	-	104	115
Deferred taxes on the items above	(45,361)	(34,869)	3,532	(61,475)
	88,055	67,684	(6,851)	119,339
Comprehensive income for the period	141,070	237,572	62,062	227,921

See accompanying notes.

São Martinho

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

In thousands of reais

							Equity adjustments			Income reserve						
							Deemed cost									
	Note	Capital	Capital reduction	Capital reserve	Treasury shares	Options granted	Own	Of investees	Hedge accounting	Legal	Capital budget	Unrealized income reserve	Tax incentive reserve	Additional dividends	Retained earnings	Total
Balance at March 31, 2016		931,340	-	10,531	(26,613)	4,753	209,919	1,483,387	(397,608)	55,947	291,371	85,338	-	-	(1,768)	2,646,597
Capital increase with reserves	17 (a)	133,632	-	-	-	-	-	-	-	-	(133,632)	-	-	-	-	-
Realization of deemed cost surplus	17 (d)	-	-	-	-	-	(6,548)	(688)	-	-	-	-	-	-	7,236	-
Capital reduction with assets in Vale do Mogi	10.3	-	-	-	-	-	4,474	(4,474)	-	-	-	-	-	-	-	-
Deferred tax set up/in subsidiary		-	-	-	-	-	(1,521)	-	-	-	-	-	-	-	-	(1,521)
Prior-year additional dividends		-	-	-	-	-	-	-	-	-	(2,220)	-	-	-	-	(2,220)
Set up of tax incentive reserve	17 (e)	-	-	-	-	-	-	-		-	(44,886)	-	44,886	-	-	-
Gain (loss) on derivative transactions - hedge accounting	17 (d)	-	-	-	-	-	-	-	119,339	-	-	-	-	-	-	119,339
Acquisition of shares issued by the Company itself	17 (c)	-	-	-	(15,577)	-	-	-	-	-	-	-	-	-	-	(15,577)
Stock options granted	17 (f)	-	-	-	-	1,977	-	-	-	-	-	-	-	-	-	1,977
Stock options exercised	17 (f)	-	-	(294)	988	(175)	-	-	-	-	-	-	-	-	-	519
Net income for the period		-	-	-	-	-	-	-	-	-	-	-	-	-	108,582	108,582
At September 30, 2016	17	1,064,972	-	10,237	(41,202)	6,555	206,324	1,478,225	(278,269)	55,947	110,633	85,338	44,886	-	114,050	2,857,696
Balance at March 31, 2017	17	1,494,334	(55,662)	10,057	(92,134)	8,284	198,331	1,286,252	(52,340)	70,140	257,984	78,515	173,801	25,758	-	3,403,320
Capital increase with reserves	17 (a)	54,968	55,662	-	-	-	-	-	-	-	(110,630)	-	-	-	-	-
Realization of deemed cost surplus	17 (b)	-	-	-	-	-	(6,144)	(7,005)	-	-	-	-	-	-	13,149	-
Deferred tax set up/in subsidiary	19 (b)	-	-	-	-	-	-	(286,324)	-	-	-	-	-	-	-	(286,324)
Prior-year additional dividends paid		-	-	-	-	-	-	-	-	-	-	-	-	(25,758)	-	(25,758)
Gain (loss) on derivative transactions - hedge accounting	17 (f)	-	-	-	-	-	-	-	67,682	-	-	-	-	-	-	67,682
Stock options granted	17 (d)	-	-	-	-	2,224	-	-	-	-	-	-	-	-	-	2,224
Net income for the period	17 (e)	-	-	-	-	-	-	-	-	-	-	-	-	-	169,888	169,888
At September 30, 2017	17	1,549,302	-	10,057	(92,134)	10,508	192,187	992,923	15,342	70,140	147,354	78,515	173,801	-	183,037	3,331,032

See accompanying notes.

Statement of cash flows

Periods ended September 30, 2017 and 2016

In thousands of reais, unless otherwise stated

		Company		Consolidated	
	Nota	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Cash flow from operating activities					
Net income for the period		169,888	108,582	169,888	108,582
Adjustments					
Depreciation and amortization	26	111,736	98,323	160,153	100,494
Biological assets harvested	26	165,193	176,654	226,459	176,654
Change in fair value of biological assets	11	26,996	(9,240)	9,337	(9,240)
Amortization of intangible assets		1,104	794	7,879	8,403
Equity pickup in subsidiaries	10	(140,393)	(118,125)	1,795	(46,339)
Income (loss) from investment and PPE written off	12	524	(14)	526	(14)
Interest, monetary variations and foreign exchange differences, net		54,077	80,461	57,321	74,071
Derivative financial instruments		11,523	161,264	10,912	161,264
Setup of provision for contingencies, net	21.1	5,684	1,193	5,601	1,865
Income and social contribution taxes (IRPJ and CSLL)	19 (b)	13,629	(1,968)	44,097	4,239
Present value adjustment and other		3,838	3,577	2,780	2,390
		423,799	501,501	696,748	582,369
Changes in assets and liabilities					
Trade accounts receivable		37,066	(16,423)	(44,016)	(35,320)
Inventories		(445,805)	(346,065)	(514,517)	(322,842)
Taxes recoverable		(2,478)	(24,943)	(5,613)	(24,949)
Derivative financial instruments		129,411	(124,210)	129,411	(124,210)
Short-term investments		-	-	-	(56)
Other assets		(2,956)	3,525	(1,316)	3,061
Trade accounts payable		141,827	133,167	126,661	122,922
Salaries and social contributions		18,888	13,676	23,527	13,385
Taxes payable		(15,870)	142	(15,921)	2,220
Payables to Copersucar		(6,371)	(16,918)	(6,371)	(16,918)
Taxes in installments		(997)	(686)	(965)	(686)
Provision for contingencies - settlements	21.1	(7,575)	(5,296)	(13,031)	(5,296)
Other liabilities		(1,754)	8,338	(4,780)	206
Cash from operating activities		267,185	125,808	369,817	193,886
Payment of interest borrowings	14	(96,020)	(101,424)	(121,902)	(102,069)
Income and social contribution taxes paid		-	-	(3,784)	(1,893)
Net cash provided by operating activities		171,165	24,384	244,131	89,924
Cash flow from investing activities					
Investment of funds	31	(3,092)	(10,888)	(3,792)	(10,888)
Additions to PPE and intangible assets		(48,720)	(67,693)	(75,233)	(68,022)
Additions to PPE (planting and cultivation)	11 and 12	(244,177)	(240,495)	(318,691)	(240,495)
Short-term investments		(120,826)	138,367	27,033	164,645
Funds from the sale of PPE	12	1,290	594	3,647	543
Future capital contribution		(1,687)	(1,600)	(1,000)	(1,600)
Dividends received		43,954	74,719	-	-
Net cash used in investing activities		(373,258)	(106,996)	(368,036)	(155,817)
Cash flow from financing activities					
Financing taken out from third parties	14	1,034,689	645,810	1,158,771	645,810
Amortization of financing - third parties	14	(547,340)	(561,555)	(749,762)	(563,300)
Purchase of treasury shares	17 (b)	-	(15,577)	-	(15,577)
Disposal of treasury shares	17 (f)	-	518	-	518
Payment of dividends		(99,999)	(55,384)	(99,999)	(55,384)
Net cash from financing activities		387,350	13,812	309,010	12,067
Net decrease in cash and cash equivalents		185,257	(68,800)	185,105	(53,826)
Cash and cash equivalents at beginning of period	5	142,020	266,343	142,454	266,659
Cash and cash equivalents at end of period	5	327,277	197,543	327,559	212,833
Additional information					
Balances in short-term investments	5	710,514	527,894	1,059,706	571,848
Total available funds	5	1,037,791	725,437	1,387,265	784,681

See accompanying notes.

São Martinho

Statement of value added

Periods ended September 30, 2017 and 2016

In thousands of reais, unless otherwise stated

	Company		Consolidated	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Revenues				
Gross sales of goods and products	1,086,045	1,137,318	1,510,665	1,186,448
Revenue related to construction of own assets	245,821	229,260	320,562	229,260
Other revenues	1,076	3,302	1,712	3,602
	1,332,942	1,369,880	1,832,939	1,419,310
Inputs acquired from third parties				
Costs of sales	(418,458)	(476,947)	(463,842)	(435,393)
Materials, energy, third-party services and other operating expenses	(248,239)	(209,194)	(319,715)	(220,382)
	(666,697)	(686,141)	(783,557)	(655,775)
Gross value added	666,245	683,739	1,049,382	763,535
Depreciation and amortization	(111,736)	(98,323)	(160,153)	(100,494)
Biological assets harvested	(165,193)	(176,654)	(226,459)	(176,654)
Net value added produced by the entity	389,316	408,762	662,770	486,387
Value added received in transfer				
Equity pickup in subsidiaries	140,393	118,125	(1,795)	46,339
Finance income	198,552	421,060	220,847	429,939
Other	(944)	(398)	56	(480)
Total value added to be distributed	727,317	947,549	881,878	962,185
Distribution of value added				
Personnel and charges				
Direct compensation	170,954	180,203	213,319	180,669
Benefits	54,760	47,695	66,247	47,788
Unemployment Compensation Fund (FGTS)	16,638	17,717	20,721	17,826
Management compensation	9,728	14,296	10,601	14,906
Taxes, charges and contributions				
Federal	34,127	22,854	102,244	35,275
State	886	763	3,322	880
Municipal	355	388	468	409
Creditors				
Interest	141,897	136,294	163,367	136,988
Leases	1,274	1,201	1,410	1,201
Foreign exchange differences	62,124	298,060	64,692	298,060
Other	64,686	119,496	65,599	119,601
Retained profits for the period	169,888	108,582	169,888	108,582
Value added distributed	727,317	947,549	881,878	962,185

See accompanying notes.

1. Operations

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

Approximately 70% of the sugarcane used in the production of the goods derives from the Company's own plantations, from shareholders, related companies and agricultural partnerships, and the remaining 30% from third-party suppliers. Sugar alcohol business is subject to seasonal trends based on the sugarcane growing cycle in the South and Central region of Brazil. The annual sugarcane crop period in the South and Central region of Brazil typically begins in April and ends in December. This creates fluctuations in the Company's inventories. Raw material supply can suffer from the impact of adverse climate conditions. Sugarcane requires an 18-month period for maturing and for the beginning of the harvest. The harvest generally takes place between April and December, which is also the period when sugar and ethanol are produced and electricity is cogenerated. Considering its production cycle, interim information usually varies significantly in statement of financial position accounts, such as inventories and advances to suppliers, which are normally higher at quarterly closings, to cover sales between harvests (December to April), and which may lead to temporary fluctuations in profit or loss of the Company and its subsidiaries.

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

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

Issue of this interim financial information was approved by the Company's Board of Directors on November 9, 2017.

2. Summary of significant accounting practices

2.1 Statement of compliance and basis of preparation

The Company's quarterly information comprises:

a) Individual and consolidated interim financial information

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

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

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

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

As disclosed in Note 10.2 to the annual financial statements for the year ended March 31, 2017, on February 23, 2017, the Company acquired an additional interest in Nova Fronteira and merged it. As from that date, the Company started to recognize 100% of subsidiary UBV's P&L as a result of equity pickup in its individual financial statements and included this subsidiary in its consolidated financial statements. As a result, the comparison between amounts in the individual and consolidated statements of profit or loss, comprehensive income, changes in equity, cash flows, and value added for the six-month periods ended September 30, 2017 and 2016, is compromised.

In thousands of reais, unless otherwise stated

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

2.2 Basis of consolidation and investments in subsidiaries

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

Consolidated balances in the interim financial information for the period ended September 30 and March 31, 2017 include the following subsidiaries:

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

In thousands of reais, unless otherwise stated

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

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

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

At September 30 and March 31, 2017, the Company had the following jointly-controlled entity:

Company	Interest held in capital September 30, 2017	March 31, 2017	Main activities
Jointly-controlled subsidiaries - direct:			
Usina Santa Luiza S/A (“USL”)	66.67%	66.67%	Storage services.

2.3 Functional and reporting currency

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

2.4 Foreign currency translation

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

2.5 Financial instruments

(i) Financial assets

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

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

c) Derecognition (write-off)

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

- The rights to receive the cash flows from the asset have expired;
- The Company has transferred its rights to receive cash flows of the asset or has assumed an obligation to fully pay the cash flows received, without significant delay to a third party under a ‘pass-through’ arrangement, and (a) the Company transferred substantially all risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all risks and rewards related to the asset, but has transferred control over the asset.

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

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

d) Impairment of financial assets

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

(ii) Financial liabilities

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

(iii) Derivative financial instruments

Derivatives are measured at fair value, with gains and losses recognized in profit or loss, unless hedge accounting is applied.
The Company documents, at inception, the relation between the hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking the hedging transactions.

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

2.6 Business combinations and goodwill

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

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

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

In each business combination, the acquirer shall measure any noncontrolling interests in the acquiree at fair value of these interests or a portion assignable to them in the fair value of net identifiable assets of the acquiree.
Acquisition costs incurred are accounted for as expenses.
Upon acquiring a business, the Group assesses financial assets and liabilities assumed so as to correctly classify and designate them in accordance with contractual terms, economic circumstances and relevant conditions on the acquisition date, including the segregation, by the acquiree, of embedded derivatives existing in host contracts.

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

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

2.7 Leases

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

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

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

- IFRS 9 (CPC 48) - Financial Instruments: The objective of IFRS 9 is ultimately to replace IAS 39 (CPC 38) - Financial Instruments: Recognition and Measurement. Main changes estimated are: (i) all financial assets must be initially recognized at fair value; (ii) the standard divides all financial assets that are currently in the scope of IAS 39 into two classifications: amortized cost and fair value; (iii) the IAS 39 categories of available for sale and held to maturity were eliminated; and (iv) the IAS 39 concept of embedded derivatives was extinguished by the concepts of this new standard. This standard will become effective on January 1, 2018. The Company is assessing the impact on its financial statements.

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

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

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

4. Significant accounting estimates and judgments

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

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

(a) Impairment of goodwill

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

(b) Fair value of biological assets

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

(c) Income tax, social contribution and other taxes

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

(d) Fair value of derivatives and other financial instruments

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

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

(e) Provision for contingencies

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

(f) Business combination and acquisition of ownership interest

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

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

In thousands of reais, unless otherwise stated

(g) ICMS tax benefits

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

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

5. Cash and cash equivalents and short-term investments

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

	Company			Consolidated		
	Yields (*)	September 30, 2017	March 31, 2017	Yields (*)	September 30, 2017	March 31, 2017
Cash and banks - in Brazil		49	106		267	467
Cash and banks - abroad (US dollar)		309,467	62,878		309,466	62,878
Short-term investments - in Brazil						
. Bank Deposit Certificate (CDB)	97.79%	8,437	67,037	98.78%	8,437	67,037
. Debentures held under repurchase agr	100.55%	9,324	11,999	100.48%	9,389	12,072
Total cash and cash equivalents		327,277	142,020		327,559	142,454
Short-term investments						
. Investment fund	104.69%	710,514	548,611	102.96%	1,059,706	1,029,113
. Funds - Financial Treasury Bills (LFT) (i)		-	-	100% SELIC	19,550	18,641
. Other (i)		546	532	100.00%	6,259	6,026
Total financial investments		711,060	549,143		1,085,515	1,053,780
In noncurrent assets		546	532		25,809	24,667
Total available funds		1,037,791	690,631		1,387,265	1,171,567

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

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

In thousands of reais, unless otherwise stated

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	
	September 30, 2017	March 31, 2017	September 30, 2017	March 31, 2017
Domestic customers	40,852	63,121	181,510	121,827
Foreign market customers	55,219	72,851	55,218	72,851
	96,071	135,972	236,728	194,678
Current assets	96,071	135,972	215,666	168,868
Noncurrent assets	-	-	21,062	25,810

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

In thousands of reais, unless otherwise stated

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

	Company		Consolidated	
	September 30, 2017	March 31, 2017	September 30, 2017	March 31, 2017
Falling due:	95,975	135,639	235,080	194,258
Overdue and not provisioned:				
Within 30 days	4	-	264	-
Over 31 days	92	333	1,384	420
	96,071	135,972	236,728	194,678

Out of the amount receivable, R$7,518 and R$371, Company and Consolidated, respectively (R$4,378 and R$228, Company and Consolidated, respectively, at March 31, 2017), refer to related parties, as detailed in Note 9.

7. Inventories and advances to suppliers

	Company		Consolidated	
	September 30, 2017	March 31, 2017	September 30, 2017	March 31, 2017
Current				
Finished products and work-in-process	769,760	59,544	952,963	77,368
Advances - purchases of sugarcane	55,443	61,219	78,572	80,929
Advances - purchases of inputs	8,948	24,035	13,140	30,142
Land subdivisions	-	-	6,245	6,398
Inputs, ancillary materials for maintenance and other	46,086	45,119	60,966	61,737
	880,237	189,917	1,111,886	256,574
Noncurrent				
Advances - purchases of sugarcane	84,555	74,978	96,153	88,766
	84,555	74,978	96,153	88,766
	964,792	264,895	1,208,039	345,340

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

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

In thousands of reais, unless otherwise stated

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

8. Taxes recoverable

Breakdown of taxes recoverable is as follows:

	Company		Consolidated	
	September 30, 2017	March 31, 2017	September 30, 2017	March 31, 2017
Current				
PIS / COFINS	34,420	55,651	36,494	59,205
ICMS	39,401	28,173	57,662	42,156
Other	842	829	962	949
	74,663	84,653	95,118	102,310
Noncurrent				
PIS / COFINS	37,390	33,011	46,479	40,666
Reinstatement of Taxes for	48,918	35,165	48,918	35,165
IOF on derivatives	7,914	7,676	7,914	7,676
ICMS	9,965	13,319	13,901	17,217
Social Security Tax (INSS)	5,982	5,790	5,985	5,794
	110,169	94,961	123,197	106,518
	184,832	179,614	218,315	208,828

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

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

In thousands of reais, unless otherwise stated

	September 30, 2017	
	Company	Consolidated
From 07/01/2018 to 06/30/2019	72,408	74,756
From 07/01/2019 to 06/30/2020	9,594	11,940
From 07/01/2020 to 06/30/2021	7,655	9,812
From 07/01/2021 to 06/30/2022	7,655	9,812
From 07/01/2022 to 06/30/2023	5,163	6,337
From 07/01/2023 onwards	7,694	10,540
	110,169	123,197

9. Related parties

(a) Company and consolidated balances:

	September 30, 2017				March 31, 2017			
Company and Consolidated	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities
Consolidated in the current financial statements:								
São Martinho Terras Imobiliárias S.A.	5,356	-	1,051	-	6,813	-	2,101	-
Cia Bioenergética Santa Cruz 1	905	-	397	-	4	-	175	-
São Martinho - Energia S.A.	758	-	-	-	1,808	1	-	-
São Martinho Inova S.A.	-	687	-	-	-	755	-	-
São Martinho Terras Agrícolas S.A.	55	-	10,866		-	-	1,528	-
Usina Boa Vista S/A	5,267	-	-	-	3,180	-	-	-
Other	6	-	-	-	6	-	-	-
(A) Subtotal	12,347	687	12,314	-	11,811	756	3,804	-
Not consolidated in the current and related financial statements:								
Luiz Ometto Participações S.A. (Note 30)	-	-	11,812	50,130	-	-	11,958	50,130
Usina Santa Luiza S/A	63	2,000	-	-	60	3,867	-	-
Other	308	-	162	-	168	-	142	-
(B) Subtotal	371	2,000	11,974	50,130	228	3,867	12,100	50,130
TOTAL (A + B)	12,718	2,687	24,288	50,130	12,039	4,623	15,904	50,130
Dividends	5,200	-	-	-	7,661	-	-	-
Other accounts receivable/payable	7,518	2,687	12,476	-	4,378	4,623	3,946	-
Acquisition of ownership interest	-	-	11,812	50,130	-	-	11,958	50,130
Inventories - purchase of sugarcane/lease of land								
From shareholders/related parties								
(C) Company	7,294	-	7,253	-	6,322	-	4,588	-
(D) Consolidated	-	-	184	-	-	-	125	-
Subtotal	7,294	-	7,437	-	6,322	-	4,713	-
TOTAL COMPANY (A + B + C)	20,012	2,687	31,541	50,130	18,361	4,623	20,492	50,130
Dividends	5,200	-	-	-	7,661	-	-	-
Other accounts receivable/payable	7,518	2,687	19,729	-	4,378	4,623	8,534	-
Inventories - purchase of sugarcane/lease of land	7,294	-	-	-	6,322	-	-	-
Acquisition of ownership interest	-	-	11,812	50,130	-	-	11,958	50,130
TOTAL CONSOLIDATED (B + C + D)	7,665	2,000	19,411	50,130	6,550	3,867	16,813	50,130

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

In thousands of reais, unless otherwise stated

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

Company and Consolidated	September 30, 2017 Sales revenue	September 30, 2017 Reimbursed expenses/(purchases of products and services)	September 30, 2016 Sales revenue	September 30, 2016 Reimbursed expenses/(purchases of products and services)
Consolidated in the current financial statements:				
São Martinho Terras Imobiliárias S.A.	-	(6,848)	-	(25,200)
São Martinho Terras Agrícolas S.A.	-	(30,553)	-	(19,410)
Cia Bioenergética Santa Cruz 1	4,825	(1,838)	2,314	(804)
São Martinho - Energia S.A.	3,850	146	2,837	142
Usina Boa Vista S/A	-	10,291	-	-
(A) Subtotal	8,675	(28,802)	5,151	(45,272)
Not consolidated in the current and related financial statements:				
(B) Usina Boa Vista S/A	-	-	-	7,350
Shareholders and related parties - purchase of sugarcane/lease of land				
(C) Company				
Agro Pecuária Boa Vista S/A	-	(15,745)	-	(14,708)
Other	-	(12,038)	-	(8,584)
(D) Consolidated	-	(425)	-	-
Subtotal	-	(28,208)	-	(23,292)
TOTAL COMPANY (A + B + C)	8,675	(28,802)	5,151	(37,922)
TOTAL CONSOLIDATED (B + C + D)	-	(28,208)	-	(15,942)

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

(c) Key management personnel compensation:

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

	Company		Consolidated	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Salaries, fees and bonus	10,936	15,348	12,240	16,262
Social security and social contributions	2,162	3,090	2,423	3,273
Other	665	505	779	575
	13,763	18,943	15,442	20,110

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

In thousands of reais, unless otherwise stated

10. Investing activities

10.1 Subsidiaries, jointly-controlled entities and affiliates

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

				Company				Consolidated			
	% - Ownerhip interest (current)	Adjusted equity of investee		Book value of investments		Equity pickup		Book value of investments		Equity pickup	
Company		September 30, 2017	March 31, 2017	September 30, 2017	March 31, 2017	September 30, 2017	September 30, 2016	September 30, 2017	March 31, 2017	September 30, 2017	September 30, 2016
Classified in investment											
São Martinho Terras Imobiliárias S.A. - formerly named Vale do Mogi	100.00%	145,986	1,043,290	145,986	1,043,290	7,124	27,424	-	-	-	-
São Martinho - Energia S.A.	100.00%	25,112	19,735	25,112	19,735	16,897	8,708	-	-	-	-
São Martinho Inova S/A	100.00%	23,798	21,815	23,798	21,815	1,228	482	-	-	-	-
São Martinho Terras Agrícolas S.A. - formerly named Landco	100.00%	1,035,533	430,903	1,035,533	430,903	9,239	7,757	-	-	-	-
São Martinho Logística e Participações S.A.	100.00%	3,014	3,078	3,014	3,078	(63)	(60)	-	-	-	-
Usina Boa Vista S.A. (Note 10.2)	100.00%	1,220,094	1,147,277	1,220,094	1,147,277	72,817	-	-	-	-	-
Nova Fronteira Bioenergia S.A. (Note 10.2)	50.95%	-	-	-	-	-	47,328	-	-	-	47,328
Companhia Bioenergética Santa Cruz 1	100.00%	133,195	104,704	133,195	104,704	35,751	27,965	-	-	-	-
CTC - Centro de Tecnologia Canavieira S.A. (i)	5.41%	556,381	541,511	-	-	-	-	30,125	29,320	-	490
Other		-	-	1,864	1,862	-	-	1,864	1,864	805	-
Total classified in investment		3,143,113	3,312,313	2,588,596	2,772,664	142,993	119,604	31,989	31,184	805	47,818
Classified in noncurrent liabilities											
Usina Santa Luiza S.A. (i)	66.67%	(19,166)	(14,989)	(12,778)	(13,044)	(2,600)	(1,479)	-	(13,044)	(2,600)	(1,479)
Total classified in noncurrent liabilities		(19,166)	(14,989)	(12,778)	(13,044)	(2,600)	(1,479)	-	(13,044)	(2,600)	(1,479)
Closing balance		3,123,947	3,297,324	2,575,818	2,759,620	140,393	118,125	31,989	18,140	(1,795)	46,339

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

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

In thousands of reais, unless otherwise stated

(ii) Acquisition and merger of Nova Fronteira Bioenergia S.A.

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

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

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

10.2 Supplementary information on Usina Boa Vista S.A.

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

STATEMENT OF FINANCIAL POSITION	September 30, 2017	March 31, 2017
Current assets	785,363	706,119
Noncurrent assets	957,102	1,025,149
Total assets	1,742,465	1,731,268
Current liabilities	280,340	400,740
Noncurrent liabilities	296,778	234,439
Equity	1,165,347	1,096,089
Total liabilities and equity	1,742,465	1,731,268

STATEMENT OF PROFIT OR LOSS	September 30, 2017
Net revenue	332,240
Cost of sales	(207,929)
Gross profit	124,311
Net operating expenses	(23,478)
Finance income (costs)	(5,454)
Income and social contribution taxes (IRPJ and CSLL)	(26,121)
Net income for the period	69,258

In thousands of reais, unless otherwise stated

FINANCIAL INFORMATION	September 30, 2017	March 31, 2017
Cash and short-term investments	274,550	424,859
Gross debt	445,065	528,075
Depreciation and amortization (including biological assets harvested)	101,963	226,917

11. Biological assets

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

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

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

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

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

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

In thousands of reais, unless otherwise stated

The following significant assumptions were used to determine fair value:

	Company		Consolidated	
	September 30, 2017	March 31, 2017	September 30, 2017	March 31, 2017
Harvest estimated total area (ha)	170,849	169,867	225,417	222,789
Expected productivity (ton/ha)	86.38	85.28	85.76	84.65
Number of Total Recoverable Sugar (ATR) per sugar c	132.92	130.66	133.50	131.41
Projected average price of ATR (R$)	0.6179	0.6396	0.6180	0.6397

At September 30, 2017, the discount rate used to calculate the fair value of biological assets is 8.37% p.a. (9.25% p.a. at March 31, 2017).

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

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

	Company		Consolidated	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Historical cost	467,314	458,097	628,164	458,097
Fair value	(29,658)	12,144	(41,802)	12,144
Biological assets at March 31	437,656	470,241	586,362	470,241
Changes:				
Increase resulting from cultivation	165,030	167,078	215,061	167,078
Transfers from property, plant and equipment	132,943	77,665	173,271	77,665
Change in fair value	(13,197)	1,865	(10,041)	1,865
Fair value surplus - business combination			8,898	
Reductions resulting from harvest	(332,617)	(318,046)	(448,877)	(318,046)
Closing balance of biological assets:	389,815	398,803	524,674	398,803
Represented by:				
Historical cost	432,670	384,794	567,619	384,794
Fair value	(42,855)	14,009	(42,945)	14,009

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.

In thousands of reais, unless otherwise stated

(a) Agricultural partnerships and lease agreements

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

The amounts to be disbursed in respect of these agreements are determined at the end of each crop by the price of a metric ton of sugarcane established by CONSECANA and/or in accordance with the agreement entered into by the parties. At September 30 and March 31, 2017, total estimated payments are as follows:

	Company		Consolidated	
	September 30, 2017	March 31, 2017	September 30, 2017	March 31, 2017
Agricultural partnership:				
Within 1 year	182,082	215,481	235,643	271,496
More than 1 year and less than 5 years	624,595	693,041	811,619	871,817
More than 5 years	561,850	601,786	847,948	816,531
(-) Present value adjustment	(440,930)	(562,460)	(635,922)	(740,804)
	927,597	947,848	1,259,288	1,219,040
Lease agreements:				
Within 1 year	21,759	25,765	22,228	26,080
More than 1 year and less than 5 years	78,360	87,766	80,234	89,025
More than 5 years	83,269	94,565	86,766	97,098
(-) Present value adjustment	(57,839)	(77,020)	(60,090)	(78,876)
	125,549	131,076	129,138	133,327

12. Property, Plant and Equipment (PPE)

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

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

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

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

In thousands of reais, unless otherwise stated

Company	Land	Buildings and outbuildings	Equipment and manufacturing facilities	Inter-crop maintenance	Vehicles	Agricultural machinery and farming implements	Other PPE	Construction in progress	Sugarcane plantation	Total
Balances at March 31, 2016	138,091	219,161	776,308	130,648	166,448	230,249	14,837	50,468	594,914	2,321,124
Acquisition	13,942	-	1,170	170,880	12,562	32,261	1,194	101,717	217,354	551,080
Cost of sale	-	-	(6)	-	(1,854)	(3,778)	(7)	-	-	(5,645)
Transfers between groups	-	33,783	74,303	-	1,710	4,630	3,659	(118,085)	-	-
Capital reduction in Vale do Mogi	4,487	-	-	-	-	-	-	-	-	4,487
Transfer to biological assets	-	-	-	-	-	-	-	-	(96,343)	(96,343)
Depreciation	-	(7,288)	(52,569)	(131,040)	(13,656)	(32,456)	(3,131)	-	-	(240,140)
Balances at March 31, 2017	156,520	245,656	799,206	170,488	165,210	230,906	16,552	34,100	715,925	2,534,563
Total cost	156,520	283,092	1,124,973	170,488	229,200	377,011	57,142	34,100	715,925	3,148,451
Accumulated depreciation	-	(37,436)	(325,767)	-	(63,990)	(146,105)	(40,590)	-	-	(613,888)
Residual value	156,520	245,656	799,206	170,488	165,210	230,906	16,552	34,100	715,925	2,534,563
Acquisition	-	-	976	2,306	3,094	12,515	668	26,521	79,147	125,227
Transfer of biological assets	-	-	-	-	-	-	-	-	10,079	10,079
Cost of sale	-	-	(137)	-	(336)	(1,323)	(18)	-	-	(1,814)
Transfers between groups	-	3,084	16,809	-	95	(4,526)	454	(20,489)	4,573	-
Transfer to biological assets	-	-	-	-	-	-	-	-	(132,943)	(132,943)
Depreciation	-	(4,922)	(46,563)	(140,354)	(8,770)	(17,834)	(1,659)	-	-	(220,102)
Balances at September 30, 2017	156,520	243,818	770,291	32,440	159,293	219,738	15,997	40,132	676,781	2,315,010
Total cost	156,520	286,176	1,142,621	172,794	232,053	388,250	58,246	40,132	676,781	3,153,573
Accumulated depreciation	-	(42,358)	(372,330)	(140,354)	(72,760)	(168,512)	(42,249)	-	-	(838,563)
Residual value	156,520	243,818	770,291	32,440	159,293	219,738	15,997	40,132	676,781	2,315,010
Residual values:										
Historical cost	16,361	181,443	559,394	32,440	131,569	174,971	15,997	40,132	676,781	1,829,088
Surplus	140,159	62,375	210,897	-	27,724	44,767	-	-	-	485,922

In thousands of reais, unless otherwise stated

Consolidated	Land	Buildings and outbuildings	Equipment and manufacturing facilities	Inter-crop maintenance	Vehicles	Agricultural machinery and farming implements	Leasehold improvements	Other PPE	Construction in progress	Sugarcane plantation	Total
Balances at March 31, 2016	1,750,344	223,420	842,050	131,120	166,448	230,249	-	14,838	51,086	594,914	4,004,469
Acquisition	13,942	-	1,216	189,599	13,649	32,284	-	1,261	106,172	227,814	585,937
Cost of sale	(180)	-	(6)	-	(1,975)	(5,180)	-	(7)	-	-	(7,348)
Transfers between groups	-	33,849	77,020	-	1,710	4,639	-	3,733	(120,951)	-	-
Transfer to inventory	(3,148)	-	-	-	-	-	-	-	-	-	(3,148)
Transfer to biological assets	-	-	-	-	-	-	-	-	-	(88,256)	(88,256)
Consolidation of UBV	32,568	132,998	382,659	37,431	56,781	53,351	39,169	5,907	9,498	185,698	936,060
Fair value surplus - business combination	14,755	14,706	42,213	-	4,132	29,449	-	-	-	-	105,255
Depreciation	-	(7,595)	(55,388)	(131,512)	(13,856)	(32,821)	(15)	(3,232)	-		(244,419)
Balances at March 31, 2017	1,808,281	397,378	1,289,764	226,638	226,889	311,971	39,154	22,500	45,805	920,170	5,288,550
Total cost	1,808,281	464,756	1,750,040	226,638	322,855	516,813	88,623	68,587	45,805	920,170	6,212,568
Accumulated depreciation	-	(67,378)	(460,276)	-	(95,966)	(204,842)	(49,469)	(46,087)	-	-	(924,018)
Residual value	1,808,281	397,378	1,289,764	226,638	226,889	311,971	39,154	22,500	45,805	920,170	5,288,550
Acquisition	-	48	1,877	3,022	4,446	24,097	-	895	35,205	103,630	173,220
Cost of sale	(696)	-	(137)	-	(391)	(2,052)	-	(18)	-	-	(3,294)
Transfer of biological assets	-	-	-	-	-	-	-	-	-	15,134	15,134
Transfers between groups	-	3,084	16,809	-	95	(6,094)	-	454	(20,489)	6,141	
Transfers to inventory for sales	-	-	-	-	-	-	-	-	-	-	
Transfer to biological assets	-	-	-	-	-	-	-	-	-	(173,271)	(173,271)
Depreciation	-	(7,443)	(64,701)	(188,811)	(12,590)	(25,667)	(4,557)	(2,413)	-	-	(306,182)
Balances at September 30, 2017	1,807,585	393,067	1,243,612	40,849	218,449	302,255	34,597	21,418	60,521	871,804	4,994,157
Total cost	1,807,585	467,888	1,768,589	229,660	327,005	538,904	88,623	69,918	60,521	871,804	6,230,497
Accumulated depreciation	-	(74,821)	(524,977)	(188,811)	(108,556)	(236,649)	(54,026)	(48,500)	-	-	(1,236,340)
Residual value	1,807,585	393,067	1,243,612	40,849	218,449	302,255	34,597	21,418	60,521	871,804	4,994,157
Residual values:											
Historical cost	148,145	315,165	976,701	40,849	186,799	231,380	34,597	21,418	60,521	871,804	2,887,379
Surplus	1,659,440	77,902	266,911	-	31,650	70,875	-	-	-	-	2,106,778

In thousands of reais, unless otherwise stated

Under the terms of certain borrowing agreements of the Group, property, plant and equipment totaling R$1,220,103 were pledged as collateral, of which R$292,914 refers to rural properties (8,754 hectares of land).

The Group capitalized financial charges amounting to R$1,073 for the period ended September 30, 2017 (R$1,574 for September 30, 2016).

13. Intangible assets

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

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

	Company		Consolidated	
	September 30, 2017	March 31, 2017	September 30, 2017	March 31, 2017
Goodwill on future profitability USL (i)	79,709	79,709	79,709	79,709
Goodwill on future profitability Mirtilo (i)	115,798	115,798	115,798	115,798
Goodwill on future profitability SC (i)	179,126	179,126	179,126	179,126
Software	25,831	25,789	28,530	28,488
Accumulated amortization	(19,868)	(18,280)	(22,410)	(20,782)
Rights on sugarcane contracts (ii)	9,674	10,779	9,674	10,779
Rights on electricity agreements (iii)	-	-	103,401	103,401
Rights on electricity agreements - amortization (iii)	-	-	(37,823)	(27,560)
Other assets	2,999	1,956	7,577	4,983
	393,269	394,877	463,582	473,942

(i) Goodwill related to business combination of prior years of companies merged into the Company;
(ii) Refers to the acquisition of rights on agreements for agricultural partnership and sugarcane supply (2,281 hectares with an exploration period from 2013 to 2017);
(iii) Refers to the fair value of Bio's agreements for electricity supply, effective up to 2025.

In thousands of reais, unless otherwise stated

Impairment of nonfinancial assets

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

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

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

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

Main assumptions used by the Company are as follows:

	Data at March 31, 2017	
Cash-Generating Units	São Martinho and Iracema production units	Santa Cruz production unit
Average growth rate of net operating income	2.42%	3.0%
Nominal growth rate for perpetuity	4.0%	4.0%
Discount rate	10.0%	10.0%

In thousands of reais, unless otherwise stated

14. Loans and financing

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

	Annual charges		Company		Consolidated	
Type	Rate	Index	September 30, 2017	March 31, 2017	September 30, 2017	March 31, 2017
Local currency						
Export credit notes	101.90%	CDI	430,261	495,136	430,261	495,136
BNDES credit facilities	2.95%	TJLP	219,962	232,044	318,079	335,321
BNDES credit facilities	4.91%	Fixed rate	314,919	338,570	454,327	500,334
BNDES credit facilities	4.05%	SELIC	3,745	3,196	4,807	3,989
Rural credit	11.09%	Fixed rate	519,448	275,445	702,165	343,493
Rural product note	10.60%	Fixed rate	-	-	-	162,147
Industrial credit certificate	11.50%	Fixed rate	-	-	2,426	2,986
FINEP	4.00%	Fixed rate	90,269	95,922	90,269	95,922
Agribusiness Receivables Certificate (CRA) (a)	97.56%	CDI	670,967	349,462	670,967	349,462
Agribusiness Receivables Certificate (CRA) (a)	5.22%	IPCA	193,840	-	193,840	-
Other securitized credits	4.50%	IGP-M/fixed rate	29,197	41,826	29,197	41,826
Total in local currency			2,472,608	1,831,601	2,896,338	2,330,616
In foreign currency						
Pre-export financing (PPE)	3.20%	FX differences	713,764	741,329	713,764	741,329
Export credit notes (NCE)	3.26%	FX differences	201,433	584,487	201,433	584,487
International Finance Corporation (IFC) (b)	4.12%	FX differences	288,830	-	288,830	-
FINEM	7.00%	Currency basket	15,746	16,977	51,944	62,628
Total in foreign currency			1,219,773	1,342,793	1,255,971	1,388,444
TOTAL			3,692,381	3,174,394	4,152,309	3,719,060
Current			870,437	1,175,682	1,065,178	1,499,583
Noncurrent			2,821,944	1,998,712	3,087,131	2,219,477

a) Agribusiness Receivables Certificate (CRA)

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

b) Fund raising through IFC

In thousands of reais, unless otherwise stated

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

Changes in borrowings for the period are as follows:

Changes in debt	Company		Consolidated	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Prior balance	3,174,394	3,487,197	3,719,060	3,507,187
Financing taken out	1,034,689	645,810	1,158,771	645,810
Amortization of principal	(547,340)	(561,555)	(749,762)	(563,300)
Amortization of interest	(96,020)	(101,424)	(121,902)	(102,069)
Monetary restatement	122,801	108,274	141,631	108,965
Foreign exchange differences	3,857	(173,717)	4,511	(173,717)
	3,692,381	3,404,585	4,152,309	3,422,876

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

Type	September 30, 2017				March 31, 2017			
	Company		Consolidated		Company		Consolidated	
	Fair value (MtM)	Debt balance (Accrual)	Fair value (MtM)	Debt balance (Accrual)	Fair value (MtM)	Debt balance (Accrual)	Fair value (MtM)	Debt balance (Accrual)
Swap transactions - from fixed rate to floating rate	419,050	425,034	528,765	534,128	171,403	210,794	171,403	210,794
Swap transactions - from libor to fixed rate	47,719	50,707	47,719	50,707	117,101	118,704	117,101	118,704
Swap transactions - from foreign currency to Brazilian reais	199,117	182,135	199,117	182,135	337,221	241,347	337,221	241,347
Swap transactions - from Brazilian reais to foreign currency	-	-	-	-	87,309	61,382	87,309	61,382
Non-swap transactions - local currency	2,005,838	1,996,867	2,319,854	2,311,503	1,559,425	1,440,721	2,058,440	1,939,736
Non-swap transactions - foreign currency	1,020,656	1,037,638	1,056,854	1,073,836	982,742	1,101,446	1,028,393	1,147,097
TOTAL	3,692,380	3,692,381	4,152,309	4,152,309	3,255,201	3,174,394	3,799,867	3,719,060

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

Noncurrent borrowings mature as follows:

	Company	Consolidated
From 10/01/2018 to 09/30/2019	967,155	1,041,935
From 10/01/2019 to 09/30/2020	802,841	924,356
From 10/01/2020 to 09/30/2021	515,532	551,020
From 10/01/2021 to 09/30/2022	139,027	166,767
From 10/01/2022 to 09/30/2023	277,555	281,245
From 10/01/2023 to 02/28/2030	119,834	121,808
	2,821,944	3,087,131

In thousands of reais, unless otherwise stated

At September 30, 2017, R$ 1,896,247 of São Martinho debt is encumbered, of which 44% in equipment, 28% in receivables, 10% land and 18% other.

Covenants

The Company has covenants amounting to R$1,063,371, which are required and determined annually, the conditions of which are met for the period ended September 30, 2017.

15. Trade accounts payable

	Company		Consolidated	
	September 30, 2017	March 31, 2017	September 30, 2017	March 31, 2017
Sugarcane	173,533	58,206	173,142	76,377
Materials, services and other	67,408	44,916	88,414	62,546
	240,941	103,122	261,556	138,923

Out of the total trade accounts payable, R$19,729 and R$346 Company and Consolidated, respectively (R$8,534 and R$267, Company and Consolidated, respectively, at March 31, 2017), refer to related parties, as detailed in Note 9.

16. Obligation and rights with Copersucar

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

In thousands of reais, unless otherwise stated

(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	September 30, 2017	March 31, 2017
REFIS - Copersucar - Restated by reference to SELIC	95,425	99,705
Exchange Bill (LC) - Restated by reference to SELIC	88,598	87,311
Exchange Bill (LC) - Transfer of funds without incurring losses	48,547	48,547
Expenses with tax proceedings	8,583	8,583
Other	2,040	2,039
Total	243,193	246,185
Current liabilities	8,583	8,583
Noncurrent liabilities	234,610	237,602

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

Copersucar was served tax notices in connection with the State value-added tax (ICMS) levied on fuel and industrial ethanol sold through December 31, 2008. The portion attributed to the Company would be R$ 248,743 (amounts estimated and restated to September 30, 2017).

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

(b) Rights:

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

17. Equity

(a) Capital

At September 30, 2017, capital amounted to R$1,549,302 (R$1,494,334 at March 31, 2017) and is represented by 364,011,329 common registered shares, with no par value.

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

At the Special General Meeting held on February 23, 2017, the shareholders approved the issue of 24,023,708 new common registered book-entry shares, with no par value, to be assigned to the shareholders of Nova Fronteira, replacing the shares held by it. In addition, the merger of Nova Fronteira Bioenergia S.A. was approved. This change is justified to the extent that the assets of the parties combined under a single corporate structure will allow the structuring and more efficient use of the assets and operations of the companies involved in order to concentrate all the activities undertaken by Nova Fronteira in the Company, in addition to strengthen the competitive position of the parties, reducing risks to their shareholders and allowing generation of long-term value.

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

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

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

(b) Treasury shares

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

(c) Equity adjustments

- Deemed cost

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

- Hedge accounting fair value

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

(d) Income reserve

Legal reserve

Legal reserve is annually set up with allocation of 5% of net income for the year, capped at 20% of capital. The purpose of the legal reserve is to 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.

In thousands of reais, unless otherwise stated

The amount of this incentive that impacted profit or loss of subsidiary UBV for the period ended September 30, 2017 was R$18,087.

(e) Dividends

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

(f) Stock option plan

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

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

The balances of stock option plans granted and the changes in outstanding stock options for the year period ended September 30, 2017 are as follows:

Plan	4th Plan	5th Plan	6th Plan	7th Plan	8th Plan	Total
Plan issue date	17/12/2012	16/12/2013	15/12/2014	14/12/2015	12/12/2016	
Deadline for exercise (i)	2019	2020	2021	2022	2023	
Fair value of options (R$) (ii)	2,29 - 2,62	2,82 - 3,15	3,80 - 4,20	5,55 - 6,21	5,91 - 6,53	
Options granted (ii)	1,175,178	1,142,436	1,014,264	767,700	779,934	4,879,512
Options exercised (ii)	(844,790)	(383,373)	(58,230)	-	-	(1,286,393)
Outstanding stock options	330,388	759,063	956,034	767,700	779,934	3,593,119
Strike price (ii)	8.37	9.13	12.04	15.87	17.70	

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

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

For the period ended September 30, 2017, no stock options were exercised.

The fair value attributed to these options was determined based on the Black & Scholes pricing model. The Company recognized a stock option expense of R$ 2,224 (R$ 1,977 at September 30, 2016) for the period.

(g) Capital reserve

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

18. Profit sharing program

The Company manages, as part of its policy, a profit sharing program based on operating and financial targets previously agreed upon with its employees. The amount of profit sharing for the periods ended September 30, 2017 and 2016, recorded as operating costs or expenses in the statement of profit or loss, amounted to R$ 21,170 and R$ 18,973 in Company (R$26,531 and R$18,984, in consolidated), 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) Deferred income and social contribution taxes

In thousands of reais, unless otherwise stated

Company	June 30, 2017	Quarter: Recognized in P&L	Quarter: Recognized in equity	September 30, 2017
. Income and social contribution tax losses	40,112	2,052	-	42,164
. Derivative financial instruments	39,614	(9,883)	(45,361)	(15,630)
. Provision for contingencies	22,120	(892)	-	21,228
. Biological assets and agricultural product (change in fair value)	21,153	(397)	-	20,756
. Provision for other obligations	10,144	1,461	-	11,605
. Other assets	2,648	2,829	-	5,477
Total income and social contribution tax assets	135,791	(4,830)	(45,361)	85,600
. Surplus of PPE (Deemed cost)	(170,591)	2,778	-	(167,813)
. Accelerated depreciation incentive	(158,939)	(4,812)	-	(163,751)
. Tax benefit on merged goodwill	(108,088)	(7,590)	-	(115,678)
. Gain on bargain purchase/surplus value - PPA	(51,000)	(453)	-	(51,453)
. Foreign exchange differences	(22,245)	25,099	-	2,854
. Divestiture with deferred taxation	(21,683)	-	-	(21,683)
. Securitized financing	(15,819)	853	-	(14,966)
. Present value adjustment	(1,025)	267	-	(758)
. Other liabilities	(86)	44	-	(42)
Total income and social contribution tax liabilities	(549,476)	16,186	-	(533,290)
Deferred income and social contribution taxes	(413,685)	11,356	(45,361)	(447,690)

Consolidated	June 30, 2017	Quarter: Recognized in P&L	Quarter: Recognized in equity	Quarter: Consolidation adjustment - Rights on electricity agreements	September 30, 2017
. Income and social contribution tax losses	43,685	(1,522)	-	-	42,163
. Derivative financial instruments	39,614	(9,883)	(45,361)	-	(15,630)
. Provision for contingencies	23,775	(1,266)	-	-	22,509
. Biological assets and agricultural product (change in fair value)	13,006	(596)	-	-	12,410
. Employees' profit sharing and bonus	830	569	-	-	1,399
. Provision for other obligations	10,144	1,461	-	-	11,605
. Other assets	3,935	3,380	-	-	7,315
Total income and social contribution tax assets	134,989	(7,857)	(45,361)	-	81,771
. Surplus of PPE (Deemed cost)	(654,409)	2,854	-	-	(651,555)
. Accelerated depreciation incentive	(189,594)	(7,914)	-	-	(197,508)
. Tax benefit on merged goodwill	(108,088)	(7,590)	-	-	(115,678)
. Gain on bargain purchase/surplus value - PPA	(51,000)	(453)	-	-	(51,453)
. Foreign exchange differences	(22,245)	25,099	-	-	2,854
. Divestiture with deferred taxation	(21,683)	-	-	-	(21,683)
. Securitized financing	(15,819)	853	-	-	(14,966)
. Present value adjustment	(1,025)	267	-	-	(758)
. Other liabilities	(452)	825	-	-	373
. Intangible assets	(25,427)	-	-	1,816	(23,611)
. Gain due to change in ownership interest - CTC	(4,964)	-	-	-	(4,964)
Total income and social contribution tax liabilities	(1,094,706)	13,941	-	1,816	(1,078,949)
Deferred income and social contribution taxes	(959,717)	6,084	(45,361)	1,816	(997,178)
Other deferred taxes	-	-	-	-	(679)

In thousands of reais, unless otherwise stated

Company	March 31, 2017	Six-month period: Recognized in P&L	Six-month period: Recognized in equity	September 30, 2017
. Income and social contribution tax losses	48,926	(6,762)	-	42,164
. Derivative financial instruments	40,581	(21,342)	(34,869)	(15,630)
. Provision for contingencies	22,108	(880)	-	21,228
. Biological assets and agricultural product (change in fair value)	11,576	9,180	-	20,756
. Provision for other obligations	7,514	4,091	-	11,605
. Other assets	4,170	1,307	-	5,477
Total income and social contribution tax assets	134,875	(14,406)	(34,869)	85,600
. Surplus of PPE (Deemed cost)	(173,366)	5,553	-	(167,813)
. Accelerated depreciation incentive	(157,612)	(6,139)	-	(163,751)
. Tax benefit on merged goodwill	(100,498)	(15,180)	-	(115,678)
. Gain on bargain purchase/surplus value - PPA	(48,478)	(2,975)	-	(51,453)
. Foreign exchange differences	(27,758)	30,612	-	2,854
. Divestiture with deferred taxation	(21,683)	-	-	(21,683)
. Securitized financing	(17,025)	2,059	-	(14,966)
. Present value adjustment	(1,344)	586	-	(758)
. Other liabilities	(131)	89	-	(42)
Total income and social contribution tax liabilities	(547,895)	14,605	-	(533,290)
Deferred income and social contribution taxes	(413,020)	199	(34,869)	(447,690)

Consolidated	March 31, 2017	Six-month period: Recognized in P&L	Six-month period: Recognized in equity	Six-month period: Consolidation adjustment – Rights on electricity agreements	September 30, 2017
. Income and social contribution tax losses	53,454	(11,291)	-	-	42,163
. Derivative financial instruments	40,581	(21,342)	(34,869)	-	(15,630)
. Provision for contingencies	23,895	(1,386)	-	-	22,509
. Biological assets and agricultural product (change in fair value)	6,208	6,202	-	-	12,410
. Employees' profit sharing and bonus	507	892	-	-	1,399
. Provision for other obligations	7,514	4,091	-	-	11,605
. Other assets	6,032	1,283	-	-	7,315
Total income and social contribution tax assets	138,191	(21,551)	(34,869)	-	81,771
. Surplus of PPE (Deemed cost)	(370,919)	5,688	(286,324)	-	(651,555)
. Accelerated depreciation incentive	(180,799)	(16,709)	-	-	(197,508)
. Tax benefit on merged goodwill	(100,498)	(15,180)	-	-	(115,678)
. Gain on bargain purchase/surplus value - PPA	(48,478)	(2,975)	-	-	(51,453)
. Foreign exchange differences	(27,758)	30,612	-	-	2,854
. Divestiture with deferred taxation	(21,683)	-	-	-	(21,683)
. Securitized financing	(17,025)	2,059	-	-	(14,966)
. Present value adjustment	(1,344)	586	-	-	(758)
. Other liabilities	(286)	659	-	-	373
. Intangible assets	(27,818)	-	-	4,207	(23,611)
. Gain due to change in ownership interest - CTC	(4,726)	(238)	-	-	(4,964)
Total income and social contribution tax liabilities	(801,334)	4,502	(286,324)	4,207	(1,078,949)
Deferred income and social contribution taxes	(663,143)	(17,049)	(321,193)	4,207	(997,178)
Other deferred taxes	-	-	-	-	(679)

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

In thousands of reais, unless otherwise stated

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

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

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

(b) Reconciliation of income and social contribution taxes

	Company			
	September 30, 2017	September 30, 2017	September 30, 2016	September 30, 2016
	Quarter	Six-month period	Quarter	Six-month period
Pretax income	36,873	183,517	70,166	106,614
Income and social contribution taxes at nominal rates (34%)	(12,537)	(62,396)	(23,856)	(36,249)
Adjustments for calculation of effective tax rate:				
. Equity pickup	26,534	47,734	22,595	40,163
. Other permanent exclusions/(additions), net	1,094	3,527	124	(2,230)
. IRPJ and CSLL previously unused credits recorded	1,126	(2,654)		
. Other	6	16	(129)	271
. Tax incentives	(81)	144	13	13
Income and social contribution tax expense	16,142	(13,629)	(1,253)	1,968
Current income and social contribution taxes	4,786	(13,828)	-	-
Deferred income and social contribution taxes	11,356	199	(1,253)	1,968
Income and social contribution tax effective rate	-43.8%	7.4%	1.8%	-1.8%

In thousands of reais, unless otherwise stated

	Consolidated			
	September 30, 2017	September 30, 2017	September 30, 2016	September 30, 2016
	Quarter	Six-month period	Quarter	Six-month period
Pretax income	53,074	213,985	73,538	112,821
Income and social contribution taxes at nominal rates (34%)	(18,045)	(72,755)	(25,003)	(38,359)
Adjustments for calculation of effective rate:				
. Equity pickup	33	(610)	9,213	15,755
. Other permanent exclusions/(additions), net	1,049	3,422	124	(2,230)
. State government grant	4,305	6,150	-	-
. Adjustment to the calculation of subsidiary whose taxable profit is comp	11,300	21,929	11,496	20,924
. Income in inventories	-	-	(339)	(613)
. IRPJ and CSLL previously unused credits recorded	1,126	(2,656)	-	-
. Other	254	278	(129)	271
. Tax incentives	(81)	145	13	13
Income and social contribution tax expenses	(59)	(44,097)	(4,625)	(4,239)
Current income and social contribution taxes	(6,143)	(27,048)	(2,954)	(5,580)
Deferred income and social contribution taxes	6,084	(17,049)	(1,671)	1,341
Income and social contribution tax effective rate	0.1%	20.6%	6.3%	3.8%

20. Commitments

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

Riparian forests and land for legal reserve

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

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

Ethanol supply agreement

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

Sureties granted

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

Electricity supply

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

Purchase of inputs

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

21. Provision for contingencies

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

21.1 Probable losses

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

In thousands of reais, unless otherwise stated

						Company
	March 31, 2017	Additions	Reversals	Use	Restatements	September 30, 2017
Tax	11,571	5	(241)	(5)	132	11,462
Civil and environmental	3,363	736	(443)	(736)	(72)	2,848
Labor	51,643	11,269	(5,642)	(6,834)	(755)	49,681
Total	66,577	12,010	(6,326)	(7,575)	(695)	63,991
Judicial deposits	24,707	2,593	-	(3,930)	475	23,845

						Consolidated
	March 31, 2017	Additions	Reversals	Use	Restatements	September 30, 2017
Tax	18,222	24	(241)	(3,381)	299	14,923
Civil and environmental	26,597	846	(1,604)	(833)	821	25,827
Labor	56,896	13,761	(7,185)	(8,817)	(965)	53,690
Total	101,715	14,631	(9,030)	(13,031)	155	94,440
Judicial deposits	32,423	3,505	-	(8,506)	555	27,977

Judicial deposits are monetarily restated and reported in noncurrent assets.

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

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

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

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

In thousands of reais, unless otherwise stated

21.2 Possible losses

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

Tax proceedings:

		Company				Consolidated			
		September 30, 2017		March 31, 2017		September 30, 2017		March 31, 2017	
Nature		Number of proceedings	Amount	Number of proceedings	Amount	Number of proceedings	Amount	Number of proceedings	Amount
(i)	Social security contribution	13	185,616	14	213,013	13	185,615	14	213,013
(ii)	Calculation of IRPJ/CSLL	5	249,309	5	236,777	5	249,309	5	236,777
(iii)	Offset of federal taxes	41	55,405	33	33,621	42	55,552	34	33,761
(iv)	ICMS	4	2,485	3	2,360	5	13,667	4	12,980
(v)	Other tax proceedings	39	27,471	41	23,078	39	27,471	43	25,713
	TOTAL	102	520,286	96	508,849	104	531,614	100	522,244

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

(ii) These refer to exclusion of expenses on securitized financing, as well as expenses arising from the benefit of accelerated tax-incentive depreciation from the Corporate Income Tax (IRPJ) and Social Contribution Tax on Net Profit (CSLL) bases.

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

In thousands of reais, unless otherwise stated

Civil, labor and environmental proceedings:

	Company				Consolidated			
	September 30, 2017		March 31, 2017		September 30, 2017		March 31, 2017	
Nature	Number of proceedings	Amount	Number of proceedings	Amount	Number of proceedings	Amount	Number of proceedings	Amount
Environmental	39	7,086	36	6,840	40	7,282	37	7,036
Civil								
Indemnities	23	12,959	21	11,572	24	12,993	21	11,571
Review of contracts	7	7,586	6	7,390	8	7,586	7	7,390
Other civil proceedings	15	1,119	12	1,046	18	1,158	13	1,046
Labor	24	657	20	-	27	657	21	-
TOTAL	108	29,407	95	26,848	117	29,676	99	27,043

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

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

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

22. Derivative financial instruments and risk management

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

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

22.1 Market risks

In thousands of reais, unless otherwise stated

(a) Currency risk

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

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

Assets and liabilities subject to foreign exchange difference

The table below summarizes foreign currency-denominated assets and liabilities (in US dollars - US$), recorded in the consolidated statement of financial position at September 30, 2017:

Consolidated	R$	Thousands of US$ equivalent
Current and noncurrent assets		
Cash and cash equivalents (banks - demand deposits)	309,466	97,685
Trade accounts receivable	55,218	17,430
Derivative financial instruments	110,721	34,950
Total assets	475,405	150,065
Current and noncurrent liabilities:		
Loans and financing	1,255,971	396,531
Derivative financial instruments	24,974	7,885
Total liabilities	1,280,945	404,416
Subtotal assets (liabilities)	(805,540)	(254,351)
(-) Borrowings linked to exports - ACC and PPE	1,204,027	380,131
Net exposure - assets	398,487	125,780

These assets and liabilities were restated and recorded in the quarterly information at September 30, 2017 at the exchange rate in effect on that date, of R$3.1680 per US$1.00 for assets and R$3.1674 per US$1.00 for liabilities.

In thousands of reais, unless otherwise stated

(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 September 30, 2017, the prices of 476,171 tons of sugar had been determined with commercial partners for delivery in 17/18 crop, priced at an average of 17.02 ¢/lb (US dollar cents per pound weight).

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

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

(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$/US$	15,476	77,378	154,756
Trade accounts receivable	Decrease in exchange rate - R$/US$	2,761	13,807	27,614
Borrowings	Increase in exchange rate - R$/US$	(752)	(3,762)	(7,524)
Derivative financial instruments				
Non-Deliverable Forwards (NDF)	Increase in future price of commodities	(8)	(42)	(84)
Swap contracts (a)	Decrease in exchange rate - R$/US - and increase in interest curve	(6,877)	(7,161)	(7,635)
Net exposure		10,600	80,220	167,127

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

(e) Financial instruments

The Company opted for hedge accounting to recognize part of its financial instruments. The instruments elected for designation are: a) derivatives of sugar, ethanol and foreign currency - US dollar; and b) foreign currency debts - US dollar - that cover sales of the 2017/2018 to 2020/2021 crops and were classified as cash flow hedge of highly probable expected transactions (future sales).

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

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

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

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

In thousands of reais, unless otherwise stated

Consolidated	September 30, 2017			
	Contracted amount/volume	Average price/rate	Notional value - R$	Fair value - R$
In current assets - Gain				
Margin deposit				7,518
Merchandise futures contracts - Sugar #11 - Commodities Exc				
. Sale commitment	292,876	16.88	308,288	54,368
. Purchase commitment	9,906	13.92	8,599	129
Merchandise futures contracts - Ethanol				
. Sale commitment	6,480	1,588.75	343,170	81
Merchandise forward contracts - Sugar #11				
. Sale commitment	19,813	15.39	19,015	1,117
Non-Deliverable Forward (NDF) - Dollar - OTC				
. Sale commitment	265,526	3.3418	887,335	38,625
. Purchase commitment	387	3.1684	1,226	7
Merchandise options contracts - Sugar #11 - Commodities Exchange				
. Bidding position in call options	7,620	18.50	8,791	37
Swap contracts - interest - OTC				8,811
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN CURRENT ASSETS				110,693
In noncurrent assets - Gain				
Non-Deliverable Forward (NDF) - Dollar - OTC				
. Sale commitment	3,681	3.3397	12,293	28
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN NONCURRENT ASSETS				28

Consolidated	September 30, 2017			
	Contracted amount/volume	Average price/rate	Notional value - R$	Fair value - R$
In current liabilities - Loss				
Merchandise futures contracts - Sugar #11 - Commodities Exchange				
. Purchase commitment	29,211	16.25	29,601	4,379
Non-Deliverable Forward (NDF) - Dollar - OTC				
. Sale commitment	29,616	3.2128	95,150	1,039
Merchandise options contracts - Sugar #11 - Commodities Exchange				
. Written position in call options	7,620	19.50	9,266	21
Swap contracts - interest - OTC				19,186
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN CURRENT LIABILITIES				24,625
In noncurrent liabilities - Loss				
Non-Deliverable Forward (NDF) - Dollar - OTC				
. Sale commitment	10,086	3.2856	33,139	349
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN NONCURRENT LIABILITIES				349

In thousands of reais, unless otherwise stated

Company and Consolidated	March 31, 2017 Contracted amount/volume	Average price/rate	Notional value - R$	Fair value - R$
In current assets - Gain				
Merchandise futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	309,437	19.29	372,272	46,121
. Purchase commitment	762	16.65	791	6
Merchandise forward contracts - Sugar #11				
. Sale commitment	152,966	18.55	176,968	17,975
Non-Deliverable Forward (NDF) - Dollar - OTC				
. Sale commitment	281,704	3.5483	999,570	85,528
Merchandise options contracts - Sugar #11 - Commodities Exchange				
. Bidding position in call options	5,080	19.75	6,257	4
. Bidding position in put options	64,519	20.24	81,443	15,697
Swap contracts - interest - OTC				7,586
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN CURRENT ASSETS				172,917
In noncurrent assets - Gain				
Swap contracts - interest - OTC				27
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN NONCURRENT ASSETS				27

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

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

In thousands of reais, unless otherwise stated

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

At September 30, 2017, breakdown of financial instruments designated for hedge accounting is as follows:

Company and Consolidated	Assets	Liabilities	TOTAL in other comprehensive income
Financial instruments:			
Commodity derivatives - Futures, options and forward contracts	77,008	19,849	57,159
Foreign exchange derivatives - Options / NDF	66,454	1,425	65,029
Foreign exchange differences on borrowing agreements (Trade Finance)	-	98,942	(98,942)
	143,462	120,216	23,246
Deferred taxes on the items above	(48,777)	(40,873)	(7,904)
	94,685	79,343	15,342

(f) Estimated realization

At September 30, 2017, impacts reported in the Company's equity and estimated realization in profit or loss are as follows:

Company and Consolidated	2017/2018 Crop	2018/2019 Crop	2019/2020 Crop	2020/2021 Crop	From 2021/2022 crop onwards	TOTAL
Derivative financial instruments:						
Commodity derivatives - Futures, options and forward contracts	51,953	5,206	-	-	-	57,159
Foreign exchange derivatives - Options / NDF	65,935	(906)	-	-	-	65,029
Foreign exchange differences on borrowing agreements (Trade Fina	(9,050)	(60,947)	(30,659)	7,926	(6,212)	(98,942)
	108,838	(56,647)	(30,659)	7,926	(6,212)	23,246
Deferred taxes on the items above	(37,005)	19,260	10,424	(2,695)	2,112	(7,904)
	71,833	(37,387)	(20,235)	5,231	(4,100)	15,342

22.2 Credit risk

Credit risk management consists of contracting only with top-tier financial institutions which meet the Group's risk assessment criteria. The Group controls, on a monthly basis, its exposure in derivatives and financial investments, using maximum concentration criteria based on the rating of the financial institution.

With respect to customers default risk, the Group assesses the credit risk associated with each customer annually, and whenever a new customer is included in its base, establishing an individual credit limit based on the risk identified.

22.3 Liquidity risk

The Finance Department monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet its operational needs and short-term debt.

Cash surplus in local currency is invested in repurchase agreements backed by corporate bonds, Bank Deposit Certificates (CDB) and investment funds pegged to the CDI interest rate, with high liquidity and active trading in the market.

Cash surplus in foreign currency is invested with daily liquidity at fixed rates previously established.

The following table analyzes the Group's financial liabilities, by maturity ranges, corresponding to the remaining period in the statement of financial position to the contractual maturity date.

In thousands of reais, unless otherwise stated

Company	Within 1 year	From 1 to 2 years	From 2 to 5 years	Above 5 years	Total
At September 30, 2017					
Loans and financing	870,437	967,155	1,457,400	397,389	3,692,381
Derivative financial instruments	24,625	349	-	-	24,974
Trade accounts payable	240,941	-	-	-	240,941
Acquisition of ownership interest	11,812	11,620	34,860	3,650	61,942
Other liabilities	15,364			12,778	28,142
	1,163,179	979,124	1,492,260	413,817	4,048,380
At March 31, 2017					
Loans and financing	1,175,682	533,209	1,357,928	107,575	3,174,394
Derivative financial instruments	76,097	5	-	-	76,102
Trade accounts payable	103,122	-	-	-	103,122
Acquisition of ownership interest	11,958	11,620	34,860	3,650	62,088
Other liabilities	17,714	-	-	13,044	30,758
	1,384,573	544,834	1,392,788	124,269	3,446,464

Consolidated	Within 1 year	From 1 to 2 years	From 2 to 5 years	Above 5 years	Total
At September 30, 2017					
Borrowings	1,065,178	1,041,935	1,642,143	403,053	4,152,309
Derivative financial instruments	24,625	349	-	-	24,974
Trade accounts payable	261,556	-	-	-	261,556
Acquisition of ownership interest	11,812	11,620	34,860	3,650	61,942
Other liabilities	23,341	-	-	12,778	36,119
	1,386,512	1,053,904	1,677,003	419,481	4,536,900
At March 31, 2017					
Borrowings	1,499,583	626,208	1,470,372	122,897	3,719,060
Derivative financial instruments	76,097	-	-	-	76,097
Trade accounts payable	138,923	-	-	-	138,923
Acquisition of ownership interest	11,958	11,620	34,860	3,650	62,088
Other liabilities	28,659	-	-	13,044	41,703
	1,755,220	637,828	1,505,232	139,591	4,037,871

In thousands of reais, unless otherwise stated

22.4 Capital management

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

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

23. Financial instrument classification and fair value

23.1 Classification

Financial assets and liabilities are classified as follows:

			Company
	Classification	September 30, 2017	March 31, 2017
Financial assets			
Cash and cash equivalents	Loans and receivables	327,277	142,020
Short-term investments	Fair value through profit or loss	711,060	549,143
Trade accounts receivable	Loans and receivables	96,071	135,972
Derivative financial instruments	Fair value through profit or loss	110,111	172,944
Transactions with related parties	Loans and receivables	2,687	4,623
Other assets, except for prepayments	Loans and receivables	4,167	3,722
		1,251,373	1,008,424
Financial liabilities			
Borrowings	Liabilities at amortized cost	3,692,381	3,174,394
Derivative financial instruments	Fair value through profit or loss	24,974	76,102
Trade accounts payable	Other financial liabilities	240,941	103,122
Acquisition of ownership interests	Other financial liabilities	61,942	62,088
Other liabilities	Other financial liabilities	28,142	30,758
		4,048,380	3,446,464

In thousands of reais, unless otherwise stated

			Consolidated
	Classification	September 30, 2017	March 31, 2017
Financial assets			
Cash and cash equivalents	Loans and receivables	327,559	142,454
Short-term investments	Fair value through profit or loss	1,085,515	1,053,780
Trade accounts receivable	Loans and receivables	236,728	194,678
Derivative financial instruments	Fair value through profit or loss	110,721	172,944
Other assets, except for prepayments	Loans and receivables	5,754	3,881
		1,766,277	1,567,737
Financial liabilities			
Borrowings	Liabilities at amortized cost	4,152,309	3,719,060
Derivative financial instruments	Fair value through profit or loss	24,974	76,102
Trade accounts payable	Other financial liabilities	261,556	138,923
Acquisition of ownership interests	Other financial liabilities	61,942	62,088
Other liabilities	Other financial liabilities	36,119	41,703
		4,536,900	4,037,876

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

23.2 Fair value

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

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

For the period ended September 30, 2017, there is no reclassification of assets and liabilities at fair value from or to Level 1, 2 or 3.

In thousands of reais, unless otherwise stated

As per statement of financial position	September 30, 2017			March 31, 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Short-term investments	-	1,085,515	-	-	1,053,780	-
Margin deposit	-	7,518	-	-	-	-
Derivative financial instruments	54,534	48,669	-	61,828	111,116	-
Biological assets	-	-	524,674	-	-	586,362
	54,534	1,141,702	524,674	61,828	1,164,896	586,362
Liabilities - Derivative financial instruments	4,400	20,574	-	6,176	69,926	-

Futures and Options on the ICE

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

Foreign exchange options

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

Forward contracts

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

Other financial assets and liabilities

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

24. Segment reporting (consolidated)

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

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

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

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

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

In thousands of reais, unless otherwise stated

Consolidated profit or loss by segment

							September 30, 2017
Consolidated	Sugar	Ethanol	Electricity	Real estate ventures	Other products	Not by segment	Total
Gross revenue							
Domestic market	93,509	645,456	156,185	2,949	32,627	-	930,726
Foreign market	666,215	16,688	-	-	4,118	-	687,021
Gain/loss on derivatives	(9,815)	-	-	-		-	(9,815)
Amortization of electric power supply agreement	-	-	-	-	-	(6,774)	(6,774)
(-)Taxes, contributions and deductions on sales	(9,089)	(146,004)	(11,961)	(647)	(7,166)	-	(174,867)
Net revenue	740,820	516,140	144,224	2,302	29,579	(6,774)	1,426,291
Cost of sales	(503,893)	(424,689)	(25,767)	(153)	(23,086)		(977,588)
Change in market value of biological assets	-	-	-	-	-	(9,337)	(9,337)
Gross profit	236,927	91,451	118,457	2,149	6,493	(16,111)	439,366
Gross margin	31.98%	17.72%	82.13%	93.35%	21.95%	-	30.80%
Selling expenses	(46,389)	(5,215)	(4,917)	-	(411)	-	(56,932)
Other operating expenses	-	-	-	-	-	(91,607)	(91,607)
Operating income	190,538	86,236	113,540	2,149	6,082	(107,718)	290,827
Operating margin	25.72%	16.71%	78.72%	93.35%	20.56%	-	20.39%
Other income and expenses not by segment	-	-	-	-	-	(120,939)	(120,939)
Net income for the year	-	-	-	-	-	-	169,888

							September 30, 2016
Consolidated	Sugar	Ethanol	Electricity	Real estate ventures	Other products	Not by segment	Total
Gross revenue							
Domestic market	74,484	312,305	74,023	19,504	66,902	-	547,218
Foreign market	716,702	61,173	-	-	-	-	777,875
Gain/loss on derivatives	(115,683)	-	-	-	-	-	(115,683)
Amortization of electric power supply agreement	-	-	-	-	-	(7,609)	(7,609)
(-)Taxes, contributions and deductions on sales	(5,529)	(20,212)	(4,276)	(1,391)	(11,973)	-	(43,381)
Net revenue	669,974	353,266	69,747	18,113	54,929	(7,609)	1,158,420
Cost of sales	(502,028)	(301,970)	(16,422)	(3,242)	(20,117)	-	(843,779)
Change in market value of biological assets						10,350	10,350
Gross profit	167,946	51,296	53,325	14,871	34,812	2,741	324,991
Gross margin	25.07%	14.52%	76.45%	82.10%	63.38%	-	28.05%
Selling expenses	(45,389)	(7,740)	(1,051)	-	-	-	(54,180)
Other operating expenses	-	-	-	-	-	(30,367)	(30,367)
Operating income	122,557	43,556	52,274	14,871	34,812	(27,626)	240,444
Operating margin	18.29%	12.33%	74.95%	82.10%	63.38%	-	20.76%
Other income and expenses not by segment	-	-	-	-	-	(131,862)	(131,862)
Net income for the year	-	-	-	-	-	-	108,582

Consolidated operating assets by segment

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

In thousands of reais, unless otherwise stated

September 30, 2017	Sugar	Ethanol	Electricity	Real estate ventures	Not by segment	Total
Trade accounts receivable	68,801	69,523	57,445	27,845	13,114	236,728
Inventories	542,042	651,093	-	6,245	8,659	1,208,039
Biological assets	258,192	266,482	-	-	-	524,674
Property, plant and equipment	2,544,957	2,306,097	131,251	-	11,852	4,994,157
Intangible assets	234,354	163,495	65,576	157	-	463,582
Total assets allocated	3,648,346	3,456,690	254,272	34,247	33,625	7,427,180
Other unallocated assets	-	-	-	-	1,972,729	1,972,729
Total	3,648,346	3,456,690	254,272	34,247	2,006,354	9,399,909

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

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

25. Revenues

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

(i) Sales of products and rendering of services

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

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

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

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

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

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

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

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

In thousands of reais, unless otherwise stated

	Company				Consolidated			
	September 30, 2017		September 30, 2016		September 30, 2017		September 30, 2016	
	Quarter	Six-month period	Quarter	Six-month period	Quarter	Six-month period	Quarter	Six-month period
Gross sales revenue								
Domestic market	197,645	490,602	239,213	475,889	466,891	930,726	282,032	547,218
Foreign market	252,252	687,021	408,385	777,875	252,252	687,021	408,385	777,875
Gain/loss on derivatives	(46,940)	(9,815)	(59,733)	(115,683)	(46,940)	(9,815)	(59,733)	(115,683)
	402,957	1,167,808	587,865	1,138,081	672,203	1,607,932	630,684	1,209,410
Amortization of electric power supply agreement (i)	-	-	-	-	(3,484)	(6,774)	(3,915)	(7,609)
	402,957	1,167,808	587,865	1,138,081	668,719	1,601,158	626,769	1,201,801
Taxes, contributions and deductions on sales	(25,539)	(131,104)	(19,949)	(38,325)	(54,694)	(174,867)	(23,095)	(43,381)
	377,418	1,036,704	567,916	1,099,756	614,025	1,426,291	603,674	1,158,420

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

26. Costs and expenses by nature

Reconciliation of expenses by nature is as follows:

	Company				Consolidated			
	September 30, 2017		September 30, 2016		September 30, 2017		September 30, 2016	
	Quarter	Six-month period	Quarter	Six-month period	Quarter	Six-month period	Quarter	Six-month period
Raw material and consumer and in-use materials	140,617	336,855	198,098	364,390	169,268	375,542	184,775	339,419
Personnel expenses	64,473	150,238	85,901	169,845	83,314	182,509	86,628	171,430
Depreciation and amortization (including biological assets harvested)	117,180	276,929	144,531	274,977	184,557	386,612	145,714	277,148
Third-party services	28,711	66,785	34,743	66,883	32,170	70,704	34,949	67,223
Maintenance services and parts	14,485	35,869	21,697	43,071	21,790	48,369	21,756	43,261
Litigation	2,774	5,706	1,591	1,194	2,615	5,701	1,591	1,194
Change in fair value of biological assets	(1,166)	26,996	(1,297)	(9,240)	(6,202)	9,337	(1,297)	(9,240)
Materials for resale	4,462	7,194	3,206	33,851	7,620	12,779	4,380	35,756
Cost of land sold	-		-	-	96	153	2,957	3,242
Other expenses	9,604	13,116	19,209	33,033	28,824	43,206	23,243	37,541
	381,140	919,688	507,679	978,004	524,052	1,134,912	504,696	966,974
Classified as:								
Cost of sales	325,914	800,398	443,688	850,930	450,045	986,925	435,662	833,429
Selling expenses	22,535	49,053	27,725	53,377	27,918	56,932	28,024	54,180
General and administrative expenses	32,691	70,237	36,266	73,697	46,089	91,055	41,010	79,365
	381,140	919,688	507,679	978,004	524,052	1,134,912	504,696	966,974

27. Finance income (costs)

	Company				Consolidated			
	September 30, 2017		September 30, 2016		September 30, 2017		September 30, 2016	
	Quarter	Six-month period	Quarter	Six-month period	Quarter	Six-month period	Quarter	Six-month period
Finance income								
Interest income	23,863	56,699	25,075	52,520	30,770	75,621	28,428	59,376
Bank surety commission	-	-	611	1,204	-	-	611	1,204
PIS/COFINS on finance income	(2,206)	(4,474)	(1,203)	(2,569)	(2,449)	(5,176)	(1,226)	(2,642)
Other revenues	2,178	4,826	558	1,916	2,981	5,651	1,289	4,012
	23,835	57,051	25,041	53,071	31,302	76,096	29,102	61,950
Finance costs								
Present value adjustment	(784)	(1,721)	(960)	(1,871)	(784)	(1,721)	(960)	(1,871)
Interest on borrowings	(57,166)	(120,992)	(54,954)	(102,692)	(64,748)	(139,652)	(55,294)	(103,383)
Interest on payment in installment -	(1,906)	(3,610)	(4,285)	(8,396)	(1,906)	(3,610)	(4,285)	(8,396)
Interest expense	(8,197)	(15,541)	(11,570)	(22,527)	(9,245)	(17,112)	(11,570)	(22,530)
Bank surety commission	(2,024)	(6,867)	(451)	(746)	(2,200)	(7,105)	(451)	(746)
Other costs	(2,394)	(6,075)	(7,173)	(12,707)	(3,172)	(7,795)	(7,174)	(12,813)
	(72,471)	(154,806)	(79,393)	(148,939)	(82,055)	(176,995)	(79,734)	(149,739)
Monetary variation and foreign exchange differences, net								
Cash and cash equivalents	(6,759)	3,874	(2,824)	(11,534)	(6,759)	3,874	(2,824)	(11,534)
Trade accounts receivable/payable	(1,077)	(884)	2,214	(5,295)	(1,077)	(884)	2,214	(5,295)
Borrowings	28,827	22,819	(4,374)	22,576	30,471	22,164	(4,374)	22,576
	20,991	25,809	(4,984)	5,747	22,635	25,154	(4,984)	5,747
Derivatives - not designated for hedge accounting								
Gain (loss) on sugarcane transactions	(36)	(874)	(1,902)	2,242	(36)	(874)	(1,902)	2,242
Gain (loss) on ethanol transactions		(51)	-	-	-	(51)	-	-
Income from foreign exchange transactions	3,801	2,234	8,338	16,569	3,801	2,234	8,338	16,569
Gain (loss) on swap	(13,262)	(2,036)	(4,598)	(52,968)	(12,652)	(1,426)	(4,598)	(52,968)
Cost of stock exchange transactions	(164)	(366)	(743)	(1,511)	(164)	(366)	(743)	(1,511)
Foreign exchange differences, net	(386)	(614)	(87)	(9,914)	(386)	(614)	(86)	(9,913)
	(10,047)	(1,707)	1,008	(45,582)	(9,437)	(1,097)	1,009	(45,581)
Finance income (costs)	(37,692)	(73,653)	(58,328)	(135,703)	(37,555)	(76,842)	(54,607)	(127,623)

28. Earnings per share

	September 30, 2017		September 30, 2016	
	Quarter	Six-month period	Quarter	Six-month period
Income for the period attributed to Company shareholders	53,015	169,888	68,913	108,582
Weighted average number of common shares for the period - in thousand (i)	334,556	334,556	337,533	337,710
Basic earnings per share (in reais)	0.1585	0.5078	0.2042	0.3215

	September 30, 2017		September 30, 2016	
	Quarter	Six-month period	Quarter	Six-month period
Income for the period used to determine diluted earnings per share	53,015	169,888	68,913	108,582
Weighted average number of common shares for diluted earnings per share - in thousands (i)	335,440	335,433	338,430	338,640
Diluted earnings per share (in reais)	0.1580	0.5065	0.2036	0.3206

In thousands of reais, unless otherwise stated

(i) Weighted average includes potentially dilutive call options.

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

29. Insurance coverage

The Group maintains a standard safety, training and quality program in its units, which aims, among other things, to reduce the risk of accidents. Furthermore, it maintains insurance contracts at amounts considered sufficient to cover significant losses, if any, on its assets and liabilities. Insured amounts at September 30, 2017 are as follows:

Maximum coverage (i)		
Covered perils	Company	Consolidated
Civil liability	2,232,053	2,946,706
Loss of profits	2,346,000	3,128,000
Fire, lightning and explosion of any nature	1,515,000	2,020,000
Other insurance coverage	1,810,396	2,427,914
Electric damages	1,227,612	1,637,459
Theft or larceny	250,243	339,816
Natural phenomena, vehicle or aircraft crash, etc.	144,000	192,000

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

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

30. Acquisition and divestiture - payables and receivables

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

In thousands of reais, unless otherwise stated

	Payables				Receivables				
	Balance at March 31, 2017	Monetary restatement	Amortization (interest)	Balance at September 30, 2017	Balance at March 31, 2017	Monetary restatement	Amortization (interest)	Balance at September 30, 2017	Net balance
Santa Cruz - acquisition of ownership interest - 56.05%	(219,663)	(10,431)	10,945	(219,149)	-	-	-	-	(219,149)
Agro Pecuária Boa Vista - divestiture	-	-	-	-	157,575	7,485	(7,853)	157,207	157,207
TOTAL with related party LOP	(219,663)	(10,431)	10,945	(219,149)	157,575	7,485	(7,853)	157,207	(61,942)
								Current Liabilities	(11,812)
								Noncurrent liabilities	(50,130)
									(61,942)

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

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