

Usina Santa Fé S.A.
Agropecuária Nova Europa S.A.

Combined financial statements
March 31, 2017

(A free translation of the original report in Portuguese)

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Independent auditors' report on the combined financial statements

To
The Executive Board and Shareholders of
Santa Fé Group
Nova Europa – SP

Opinion

We have examined the combined financial statements of agribusiness operations of Santa Fé Group ("Group"), including the companies Usina Santa Fé S.A. e Agropecuária Nova Europa S.A., comprising the combined balance sheet as of March 31, 2017 and the related combined statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, as well as the corresponding notes, comprising the significant accounting policies and other clarifying information.

In our opinion, the aforementioned combined financial statements present fairly, in all material respects, the financial position of Santa Fé Group as of March 31, 2017, the combined performance of its operations and its combined cash flows, for the year then ended, in conformity accounting practices adopted in Brazil.

Basis for opinion on the combined financial statements

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are independent of the Group in accordance with the relevant ethical requirements included in the Accountant Professional Code of Ethics ("Código de Ética Profissional do Contador") and in the professional standards issued by the Brazilian Federal Accounting Council ("Conselho Federal de Contabilidade"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Other issues

Statements of added value

Combined statements of added value for the year ended March 31, 2017, prepared under responsibility of Group's management and presented as supplementary information, were submitted to audit procedures carried out jointly with the audit of Group's combined financial statements. In order to form our opinion, we evaluated whether these combined statements are reconciled with the combined financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in CPC 09 - Technical Pronouncement - Statement of Added Value. In our opinion, these combined statements of added value were adequately prepared, in all material respects, according to criteria defined in this Technical Pronouncement, and are consistent with combined financial statements taken as a whole.

Emphasis of matter - Restriction on distribution or use

We draw your attention to Note 2, which describes the Basis for preparation of combined financial statements. Group's combined financial statements may not be indicative of the position and financial performance and cash flows that could be obtained if Group had operated as a single independent entity. The combined financial statements have been prepared to be presented to the shareholders of Santa Fé Group entities, financial institutions, institutional investors, clients and suppliers for the purposes of maintaining and/or obtaining credit facilities and, thus, may not serve other purposes. Our report is exclusively intended to be used and to inform Management of Santa Fé Group, financial institutions, institutional investors, clients and suppliers and should not be distributed or used by other parties other than those specified. Our opinion is not qualified in relation to this matter.

Responsibilities of Management for the combined financial statements

The management is responsible for the preparation and fair presentation of combined financial statements in accordance with accounting practices adopted in Brazil. These combined financial statements contain an aggregation of financial information of Usina Santa Fé S.A. and Agropecuária Nova Europa S.A., and they have been prepared based on the books and accounting records maintained by such entities. The Management's responsibility includes determining the acceptability of the basis of preparation to the circumstances and internal controls as Management deems necessary to enable the preparation of combined financial statements free of material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of combined financial statements

Our objectives are to obtain reasonable assurance that the combined financial statements, taken as a whole, are free from material misstatements, regardless of whether any such misstatement is caused by fraud or error, and issue an audit report



containing our opinion. Reasonable assurance means a high level of security, but not a guarantee that an audit conducted in accordance with Brazilian and international auditing standards always detects any existing material misstatements. Misstatements may be due to fraud or error and are considered material when, individually or taken as a whole, can influence, within a reasonable perspective, the economic decisions of users taken based on these combined financial statements.

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

- Identify and assess the risks of material misstatement in the combined financial statements (regardless of whether any such misstatement is caused by fraud or error), we plan and perform audit procedures in response to such risks, and we obtain audit evidence that is appropriate and sufficient to underpin our opinion. The risk of not detecting material misstatement resulting from fraud is greater than that of misstatement resulting from error, since fraud may involve intentional misrepresentation, circumvention of internal controls, collusion, falsification or omission.
- Obtain an understanding of the internal controls relevant to the audit to design auditing procedures suitable to the circumstances, but not with the aim of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluated the adequacy of the accounting policies used and the reasonableness of the accounting estimates and the respective disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We assess the overall presentation, structure and content of the combined financial statements, including disclosures, and whether the combined financial statements represent the corresponding transactions and events in a manner that is consistent with the objective of proper reporting.
- We obtain appropriate and sufficient audit evidence regarding the financial information of the entities or business activities of the group to express an opinion on the combined financial statements. We are responsible for the Executive Board, supervision and performance of the audit of the group, and, consequently, for the audit opinion.



We communicate with Management regarding, among other things, the planned scope and timing of the audit, as well as significant audit findings, including any significant deficiencies in internal controls that we identify during our work.

São Carlos, June 19, 2017

KPMG Auditores Independentes
CRC 2SP014428/O-6

Original report in Portuguese signed by

Rafael Henrique Klug
Accountant CRC 1SP246035/O-7

Usina Santa Fé S/A and Agropecuária Nova Europa S/A

Combined balance sheets as of March 31, 2017, 2016 and April 1, 2015

(In thousands of reais)

Assets	Note	31/03/2017	31/03/2016 (Restated)	01/04/2015 (Restated)	Liabilities	Note	31/03/2017	31/03/2016 (Restated)	01/04/2015 (Restated)
Cash and cash equivalents	7	30,116	24,166	49,404	Loans and financing	18 and 33	236,562	193,717	184,927
Trade accounts receivable	8	3,944	5,345	6,195	Suppliers	17	103,221	82,191	43,789
Inventories	9	24,367	26,228	23,241	Taxes and contributions payable	20	16,181	12,778	12,027
Biological assets	10	54,479	46,931	24,103	Current tax liabilities	15	34	30	5
Advances to suppliers	11	43,780	27,786	26,501	Salaries and vacations payable		19,434	12,911	12,674
Recoverable taxes	13	38,745	19,067	13,001	Advances from clients		3,979	3,337	4,255
Current tax assets	14	6,040	538	489	Other accounts payable		3,162	2,409	601
Derivative financial instruments	29	11,952	2,733	149	Derivative financial instruments	29	2,532	3,344	8,436
Other credits		4,400	4,889	2,214					
Total current assets		217,823	157,683	145,297	Total current liabilities		385,105	310,717	266,714
Advances to suppliers	11	4,653	9,003	12,566	Loans and financing	18 and 33	295,102	386,772	412,559
Judicial deposits	15	17,414	17,610	17,041	Suppliers	17	3,507	1,160	3,757
Recoverable taxes	13	4,672	3,545	3,461	Taxes and contributions payable	20	12,372	15,285	19,729
Deferred tax assets	14	-	15,592	8,496	Loans and financing with related parties	12	19,020	17,596	17,832
Other credits		5,180	5,403	2,025	Derivative financial instruments	29	1,406	5,455	5,908
Total non-current assets		31,919	51,153	43,589	Deferred tax liabilities	14	26,341	-	-
Investments		662	662	662	Provisions for contingencies	21	19,979	20,489	16,651
Investment property		1,632	-	-	Total non-current liabilities		377,727	446,757	476,436
Property, plant and equipment	16	662,093	617,406	639,436	Shareholders' equity	22			
Intangible assets		517	630	894	Capital		101,667	99,647	99,647
		664,904	618,698	640,992	Profit reserve		17,847	13,224	9,266
Total non-current assets		696,823	669,851	684,581	Revaluation reserves		87,785	88,739	89,676
					Equity valuation adjustments		(27,981)	(78,920)	(78,385)
Total assets		914,646	827,534	829,878	Accumulated losses		(27,504)	(52,630)	(33,476)
					Total shareholders' equity		151,814	70,060	86,728
					Total liabilities		762,832	757,474	743,150
					Total liabilities and shareholders' equity		914,646	827,534	829,878

See the accompanying notes to the consolidated financial statements.

Usina Santa Fé S/A and Agropecuária Nova Europa S/A

Combined statements of income

Years ended March 31, 2017 and 2016

(In thousands of reais)

	Note	31/03/2017	31/03/2016 (Restated)
Sales of products	23	571,402	432,320
Cost of products sold	24	(434,414)	(356,849)
Fair value of biological assets	10	4,209	17,505
Gross income		<u>141,197</u>	<u>92,976</u>
Sales expenses	24	(21,212)	(17,403)
Administrative and general expenses	24	(28,498)	(29,683)
Other net operating (expenses) income	25	16,826	(7,393)
Income before net financial income (expenses) and taxes		<u>108,313</u>	<u>38,497</u>
Financial income	26	4,500	4,203
Financial expenses	27	(67,663)	(63,823)
Net foreign exchange rate	28	(2,738)	(5,169)
Financial income (expenses) and net foreign exchange rate		<u>(65,901)</u>	<u>(64,789)</u>
Income (loss) before taxes		42,412	(26,292)
Current income and social contribution taxes	14	(211)	(168)
Deferred income and social contribution taxes	14	(14,193)	9,237
Net income (loss) for the year		<u><u>28,008</u></u>	<u><u>(17,223)</u></u>

See the accompanying notes to the consolidated financial statements.

Usina Santa Fé S/A and Agropecuária Nova Europa S/A

Statements of combined comprehensive income

Years ended March 31, 2017 and 2016

(In thousands of reais)

	31/03/2017	31/03/2016 (Restated)
Net income (loss) for the year	28,008	(17,223)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Reclassification of property, plant and equipment for investment property	814	-
Items that may be subsequently reclassified to the income (loss)		
Unrealized foreign exchange rate - hedge accounting	52,546	1,875
Total comprehensive income	81,368	(15,348)

See the accompanying notes to the consolidated financial statements.

Usina Santa Fé S.A.

Combined statements of changes in shareholders' equity

Years ended March 31, 2017 and 2016

(In thousands of reais)

	Profit reserve							
	Capital	Legal reserve	Special profit reserve	Profit reserve - Law No. 11.638/07	Revaluation reserve	Equity valuation adjustment	Accumulated losses	Total
Balances at April 1, 2015, as previously disclosed	99,647	1,238	-	8,028	89,676	(78,385)	(30,866)	89,338
Impact of the adoption of amendments in reviewed CPC 27 and 29	-	-	-	-	-	-	(2,610)	(2,610)
Balances at April 1, 2015 (Restated)	<u>99,647</u>	<u>1,238</u>	<u>-</u>	<u>8,028</u>	<u>89,676</u>	<u>(78,385)</u>	<u>(33,476)</u>	<u>86,728</u>
Realization of revaluation reserve	-	-	-	-	(937)	-	937	-
Realization of deemed cost for the fixed assets - CPC 27	-	-	-	-	-	(2,410)	2,410	-
Net gains (losses) from cash flow hedge	-	-	-	-	-	-	-	-
Hedge accounting on loans	-	-	-	-	-	(4,428)	-	(4,428)
Hedge accounting on NDF	-	-	-	-	-	7,269	-	7,269
Income and social contribution taxes	-	-	-	-	-	(966)	-	(966)
Loss for the year	-	-	-	-	-	-	(17,223)	(17,223)
Allocations:								
Compulsory minimum dividends	-	-	-	-	-	-	(1,320)	(1,320)
Profit retention reserve	-	-	-	3,958	-	-	(3,958)	-
Balances at March 31, 2016 (Restated)	<u>99,647</u>	<u>1,238</u>	<u>-</u>	<u>11,986</u>	<u>88,739</u>	<u>(78,920)</u>	<u>(52,630)</u>	<u>70,060</u>
Other comprehensive income	-	-	-	814	-	-	-	814
Special Retention Reserve for undistributed dividends	-	-	1,678	-	-	-	-	1,678
Capital Increase with profit reserves as Annual Shareholders' Meeting (AGO) on June 3, 2016.	2,020	-	-	(2,020)	-	-	-	-
Realization of revaluation reserve	-	-	-	-	(954)	-	954	-
Realization of deemed cost for the fixed assets - CPC 27	-	-	-	-	-	(1,607)	1,607	-
Net gains (losses) from cash flow hedge	-	-	-	-	-	-	-	-
Hedge accounting on loans	-	-	-	-	-	71,738	-	71,738
Hedge accounting on NDF	-	-	-	-	-	8,094	-	8,094
Income and social contribution taxes	-	-	-	-	-	(27,286)	-	(27,286)
Net income for the year	-	-	-	-	-	-	28,008	28,008
Allocations:								
Formation of legal reserve	-	272	-	-	-	-	(272)	-
Compulsory minimum dividends	-	-	-	-	-	-	(1,292)	(1,292)
Profit retention reserve	-	-	-	3,879	-	-	(3,879)	-
Balances at March 31, 2017	<u>101,667</u>	<u>1,510</u>	<u>1,678</u>	<u>14,659</u>	<u>87,785</u>	<u>(27,981)</u>	<u>(27,504)</u>	<u>151,814</u>

See the accompanying notes to the consolidated financial statements.

Usina Santa Fé S/A and Agropecuária Nova Europa S/A

Combined statements of cash flows – Indirect method

Years ended March 31, 2017 and 2016

(In thousands of reais)

	31/03/2017	31/03/2016
Cash flows from operating activities		
Net income (loss) for the year	28,008	(17,223)
Adjustments for:		
Depreciation, exhaustion and amortization:		
Depreciation and amortization (agriculture and industry)	24,403	29,845
Depreciation of sugar cane planting	41,323	44,586
Amortization of cultural treatments	43,923	33,378
Amortization of off-season (agriculture and industry)	28,242	36,623
Income (loss) from sale of fixed assets	3,642	5,508
Change in fair value of biological assets	(4,209)	(17,505)
Deferred income and social contribution taxes	14,193	(9,237)
Derivative financial instruments	(10,253)	(859)
Accrued interest from loan agreements	2,170	2,092
Interest on loans and financing provisioned	54,830	52,376
Reversal of provision for contingencies	(510)	3,838
	225,762	163,422
Changes:		
Trade accounts receivable	1,401	802
Inventories	1,861	(2,987)
Advances to suppliers	(11,644)	13
Recoverable taxes	(20,805)	(4,954)
Other credits	712	(6,053)
Judicial deposits	196	(568)
Suppliers	23,974	38,142
Taxes and contributions payable	490	(3,525)
Salaries and vacations payable	6,523	236
Advances from clients	642	(918)
Other accounts payable	753	488
Net cash generated in operating activities	229,865	184,098
Income and social contribution taxes paid	(207)	(168)
Interest on loans and financing paid	(53,692)	(50,504)
Net cash and cash equivalents from operating activities	175,966	133,426
Cash flows from investment activities		
Acquisition of biological assets	(47,262)	(38,701)
Acquisition of intangible assets	(18)	(196)
Acquisition of property, plant and equipment	(143,708)	(94,144)
Net cash and cash equivalents used in investment activities	(190,988)	(133,041)
Cash flows from financing activities		
Loan agreements (related parties)	-	826
Loan agreements paid (principal)	(746)	(3,154)
Loans and financing obtained	156,809	220,102
Loans and financing paid (principal)	(135,091)	(243,397)
Net cash and cash equivalents from/used in financing activities	20,972	(25,623)
(Decrease) increase in cash and cash equivalents	5,950	(25,238)
Cash and cash equivalents at April 1	24,166	49,404
Cash and cash equivalents on March 31	30,116	24,166

See the accompanying notes to the consolidated financial statements.

Usina Santa Fé S/A and Agropecuária Nova Europa S/A

Combined statements of added value

Years ended March 31, 2017 and 2016

(In thousands of reais)

	31/03/2017	31/03/2016
Income		
Sales of products	647,989	521,937
Other income	2,627	1,839
Fair value of biological assets	4,209	17,505
Net income (loss) from cash flow hedge	(22,420)	(48,624)
	<u>632,405</u>	<u>492,657</u>
Inputs acquired by third parties		
Cost of products sold	(212,281)	(143,979)
Administrative expenses	(30,264)	(23,989)
	<u>(242,545)</u>	<u>(167,968)</u>
Gross added value	389,860	324,689
Depreciation, amortization and depletion		
Off-season amortization	(28,241)	(36,623)
Depreciation	(24,399)	(29,838)
Harvested biological assets (amortization)	(85,243)	(70,001)
	<u>(137,883)</u>	<u>(136,462)</u>
Net added value produced by the Entity	251,977	188,227
Added value received as transfer		
Financial income	4,498	4,171
Other	2	29
	<u>4,500</u>	<u>4,200</u>
Total added value payable	<u>256,477</u>	<u>192,427</u>
Distribution of added value		
Personnel and charges		
Direct remuneration	81,332	79,336
Benefits	7,977	6,894
FGTS	5,936	7,068
Directors' fees	2,752	1,693
	<u>97,997</u>	<u>94,991</u>
Taxes, rates and contributions		
Federal	17,489	13,964
State	40,246	30,222
Municipal	17	25
	<u>57,752</u>	<u>44,211</u>
Third-party capital remuneration		
Interest	67,663	63,823
Rentals/Leases	2,319	1,456
Foreign exchange variation	2,738	5,169
	<u>72,720</u>	<u>70,448</u>
Remuneration of own capital		
Net income (loss) for the year	28,008	(17,223)
Distributed added value	<u>256,477</u>	<u>192,427</u>

See the accompanying notes to the consolidated financial statements.

Notes to the combined financial statements

(In thousands of reais)

1 Operations

The activities of Santa Fé Group comprise the following companies and operations:

a. Usina Santa Fé S.A.

Usina Santa Fé S.A. ("Company") is headquartered at Estrada da Antiga Fazenda Itaquerê s/nº, Bairro rural, in the city of Nova Europa - SP, and its main purpose is the production and processing of sugar cane, its industrial derivatives, sugar and ethanol, for trading in the domestic and foreign markets. The Company has achieved productivity records observed in the most recent crops. During the 2016/17 crop, the Company obtained a grinding of 4,511 (3,924 in 2015/16 crop) millions of tons of sugarcane, an increase of 14.98%. Moreover, it reached important indicators in the process of harvest mechanization and sugarcane plantation mechanization over the past crops, whose mechanization rates reached 100% in last crop. The production mix practiced in this crop was 49.56% for the production of sugar and 50.44% for ethanol. It is important to note that the Company has focused its efforts to reduce its operating costs by optimizing the harvest processes, loading and transportation, as well as other activities such as mechanized plantation and improvements in the manufacturing process to ensure the highest quality to its products.

As a result of the investments already made in industry and agriculture, the Company provides a grinding of 4.25 million tons of sugarcane in the 2017/18 crop, close to its processing capacity. For such, the Company has agricultural partnership agreements for sugarcane production with a related company Agropecuária Nova Europa S.A., shareholders and third parties that together with sugarcane suppliers ensure the production for the next harvest periods.

Management considers that the company will normally continue as an ongoing concern to prepare these financial statements based on the business plan approved by the Management, the possibility of maintaining credits by third parties to allow short and long-term funds as loans and financing, and the possibility of expanding the payment for the supply of agricultural inputs.

b. Agropecuária Nova Europa S.A.

Agropecuária Nova Europa S.A. ("Company") is headquartered at Estrada da Antiga Fazenda Itaquerê s/n, Bairro Rural, in the city of Nova Europa - SP. The Company's activities include basically the plantation and sale of sugarcane, exclusively for the related company Usina Santa Fé S.A., as per private instrument of agricultural partnership under prices and conditions in accordance with the system of payment of sugarcane adopted by Conselho dos Produtores de Cana-de-açúcar, Açúcar e Alcool do Estado de São Paulo (CONSECANA).

2 Basis of preparation

a. Statement of conformity (regarding CPC and CFC standards)

The combined financial statements of the entities, which are being considered for purposes of the combined financial statements of the Santa Fé Group, have been prepared in accordance with generally accepted accounting practices in Brazil (BR GAAP).

The combined financial statements of Santa Fé Group are presented solely for the purpose of providing, through a single financial statement, information on all activities of Santa Fé Group, regardless of the organization of its corporate structure. Therefore, these combined financial statements do not represent the individual or consolidated financial statements of an entity and its subsidiaries and must not be considered for calculation purposes of dividends, taxes or for other corporate purposes.

For purposes of presentation of combined financial statements of Santa Fé Group, the following procedures were observed:

(i) Combination assessment and entities considered in combination

Entities subject to the combination were under common control over the period covered by the combined financial statements, assessment of which was based on the definition of control set forth in the Technical Pronouncement CPC 36 (R3) - Consolidated Statements.

The following entities are being considered in the preparation of the combined financial statements:

- Usina Santa Fé S.A.; and
- Agropecuária Nova Europa S.A.

The breakdown of shareholders' equity and income (loss) for the years as of March 31, 2017 and 2016 of the Group as listed above and their combined balances are presented as follows:

	<u>Shareholders' equity</u>		<u>Net income (loss) for the year</u>	
	2017	2016	2017	2016
Usina Santa Fé S.A.	49,561	(26,366)	22,567	(22,496)
Agropecuária Nova Europa S.A.	<u>102,255</u>	<u>96,427</u>	<u>5,442</u>	<u>5,273</u>
Combined balances	<u><u>151,814</u></u>	<u><u>70,060</u></u>	<u><u>28,008</u></u>	<u><u>(17,223)</u></u>

(ii) Criteria adopted for the preparation of combined financial statements

The combination principles of Technical Pronouncement CPC 44 - Combined financial statements were used in the preparation of the combined financial statements of Santa Fé Group and considered, among other procedures:

- Intragroup balances and transactions, and any unrealized income or expenses derived from intragroup transactions, are eliminated in the preparation of the combined financial statements.

Unrealized losses are eliminated in the same way as unrealized gains, but only up to the point where there is no evidence of loss due to impairment; and

- The accounting practices are uniform for all the combined entities.

The issue of combined financial statements was authorized by the Management on June 19, 2017. Once the financial statements have been issued, only the shareholders have the power to change them.

Details of the Santa Fé Group's main accounting policies is presented in Note 6.

All relevant information specific to the financial statements, and only such information is being evidenced, and corresponds to the information used by Company Management.

a. Restatement of corresponding values – changes in accounting policies due to the adoption of changes in accounting standards

Usina Santa Fé S.A. adopted amendments to IAS 16 - Property, plant and equipment (CPC 27) and IAS 41 - Agriculture (CPC 29) standards as of April 1, 2016. With the changes, the biological assets for production (*bearer biological assets*), in the case of the Company, sugarcane ratoons, are no longer part of the scope of IAS 41 and should be recorded according to IAS 16, that is, cost less accumulated depletion and possible impairment loss. Consumable biological asset, in case of the Company, uncut sugarcane, should be defined at fair value and continues in the scope of IAS 41 (CPC 29) until harvesting.

The transition date of said standards was April 1, 2015, the beginning of the earliest comparative period of the financial statements, since the Company discloses two years of results in its annual financial statements. The Company decided to adopt the deemed cost to fixed assets on the transition date.

The impacts on Santa Fé Group's balance sheet on April 1, 2015 and March 31, 2016, and in the statement of income for the year ended March 31, 2016, are as follow:

Usina Santa Fé S.A. and Agropecuária Nova Europa S.A.
Combined financial statements
March 31, 2017

	April 1, 2015		
Balance sheet			
	As previously disclosed	Reviewed adjustments in application of CPC 27 and 29	Restated
Assets			
Current assets			
Biological assets	-	24,103	24,103
Other	121,194	-	121,194
Total current assets	121,194	24,103	145,297
Other	35,093	-	35,093
Deferred tax assets	7,321	1,175	8,496
Total non-current assets	42,414	1,175	43,589
Biological assets	202,475	(202,475)	-
Property, plant and equipment	464,849	174,587	639,436
Other	1,556	-	1,556
Total non-current assets	711,294	(27,888)	684,581
Total assets	832,488	(2,610)	829,878

Usina Santa Fé S.A. and Agropecuária Nova Europa S.A.
Combined financial statements
March 31, 2017

	April 1, 2015		
	As previously disclosed	Reviewed adjustments in application of CPC 27 and 29	Restated
Liabilities			
Current liabilities			
Other	266,714	-	266,714
Total current liabilities	266,714	-	266,714
Non-current			
Other	476,436	-	476,436
Total non-current liabilities	476,436	-	476,436
Shareholders' equity			
Other	120,204		120,204
Accumulated losses	(30,866)	(2,610)	(33,476)
Total shareholders' equity	89,338	(2,610)	86,728
Total liabilities	743,150	-	743,150
Total liabilities and shareholders' equity	832,488	(2610)	829,878

Usina Santa Fé S.A. and Agropecuária Nova Europa S.A.
Combined financial statements
March 31, 2017

	March 31, 2016		
Balance sheet			
	As previously disclosed	Reviewed adjustments in application of CPC 27 and 29	Restated
Assets			
Current assets			
Biological assets	-	46,931	46,931
Other	110,752	-	110,752
Total current assets	110,752	46,931	157,683
Non-current assets			
Other	35,561	-	35,561
Deferred tax assets	16,483	(891)	15,592
Total non-current assets	52,044	(891)	51,153
Biological assets	223,167	(223,167)	-
Property, plant and equipment	438,550	178,856	617,406
Other	1,292	-	1,292
Total non-current assets	715,053	(45,202)	669,851
Total assets	825,805	1,729	827,534
	March 31, 2016		
	As previously disclosed	Reviewed adjustments in application of CPC 27 and 29	Restated
Liabilities			
Current liabilities			
Other	310,717	-	310,717
Total current liabilities	310,717	-	310,717
Non-current liabilities			
Other	446,757	-	446,757
Total non-current liabilities	446,757	-	446,757
Shareholders' equity			
Other	122,690	-	122,690
Accumulated losses	(54,358)	1,729	(52,630)
Total shareholders' equity	68,332	1,729	70,060
Total liabilities	757,474	-	757,474
Total liabilities and shareholders' equity	825,805	1,729	827,534

Statement of income	April 1–March 31, 2016		
	Reviewed adjustments in application of CPC 27		
	As previously disclosed	and 29	Restated
Net operating income	432,320	-	432,320
Fair value of biological assets	7,279	10,226	17,505
Cost of products sold	<u>(351,853)</u>	<u>(4,996)</u>	<u>(356,849)</u>
Gross income	<u>87,746</u>	<u>5,230</u>	<u>92,976</u>
Sales expenses	(17,403)	-	(17,403)
Administrative expenses	(29,683)	-	(29,683)
Other net operating (expenses) income	<u>(7,393)</u>	<u>-</u>	<u>(7,393)</u>
Income (loss) before net financial income (expenses) and taxes	<u>33,267</u>	<u>-</u>	<u>38,497</u>
Financial income	4,203	-	4,203
Financial expenses	(63,823)	-	(63,823)
Net foreign exchange rate	<u>(5,169)</u>	<u>-</u>	<u>(5,169)</u>
Net financial	<u>(64,789)</u>	<u>-</u>	<u>(64,789)</u>
Income (loss) before taxes	<u>(31,522)</u>	<u>5,230</u>	<u>(26,292)</u>
Deferred income and social contribution taxes	<u>9,960</u>	<u>(891)</u>	<u>9,069</u>
Income (loss) for the year	<u>(21,562)</u>	<u>4,339</u>	<u>(17,223)</u>

The impacts on the statement of comprehensive income is limited to the net effect of aforementioned income (loss) for the period. The impacts on the statements of cash flows and added value are restricted to the reclassification between the lines of operating activities, without, however, affecting the subtotals of operating, investing and financing activities.

3 Functional and presentation currency

These financial statements are being presented in Brazilian Real, functional currency of the Group. All financial information presented in Brazilian Reais has been rounded to the nearest value, unless otherwise indicated.

4 Use of estimates and judgments

The preparation of these combined financial statements, Management used judgments, estimates and assumptions that affect the application of Group's accounting principles and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed in a continuous manner. Reviews of estimates are recognized on a prospective basis.

Uncertainties on the assumptions and estimates

Information on uncertainties as to assumptions and estimates that pose a high risk of resulting in a material adjustment within the next financial year are included in the following notes:

- **Note 6.d.iii** - Useful life of the fixed assets;
- **Note 14** – Deferred tax assets and liabilities; and
- **Note 21** – Provision for contingencies.

Measurement at fair value

A series of Group's accounting policies and disclosures requires the measurement of fair values, for financial and non-financial assets and liabilities.

The Group established a control structure for measuring fair value. This includes an evaluation team with general responsibility of reviewing all significant fair value measurements, including Level 3 fair values (assumption for assets and liabilities which are not based on observable market data), and reported directly to the Financial Office.

Evaluation team regularly reviews significant non-observable data and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the CPC requirements, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring fair value of an asset or liability, the Group uses observable data as much as possible. Fair values are classified at different levels according to hierarchy based on information (inputs) used in valuation techniques, as follows:

- **Level 1:** Prices quoted (not adjusted) in active markets for identical assets and liabilities.
- **Level 2:** Inputs, except for quoted prices, included in Level 1 which are observable for assets or liabilities, directly (prices) or indirectly (derived from prices).
- **Level 3:** Inputs, for assets or liabilities, which are not based on observable market data (non-observable inputs).

All of the Group's financial instruments, assets and liabilities are classified as "Level 2".

The Group recognizes transfers between fair value hierarchic levels at the end of the financial statements period in which changes occurred.

Additional information on the assumptions adopted in the measurement of fair values is included in the following note:

- **Note 29** – Financial instruments.

5 Basis of measuring

The combined financial statements were prepared based on the historical cost, except for the following material items recognized in the balance sheets:

- Non-derivative financial instruments stated at fair value through profit or loss are measured at fair value;
- Financial instruments classified as currency (USD) measured at fair value through hedge accounting; and
- Biological assets measured at fair value.

6 Significant accounting policies

The accounting policies described in detail below have been consistently applied to all the years presented in these combined financial statements, except otherwise indicated.

a. Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Group at the foreign exchange rates on the dates of the transactions.

Monetary assets and liabilities denominated and calculated in foreign currencies on the balance sheet date are reconverted into the functional currency at the foreign exchange rate on that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the foreign exchange rate on the date the fair value was determined. Non-monetary items that are measured based on the historical cost in foreign currencies are translated using the rate of the transaction date. Foreign exchange differences arising from the translated are recognized in income (loss).

However, foreign exchange differences arising from the conversion of the item listed below are recognized in other comprehensive income:

- Qualified and effective cash flow hedge.

b. Financial instruments

The Group classifies non-derivative financial assets in the following categories: financial assets measured at fair value through profit or loss, and loans and receivables. The Group classifies non-derivative financial liabilities in the category of other financial liabilities.

Non-derivative financial assets and liabilities – recognition and derecognition

The combined entities initially recognize the loans, receivables and debt instruments on the date that they are originated. All other financial assets and liabilities are initially recognized on the date of the negotiation under which the combined entities become a party to the contractual provisions of the instrument.

The combined entities write-off a financial asset when the contractual rights to the cash flows from the financial asset expire, or when the combined entities transfer the contractual rights to receive the cash flows from a financial asset in a transaction that substantially transferred all the

risks and rewards related to the ownership of the asset. Any interest in such transferred financial assets that is created or retained by the combined entities is recognized as a separate asset or liability.

The Group derecognizes a financial liability when its contractual obligations are discharged or canceled or expire.

Financial assets and liabilities are offset and the net value reported in the balance sheet only when there is a legally enforceable right of the Combined entities to offset and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The combined entities have the following non-derivative financial assets: financial assets measured at fair value through profit or loss and loans and receivables.

(i) *Non-derivative financial assets - measurement*

Financial assets measured at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is held for trading, or stated as such when initially recognized. The transaction costs are recognized in income (loss) as incurred. Financial assets registered at fair value through profit or loss are stated at fair values, and any changes to the fair values of these assets are recognized to profit and loss for the year.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments, but not quoted on any active market. Such assets are initially recognized at fair value plus any transaction costs directly attributable. After their initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, reduced by any impairment losses.

Loans and receivables include trade accounts receivable, loans - loan agreements and other credits.

Cash and cash equivalents

Cash and cash equivalents comprise balances of cash and financial investments with original maturities of three months or less as of the contracting date, which are subject to an insignificant risk of change in value and are used to manage short-term obligations. Any overdraft limits of banks that have to be paid at sight and that form an integral part of cash management of the Combined entities, if any, are included as a component of cash and cash equivalents for purposes of the statement of cash flows.

(ii) *Non-derivative financial liabilities- Measurement*

All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the negotiation date on which the Combined entities become a party to the contractual provisions of the instrument. The transaction costs are recognized in income (loss) as incurred. Financial liabilities recorded at fair value through profit or loss are measured at fair value and changes in the fair value of such liabilities, including gains with interest and dividends, are recognized in the income (loss) for the year.

Other non-derivative financial liabilities are initially recognized at fair value less any transaction costs directly attributable. After their initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method.

Other non-derivative financial liabilities comprise: loans and financing, suppliers, advances from clients, loans - loan agreements and other accounts payable.

(iii) ***Derivative financial instruments, including hedge accounting***

Usina Santa Fé S.A. holds derivative financial instruments to hedge its exposure to foreign currency and interest rate changes.

Upon initial designation of the derivative as a hedging instrument, Usina Santa Fé formally documents the relationship between the hedge instruments and the hedgeable items, including the risk management goals and the strategy in the execution of the hedge transaction and the hedgeable risk, together with the methods that will be used to assess the effectiveness of the hedge relationship. Usina Santa Fé S.A. evaluates the hedge relationship, initially and then continuously, to conclude if hedge instruments are expected to be "highly effective" in the offset of variations in fair value or cash flows of items subject to hedge during the period for which hedge is assigned whether the actual results of each hedge are within the range of 80%-125%. For a cash flows hedge of a planned transaction, the transaction should have its occurrence as highly probable and should present exposure to variations in the cash flows that at the end could affect the reported income (loss). Derivatives are initially recognized at fair value. Any attributable transaction costs are recognized in profit or loss when incurred. After the initial recognition, derivatives are measured at fair value and changes in fair value are recorded as described below.

Cash flow hedges

When a derivative is designated as a hedge instrument to hedge cash flow variability attributed to a specific risk associated with a recognized asset or liability or a highly probable foreseen transaction that could affect the net income, the effective portion of variation in the derivative's fair value is recognized in other comprehensive income and disclosed in "equity evaluation adjustments" caption in shareholders' equity. Any non-effective portion of the variations in the fair value of the derivative is recognized immediately in net income. When the hedged item is a non-financial asset, the accumulated amount held in other comprehensive income is reclassified to income (loss) in the same year or years during which the non-financial asset does not affect income (loss). In other cases, the amount accumulated in other comprehensive income is transferred to income (loss) in the same year in which the hedgeable item affects income (loss). If the hedge instrument no longer satisfies the hedge accounting criteria, expires or is sold, wound up, exercised or has its designation revoked, then the hedge accounting is discontinued prospectively. If there are no more expectations regarding the occurrence of the planned transaction, then the balance in other comprehensive income is reclassified to income (loss).

(iv) ***Capital***

Common shares

In the entities Usina Santa Fé S.A. and Agropecuária Nova Europa S.A., the common shares are classified as shareholders' equity. The minimum mandatory dividends, as established in the By-laws, are recognized as liabilities. Additional dividends proposed should be approved by the Board of Directors of the combined entities and recognized in the Shareholders' equity under this caption, if agreed before the end of the year, when applicable.

c. Investments

The investments were valued using the equity method and the other were recorded at the cost of provision for devaluation, when applicable.

d. Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment items are measured at historical acquisition or construction cost, net of accumulated depreciation.

The cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of assets built by the combined entities includes:

- The cost of materials and direct labor;
- Any other costs directly attributable to bringing the assets to the location and condition required for them to operate in the manner intended by the Management;
- The costs for dismantling and restoration of the site where these assets are located; and
- Loan costs on qualifiable assets.

The cost of certain items of property and equipment on January 1, 2009, the transition date of the entities for the CPC was determined based on its fair value at that date.

Purchased software that is integral to the functionality of a piece of equipment is capitalized as part of that equipment. When parts of a property, plant and equipment item have different useful lives, they are accounted for as separate items (major components) of PP&E.

Any gains and losses on disposal of a property, plant and equipment item (determined by comparing funds from disposal with the book value of the item) are recognized in Other operating income (expenses) in profit or loss.

(ii) Subsequent costs

Subsequent expenditures are capitalized in accordance with the probability that associated future economic benefits may be earned by the combined entities. Maintenance expenses and recurring repairs are recognized in the income (loss) when incurred.

(iii) Depreciation

Items of fixed assets are depreciated as of the date they are installed and are available for use, or, in the case of assets constructed internally, as of the date the construction is concluded and the asset is available for use.

Fixed asset items are depreciated using the straight-line method in the income (loss) for the year based on the estimated economic useful life of each component. Leased assets are depreciated over the shorter of the lease term or the estimated useful life of the asset, unless it is reasonably certain that the combined entities will obtain ownership at the end of the lease term. Land is not depreciated.

The estimated weighted average annual rates for the current and comparative years are as follows:

2017 and 2016

Buildings and improvements	2%
Furniture and fixtures	3%
Vehicles and road implements	6%
Agricultural machinery and inputs	6%
Machinery, equipment and facilities	5%
Computers and peripherals	14%
Leasehold improvements	2%

The depreciation methods, useful lives and residual values are reviewed at each reporting date, and adjusted if appropriate.

e. Biological assets

Biological assets measured at fair value.

Changes in fair value not recorded in income (loss). Uncut sugarcane is transferred to inventories at fair value.

f. Intangible assets

Intangible assets include assets acquired from third parties measured at the total acquisition cost, minus amortization expenses. Intangible assets with defined useful life are amortized by the straight-line method within medium term of 5 years.

g. Leased assets

Certain leasing contracts substantial transfer to the combined entities the risks and benefits inherent to the features of the asset. These contracts are described as financial leasing contracts and the assets are recognized at the fair values or the present values of the minimum payments provided in their contracts. Goods recognized as assets are depreciated according to the applicable rates of depreciation for each asset group rate applicable to the group of assets pursuant to Note 6.d.iii. Financial charges related to financial leasing agreements are appropriated to income throughout the term of the agreement, based on the amortized cost and the actual interest rate method.

The other leases are operating leases and are not recognized in the balance sheet of the combined entities.

h. Inventories

Inventories are measured at the lower of cost and net realizable value. Inventory costs are valued at the average cost of purchase or production and include expenses incurred in the acquisition of inventories, production and conversion costs and other costs incurred in bringing them to their current locations and conditions. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

The net realizable value is the estimated price at which inventories can be realized in the normal course of business, less the estimated completion costs and sales expenses.

i. Impairment

(i) Financial assets (including receivables)

Financial assets not classified as financial assets at fair value through profit or loss, are evaluated at each balance sheet date to determine if there is objective impairment evidence.

Objective evidences of financial assets' impairment include:

- debtor's default or delays;
- restructuring of an amount owed to the Group at conditions not considered as normal conditions;
- indications that the debtor or issuer will face bankruptcy/court-supervised reorganization;
- negative changes in payment situation of debtors or issuers;
- the disappearance of an active market for an instrument due to financial difficulty; or
- observable data indicating that expected cash flow measurement of a group of financial assets decreased.

(ii) Non-financial assets

The book values of non-financial assets of the combined entities, except for inventories and deferred income and social contribution taxes, are reviewed at each reporting date for indication of impairment. If such indication exists, the asset's recoverable value is estimated.

The recoverable value of an asset or cash generating unit is the greater of its value in use and its fair value less sales expenses. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions as to the recoverability period of capital and the risks specific to the asset.

Management of combined entities did not identify any evidence that would justify the need for asset impairment at March 31, 2017 and 2016.

j. Employee benefits

(i) Short-term employee benefits

Obligations for short-term employee benefits are measured on a non-discounted basis and incurred as expenses as the related service is rendered.

The liability is recognized at the amount expected to be paid under the cash bonus plans or short-term profit sharing if the Combined entities have a legal or constructive obligation to pay this amount as a result of prior service rendered by the employee, and the obligation can be reliably estimated.

k. Provisions

Provisions are determined by discounting the estimated future cash flows at a pre-tax rate which reflects the current market evaluations as to the value of the cash over time and the specific risks of the liability. The effects of discounting to present value are recognized in income (loss) as financial expense.

l. Operating income

(i) Sale of products

The operating income from sales of products in the normal course of business is measured by the fair value of the installment received or receivable. Operating income is recognized when there is convincing evidence that the risks and rewards inherent to the ownership of the assets have been transferred to the purchaser, it is probable that the financial economic benefits will flow to the Entity, the related costs and potential return of goods can be reliably estimated, there is no continued involvement with the goods sold, and the amount of operating income can be reliably measured.

m. Lease payments

(i) Lease payments

Payments made for operating leasing are charged to income (loss) on the straight-line basis over the lease period. Lease incentives received are recognized as an integral part of total lease expenses, over the lease agreement period.

Minimum lease payments made under financial leasing are apportioned between financial expenses and reduction of the outstanding liability. Financial expenses are allocated in each period over the lease period in order to produce a continuous and periodic compounding interest rate over the remaining liability balance.

(ii) Determining whether an agreement contains a lease

At the inception of an agreement, the combined entities define whether the agreement is for or contains a lease. This is the case if the two conditions below are met:

- (a) Meeting the agreement depends on the use of said specified asset, and
- (b) The agreement has a right of use of the asset.

At the inception of an agreement or at the time of a possible revaluation thereof, the combined entities separate payments and other considerations required by said agreement between those for leasing and those for other components, taking as a basis their relative fair values. Should the combined entities conclude that, for a given financial lease, a reliable separation of the payments is impracticable, one asset and one liability are recognized for an amount equal to the fair value of the underlying asset. Subsequently, the minimum lease payments made under financial leases are apportioned between financial expense (based on the incremental interest rate of combined entities) and reduction of the outstanding liability.

Minimum lease payments made under financial leasing are apportioned between financial expenses and reduction of the outstanding liability. Financial expenses are allocated in each period over the lease period in order to produce a continuous and periodic compounding interest rate over the remaining liability balance. Contingent lease payments are recorded by reviewing minimum lease payments over the remaining lease period upon confirmation of the lease adjustment.

n. Financial income and expenses

Financial income comprise income from changes in the fair value of financial assets measured at fair value through profit or loss. Interest income is recognized in income (loss) under the

effective interest method.

Financial expenses include loan interest expenses and variations in fair value of financial assets measured at fair value through profit or loss. Borrowing costs which are not directly attributable to the acquisition, construction, or production of a qualifying asset are accounted for in profit or loss using the effective interest rate method.

Foreign exchange gains and losses are reported on a net basis.

o. Income and social contribution taxes

At Usina Santa Fé S.A., the income and social contribution taxes of current year are calculated based on the rates of 15% plus a surcharge of 10% on taxable income in excess of R\$ 240 (annual basis) for income tax and 9% on taxable income for social contribution on net income, and take into account tax loss carryforward and negative basis of social contribution, limited to 30% of taxable income for the year.

In Agropecuária Nova Europa S.A., the basis of calculation for deemed income and social contribution taxes is calculated at the rate of 8% on calculation of income and social contribution taxes and 12% on calculation of social contribution on gross income from sale of sugarcane and 100% of financial income, on which regular rates of 15%, plus 10% are applied for income tax and 9% for social contribution. For this reason, they have not recorded deferred income and social contribution taxes on certain temporary differences that do not affect the deemed profit calculation basis and are not included in the context of non-cumulative calculation of the Social Integration Program (PIS) and Contribution for Social Security Funding (COFINS).

The income and social contribution tax expense comprises the current and deferred installments. Current taxes and deferred taxes are recognized in profit or loss unless they are related to the business combination, or items directly recognized in shareholders' equity or other comprehensive income.

(i) Current income and social contribution tax expenses

Current tax expense is the tax payable or receivable on the taxable income or loss for the year and any adjustments to taxes payable in relation to prior years. The amount of current taxes payable or receivable is recognized in the balance sheet as a tax asset or liability at the best estimate of the expected amount of taxes payable or receivable reflecting the uncertainties related to its calculation, if any. It is measured based on tax rates enacted at the balance sheet date.

The current tax assets and liabilities are offset only if certain criteria are met.

(ii) Deferred income and social contribution tax expenses

Deferred tax assets and liabilities are recognized in relation to the temporary differences between the book values of assets and liabilities for financial statement purposes and the related amounts used for taxation purposes. The changes in deferred tax assets and liabilities for the year are recognized as deferred income tax and social contribution expense.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which will be used. Deferred tax assets are reviewed at each balance sheet date and reduced

when their realization is no longer probable.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which will be used. Deferred tax assets are reviewed at each balance sheet date and reduced when their realization is no longer probable.

Deferred tax assets and liabilities are measured at tax rates expected to be applied to temporary differences when they are reversed, based on rates enacted up to the date of balance sheet.

The measurement of deferred tax assets and liabilities reflects the tax consequences arising from the way in which the Group expects to recover or settle its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

p. New standards and interpretations not yet adopted

Several new standards, amendments to standards and interpretations will become effective for the years started after January 1, 2016. The Group did not adopt these changes in the financial statements. The Group does not plan to adopt this standard in advance.

Disclosure Initiative (Amendments to CPC 26 / IAS 7)

The amendments require additional disclosures that allow users of financial statements to understand and assess changes in liabilities arising from financing activities, whether arising from cash flow and other changes.

Amendments are effective in years starting on or after January 1, 2017. Early adoption is permitted only for financial statements in accordance with IFRS.

In order to fulfill the new disclosure requirements, the Group intends to submit a reconciliation between the opening and closing balances of liabilities with changes arising from financing activities.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to CPC 32 / IAS 12)

The amendments clarify the accounting of deferred tax assets for unrealized losses on debt instruments measured at fair value.

Amendments are effective in years starting on or after January 1, 2017, and early adoption is allowed only to financial statements, pursuant to IFRSs.

The Group is evaluating the potential impact on its financial statements. Until now, the Group does not expect significant impacts.

IFRS 15 Income from Contracts with Clients

IFRS 15 introduces a comprehensive framework for determining whether and when income is recognized, and how income is measured. IFRS 15 replaces current income recognition standards, including CPC 30 (IAS 18) Income, CPC 17 (IAS 11) Construction Contracts, and CPC 30 Interpretation A (IFRIC 13) Client Loyalty Programs.

IFRS 15 becomes effective for annual periods starting on or after January 1, 2018. Early adoption is permitted only for financial statements in accordance with IFRS.

The Group is evaluating the potential impact on its financial statements.

(i) *Sale of products*

For product sales, income is currently recognized when the goods are delivered to the client's location, considered as the time when the client accepts the goods and the risks and benefits related to ownership are transferred. Income is recognized at this time, provided that the income and costs can be measured reliably, receipt of consideration is probable, and there is no continuous involvement of Management with the products.

According to IFRS 15, income must be recognized when the client obtains control of the products.

For certain contracts that allow the client to return the good, income is currently recognized when a reasonable estimate of returns can be made, provided that all other income recognition criteria are met. If a reasonable estimate cannot be made, income recognition is deferred until the return period expires or until a reasonable estimate of the returns can be made.

(ii) *Transition*

The Group will adopt IFRS 15 in its financial statements for the year ended March 31, 2019 and intends to use the retrospective approach. As a result, the Group will apply all the requirements of IFRS 15 to each comparative period presented, adjusting its financial statements previously reported.

The Group plans to use practical expedients for completed contracts. This means that completed contracts that started and ended in the same comparative reporting period, as well as those that are completed contracts at the beginning of the oldest period reported, will not be re-reported.

The Group is evaluating the potential impact on its financial statements. Until now, the Group does not expect significant impacts on financial statements.

IFRS 9 Financial Instruments

IFRS 9 replaces guidelines of IAS 39 (CPC 38) Financial Instruments: Recognition and measurement. IFRS 9 includes new models for the classification and measurement of financial instruments and measurement of expected credit losses for financial and contractual assets, and new requirements on hedge accounting. The new standard maintains the IAS 39 guidelines about acknowledging and disacknowledging financial instruments.

IFRS 9 will become effective for annual periods starting on or after January 1, 2018, with early adoption allowed only to financial statements, pursuant to IFRSs.

The effective impact of the adoption of IFRS 9 on the Group's financial statements in 2018 cannot be estimated with confidence, as it will depend on the financial instruments held by the Group and the economic conditions in 2018, as well as accounting decisions and judgment calls that the Group will make in the future. The new standard will require the Group to review its accounting procedures and internal controls related to the classification and measurement of financial instruments, and these changes are not yet finalized. However, the Group conducted a

preliminary assessment of the potential impact of adopting IFRS 9 based on its position at March 31, 2017 and the hedge relationships identified in 2016 in the scope of IAS 39.

(i) **Classification - Financial assets**

IFRS 9 contains a new approach to financial asset classification and measurement that reflects the business model in which the assets are managed and their cash flow characteristics.

IFRS 9 contains three main classification categories for financial assets: measured at amortized cost, at fair value through other comprehensive income (FVTOCI) and at fair value through profit or loss (FVTPL). The standard eliminates the categories existing in IAS 39 of held-to-maturity, loans and receivables, and available for sale.

Based on its preliminary assessment, the Group does not consider that the new classification requirements, if applied at March 31, 2017, would have a significant impact on the accounting of accounts receivable and loans.

(ii) **Impairment - Financial and contractual assets**

IFRS 9 replaces the “incurred losses” model of CPC 38 (IAS 39) with a prospective “expected credit losses” model. This will require a relevant judgment as to how changes in economic factors affect the expected credit losses, which will be determined based on weighted probabilities.

The new model of expected losses will be applied to financial assets measured at amortized cost or VFTOCI, with the exception of investments in equity instruments and contractual assets.

According to IFRS 9, the provisions for expected losses will be measured on one of the following bases:

- Expected credit losses for 12 months, i.e., credit losses that result from potential delinquency events within 12 months after the reporting date; and
- Lifetime expected credit losses, i.e., credit losses that result from all possible delinquency events over the expected life of a financial instrument.

The measurement of lifetime expected credit losses applies if the credit risk of a financial asset at the reporting date has increased significantly since its initial recognition, and the 12-month credit loss measurement applies if the risk has not increased significantly since its initial recognition. An entity may determine that the credit risk of a financial asset has not increased significantly if the asset has low credit risk on the reporting date. However, the measurement of lifetime expected credit losses always applies to trade accounts receivable and contractual assets without a significant financing component; an entity may opt to apply this policy also to trade accounts receivable and contractual assets with a significant financing component.

The Group does not consider that the new classification requirements, if applied on March 31, 2017, would have a significant impact as a result of income from services rendered. However, the Group has not yet finalized the methodology for impairment that it will apply under IFRS 9.

(iii) Classification - Financial liabilities

IFRS 9 retains a large part of the requirements of IAS 39 for the classification of financial liabilities.

However, according to IAS 39, all changes in fair value of the liabilities designated as FVTPL are recognized in Income, whereas, according to IFRS 9, these changes in fair value are generally reported as follows:

- the amount of the change in fair value that is attributable to changes in the credit risk of the financial liability is presented in Other comprehensive income (OCI); and
- the remaining amount of the change in fair value is presented in income (loss).

The Group did not assign or intend to assign financial liabilities as fair value through profit or loss (VJR). The Group's preliminary assessment did not indicate any material impact if the requirements of IFRS 9 relating to the classification of financial liabilities were applied at March 31, 2017.

(iv) Disclosures

IFRS 9 will require extensive new disclosures, specifically regarding credit risk and expected credit losses. The Group's preliminary assessment included an analysis to identify deficiencies in relation to required information and current processes, and the Group plans to implement changes in its systems and controls to comply with the new requirements.

(v) Transitions

Changes in the accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except for the changes described below:

- The Group intends to take advantage of the exemption that allows it not to re-report comparative information from prior periods resulting from changes in the classification and measurement of financial instruments (including expected credit losses). The differences in the book balances of financial assets and liabilities resulting from the adoption of IFRS 9 will generally be recognized in retained earnings and reserves on January 1, 2018.
- The following assessments should be made based on the facts and circumstances that existed on the date of the initial adoption:
- Determination of the business model within which a financial asset is held; and
- The designation and revoke of previous designations of certain financial assets and liabilities measured at fair value through profit or loss.

IFRS 16 Leases

IFRS 16 introduces a single model for accounting of leases in the balance sheet for lessees. A lessee recognizes a right-of-use asset that represents their right to use the leased asset and a lease liability representing its obligation to make lease payments. Optional exemptions are available for short-term and low-value leases. The lessor's accountings remain like the current standard, i.e. lessors continue to classify leases as financial or operational.

IFRS 16 replaces the existing lease standards including CPC 06 (IAS 17) Leasing Operations and ICPC 03 (IFRIC 4, SIC 15 and SIC 27) Additional Aspects of Leasing Operations. This standard is effective for annual periods started as of or after January 1, 2019.

Early adoption is allowed only for financial statements in accordance with IFRS and only to entities applying IFRS 15 Income from Contracts with Clients on or before the date of initial application of the IFRS 16.

The Group started an initial evaluation of possible impact on its financial statements. Until now, the most significant impact identified is that the Company will recognize new assets and liabilities for its warehouses and plants' operating leases. Moreover, the nature of the expenses related to these leases will be changed, because IFRS 16 replaces the straight-line lease expense of operating lease for right-of-use depreciation and interests on lease liabilities. The Group has not decided if it will use optional exemptions. No significant impact on Group's financial lease agreements is expected.

Other changes

The Accounting Pronouncement Committee has not yet issued any accounting pronouncement or amendments in current pronouncements corresponding to all IFRSs. Therefore, the early adoption of these IFRS is not allowed for entities that prepare their financial statements under the accounting practices adopted in Brazil.

7 Cash and cash equivalents

	2017	2016
Cash and banks	513	5,738
Interest earning bank deposits	<u>29,603</u>	<u>18,428</u>
	<u><u>30,116</u></u>	<u><u>24,166</u></u>

Highly liquid short-term interest earning bank deposits are promptly convertible into a known sum of cash and subject to an insignificant risk of change of value.

Interest earning bank deposits refer substantially to Bank Deposit Certificates, remunerated at rates which vary from 90% and 100.5% of the Interbank Deposit Certificate (CDI). Interest-earning bank deposits are performed with prime institutions, to minimize the credit risk, a policy that is adopted by the Group in the management of these financial assets.

The exposure of the combined entities to rate risks and a sensitivity analysis of financial assets and liabilities are disclosed in Note 29.

8 Trade accounts receivable

	2017	2016
Accounts receivable - Domestic	4,175	5,576
(-) Allowance for doubtful accounts	<u>(231)</u>	<u>(231)</u>
	<u>3,944</u>	<u>5,345</u>

The exposure to currency risks and related to trade accounts receivables are disclosed in note 29.

The breakdown of balances by maturity age may be presented as follows:

Aging list

Trade notes receivable:	2017	2016
Loans falling due	2,738	868
Past due receivables - in days:		
up to 30	594	318
31-60	301	31
61-90	-	3,012
>90	<u>311</u>	<u>1,116</u>
	<u>3,944</u>	<u>5,345</u>

9 Inventories

	2017	2016
Finished products:		
Sugar	342	88
Ethanol	7,669	6,524
Storeroom	<u>15,799</u>	<u>17,907</u>
	23,810	24,529
Work in process:		
Work in process	<u>557</u>	<u>1,709</u>
	<u>24,367</u>	<u>26,228</u>

10 Biological assets

	Total
Balance at March 31, 2015 (Restated)	24,103
Increase in new cultural treatments	38,701
Decrease due to harvesting	(33,378)
Change in biological asset's fair value	17,505
Balance at March 31, 2016 (Restated)	46,931
Increase in new cultural treatments	47,262
Decrease due to harvesting	(43,923)
Change in biological asset's fair value	4,209
Balance at March 31, 2017	54,479

Sugarcane plantations

Planted areas refer only to sugarcane plants, and do not consider planted land. The following assumptions were used in the determination of the fair value:

	2017	2016
Estimated harvest area (hectares)	29,411	29,823
Estimated average productivity per crop (sugarcane tons/hectares)	88.61	94.03
Total recoverable sugar (ATR) (kg)	126.5	133
TRS value/kg (R\$)	0.68	0.56

The Group is exposed to several risks related to its crops:

Regulatory and environmental risks

Usina Santa Fé is subject to laws and regulations pertinent to its activities. Usina Santa Fé has established environmental policies and procedures which seek to comply with environmental laws. The management periodically carries out analysis to identify environmental risks and to ensure that the existing systems are sufficient to manage these risks.

Supply and demand risks

Usina Santa Fé is exposed to risks from fluctuations in price and volume of sales of sugar and ethanol produced from sugarcane. Whenever possible, Usina Santa Fé manages these risks by aligning its production volume to market supply and demand. Management conducts regular trend analyses to guarantee that operating strategies are in line with market trends and ensure that estimated production volumes are consistent with expected demand.

Climatic risks and others

The sugarcane planting operations are exposed to the risk of damage due to climate changes, pests and diseases, forest fires and other forces of nature. Usina Santa Fé has extensive processes with allocated funds for the follow up and mitigation of these risks, including regular inspections on sugarcane plantation.

11 Advances to suppliers

	2017	2016
Current:		
Advances to sugarcane suppliers - third-parties	39,541	26,673
Advances to suppliers of materials	3,311	740
Advances of sugarcane – related parties (Note 12)	928	373
	<u>43,780</u>	<u>27,786</u>
Non-current:		
- Advances to sugarcane suppliers - third-parties	<u>4,653</u>	<u>9,003</u>

The balances of advances to sugarcane suppliers - third parties refers to balances of advances made by Usina Santa Fé to associates for future sugarcane deliveries under agreements valid through 2022.

12 Related parties

a. Operations with key personnel

Key management personnel is comprised of the Executive Board elected triennially in the Annual Shareholders' Meeting. The Group does not grant long-term benefits to key management personnel.

b. Main balances and transactions which have affected the income (loss)

The main balances of assets and liabilities as of March 31, 2017 and 2016, as well as the transactions that influenced the income (loss) for the years, related to operations with related parties, result from transactions of the Group as shown below:

	Relationship	Balances		Income (expenses)	
		2017	2016	2017	2016
Current assets					
<i>Advances to sugarcane supplier (Note 11)</i>					
Shareholders, Directors, Advisors and Managers	Individual	928	373	-	-
		<u>928</u>	<u>373</u>	<u>-</u>	<u>-</u>
Current liabilities					
<i>Purchase of sugarcane (Note 17)</i>					
Shareholders, Directors, Advisors and Managers	Individual	(288)	(359)	-	-
		<u>(288)</u>	<u>(359)</u>	<u>-</u>	<u>-</u>
Current liabilities					
<i>Interest on own capital</i>					
Shareholders	Individual	(177)	(177)	-	-
		<u>(177)</u>	<u>(177)</u>	<u>-</u>	<u>-</u>
Non-current liabilities					
<i>Loans and financing with related parties:</i>					
Shareholders	Individual	(18,698)	(17,018)	(2,115)	(1,978)
Other related parties	Individual	(321)	(578)	(55)	(114)
		<u>(19,020)</u>	<u>(17,596)</u>	<u>(2,170)</u>	<u>(2,092)</u>

Purchase of sugarcane

The price is established in accordance with the sugarcane payment system adopted by CONSECANA (Conselho dos Produtores de Cana-de-Açúcar, Açúcar e Alcool do Estado de São Paulo).

Loans - Loan agreements - Shareholders and other related parties

Balances with shareholders and other related parties refer to loan agreements and are restated on a monthly basis by an interest rate of 1% per month, with indefinite maturity date.

13 Recoverable taxes

	2017	2016
ICMS	201	43
ICMS on Property, plant and equipment	4,654	2,811
IRRF (Withholding income tax)	1,245	851
Cofins	24,516	10,467
Pis	6,659	3,130
Other	<u>6,142</u>	<u>5,310</u>
	43,417	22,612
 Current assets	 <u>(38,745)</u>	 <u>(19,067)</u>
 Non-current assets	 <u><u>4,672</u></u>	 <u><u>3,545</u></u>

14 Current and deferred tax assets and liabilities

The combined entities recognized deferred asset and liability income and social contribution taxes and tax credits and debits on the following base values:

	2016			2017			
	Balance at March 31, 2015 (Restated)	Recognized in income (loss)	(Adjustment in the shareholders' equity)	Balance at March 31, 2016 (Restated)	Recognized in income (loss)	(Adjustment in the shareholders' equity)	Balance at March 31, 2017
Current assets							
IRPJ and CSLL recoverable	481	-	-	538	-	-	6,040
Non-current assets							
Derivative financial instruments	4,877	589	(2,474)	2,992	(2,035)	382	1,339
Provision for contingencies and sub judice taxes	5,661	1,305	-	6,966	(173)	-	6,793
Unrealized foreign exchange variation	8,636	488	-	9,124	(2,800)	-	6,324
<i>Hedge accounting</i>	45,641	1	1,506	47,148	-	(24,534)	22,614
Income tax losses	25,824	10,090	-	35,914	(5,963)	-	29,951
Negative basis for social contribution tax	9,291	3,632	-	12,923	(2,146)	-	10,777
	<u>99,930</u>	<u>16,106</u>	<u>(966)</u>	<u>115,067</u>	<u>(13,117)</u>	<u>(24,152)</u>	<u>77,798</u>
Current liabilities							
IRPJ and CSLL payable	(5)	-	-	(30)	(161)	-	(34)
Non-current liabilities							
Derivative financial instruments	(51)	(878)	-	(931)	(1)	(3,134)	(4,066)
Transaction cost	(474)	(984)	-	(1,458)	306	-	(1,152)
Investment property	-	-	-	-	-	(420)	(420)
Property, plant and equipment – Revaluation	(46,196)	482	-	(45,714)	491	-	(45,223)
Property, plant and equipment - Deemed cost	(6,805)	1,242	-	(5,563)	1,904	-	(3,692)
Property, plant and equipment - Economic depreciation	(35,000)	(3,365)	-	(38,361)	(2,346)	-	(40,708)
Biological assets	(4,082)	(3,366)	-	(7,448)	(1,430)	-	(8,878)
	<u>(92,608)</u>	<u>(6,869)</u>	<u>-</u>	<u>(99,475)</u>	<u>(1,076)</u>	<u>(3,554)</u>	<u>(104,139)</u>
Net	<u>7,322</u>	<u>9,237</u>	<u>(966)</u>	<u>15,592</u>	<u>(14,193)</u>	<u>(27,706)</u>	<u>(26,341)</u>

The expected recoverability of the tax credits is based on the projection of future taxable income taking into consideration various business and financial assumptions at year end. These estimates may differ from the actual taxable income in the future due to the inherent uncertainties in these estimates.

The reconciliation between the tax expense as calculated by the combined statutory rates and the income and social contribution tax expense charged to income (loss) is presented below:

Usina Santa Fé S.A.

	2017	2016 (Restated)
Income (loss) before income and social contribution taxes	36,766	(31,727)
Combined tax rate	34%	34%
Income and social contribution taxes at the combined statutory rates	(12,500)	10,787
Permanent differences - additions (exclusions): Permanent (additions) / exclusions	<u>(1,699)</u>	<u>(1,556)</u>
Income and social contribution tax expenses	<u>(14,199)</u>	<u>9,231</u>
Effective tax rate	39%	29%

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	<u>2017</u>			<u>2016</u>		
	IRPJ (Corporate Income Tax)	CSLL	Total	IRPJ (Corporate Income Tax)	CSLL	Total
Gross operating income						
Income from sales of sugarcane	7,371	7,371		5,697	5,697	
Presumed tax rate	8%	12%		8%	12%	
	589	885		456	684	
Combined tax rate	25%	9%		25%	9%	
	<u>(130)</u>	<u>(81)</u>	<u>(211)</u>	<u>(114)</u>	<u>(55)</u>	<u>(168)</u>
Current income and social contribution taxes			<u>(211)</u>			<u>(168)</u>

15 Judicial deposits

	2017	2016
Appeal-related deposits – Civil	116	110
Appeal-related deposits - Labor	2,587	2,806
INSS - Judicial deposit	14,063	14,063
Judicial Deposit - Service Ticket	<u>648</u>	<u>631</u>
	<u><u>17,414</u></u>	<u><u>17,610</u></u>

16 Property, plant and equipment

a. Changes in cost

	2016				2017					
	(Restated) balance	Additions	Write- offs	Transfers	(Restated) balance	Additions	Write- offs	Transfers	Reclassification	Balance
Land	138,448	-	-	-	138,448	-	-	-	-	138,448
Buildings and improvements	27,189	-	-	569	27,758	1,233	(4,475)	-	(1,632)	22,884
Furniture and fixtures	4,523	-	(10)	850	5,363	-	(142)	195	-	5,416
Vehicles and road implements	62,771	-	(1,467)	2,221	63,525	-	(2,421)	9,566	-	70,670
Agricultural machinery and inputs	110,899	-	(6,704)	6,329	110,524	-	(14,017)	15,763	-	112,270
Machinery, equipment and facilities	245,118	-	(501)	7,826	252,443	-	(2,762)	-	-	249,681
Computers and peripherals	2,505	-	-	209	2,714	-	(102)	196	-	2,808
Leasehold improvements	1,234	-	-	361	1,595	-	-	71	-	1,666
Works in progress	18,780	13,177	(235)	(17,771)	13,951	48,914	(2,903)	(25,800)	-	34,162
Advances to suppliers	47	1,246	-	(665)	628	5,200	-	-	-	5,828
Property, plant and equipment - off-season	32,145	30,152	(36,623)	-	25,674	35,243	(28,242)	-	-	32,675
Other	211	30	-	-	241	-	-	-	-	241
Sugarcane planting	457,022	48,855	-	-	505,877	52,694	-	-	-	558,571
Assets under free lease	333	684	(460)	-	557	424	(820)	-	-	161
	<u>1,101,225</u>	<u>94,144</u>	<u>(46,000)</u>	<u>(71)</u>	<u>1,149,298</u>	<u>143,708</u>	<u>(55,884)</u>	<u>(9)</u>	<u>(1,632)</u>	<u>1,235,481</u>

b. Changes in depreciation

	2016				2017				
	Balance (Restated)	Additions	Write-offs	Transfers	Balance (Restated)	Additions	Write-offs	Transfers	Balance
Buildings and improvements	(4,512)	(578)	-	-	(5,090)	(607)	1,342	-	(4,355)
Furniture and fixtures	(1,477)	(492)	30	-	(1,939)	(469)	195	-	(2,213)
Vehicles and road implements	(28,043)	(5,456)	623	-	(32,876)	(4,077)	698	-	(36,255)
Agricultural machinery and inputs	(43,058)	(9,645)	3,049	-	(49,654)	(8,970)	9,912	-	(48,712)
Machinery, equipment and facilities	(100,533)	(13,016)	167	-	(113,382)	(9,821)	11,436	-	(111,767)
Computers and peripherals	(1,537)	(177)	-	-	(1,714)	(188)	375	-	(1,527)
Leasehold improvements	(188)	(23)	-	-	(211)	(41)	42	-	(210)
Sugarcane planting	(282,435)	(44,586)	-	-	(327,021)	(41,323)	-	-	(368,344)
Other	(5)	-	-	-	(5)	-	-	-	(5)
	<u>(461,788)</u>	<u>(73,973)</u>	<u>3,869</u>	<u>-</u>	<u>(531,892)</u>	<u>(65,496)</u>	<u>24,000</u>	<u>-</u>	<u>(573,388)</u>
Net book value	<u>639,436</u>				<u>617,406</u>				<u>662,093</u>

Guarantee

As of On March 31, 2017, a substantial portion of the assets are guaranteeing financing transactions obtained from financial institutions.

Impairment test for cash generating units

During the years ended March 31, 2017 and 2016, the Group did not verify the existence of indicators that certain assets of this item may be above their recoverable values.

17 Suppliers

	2017	2016
Sundry suppliers	59,751	38,899
Sugarcane suppliers	46,673	44,094
Sugarcane suppliers – Related parties (Note 12)	288	359
	<u>106,728</u>	<u>83,351</u>
 Current liabilities	 <u>(103,221)</u>	 <u>(82,191)</u>
 Non-current liabilities	 <u>3,507</u>	 <u>1,160</u>

The balance payable to suppliers derived from the purchases of sugarcane, established in accordance with the sugarcane payment system adopted by CONSECANA (Conselho dos Produtores de Cana-de-Açúcar, Açúcar e Alcool do Estado de São Paulo).

The exposure of the combined entities to currency and liquidity risks, related to trade accounts payable, is disclosed in Note 29.

18 Loans and financing

This note discloses contract information on the loans and financing of combined entities. Note 29 discloses additional information on the Group's exposure to interest rate and currency risks.

	2017	2016
Domestic currency:		
FINAME – Pre-fixed interest from 1.35% to 11.50% p.a. plus TJLP variation	34,489	36,003
Lease – Average pre-fixed interest rate from 1.50% per month to 3.20% per annum plus CDI rate (Note 19)	164	894
Direct consumer credit - Pre-fixed interest from 2.5% to 8.5% p.a. plus CDI variation	469	194
Export Credit Note - pre-fixed interest rate from 4.50% to 7.00% per annum plus CDI variation	213,839	182,618
Foreign currency:		
Advance on exchange contracts - interest from 4.50% to 8.70% p.a. plus foreign exchange rate	44,492	14,453
Export pre-payment - Interest from 1.47% to 8.50% p.a. plus foreign exchange rate	<u>238,211</u>	<u>346,327</u>
	531,664	580,489
 Installments to amortize in the short term classified in current liabilities	 <u>236,562</u>	 <u>193,717</u>
 Non-current liabilities	 <u>295,102</u>	 <u>386,772</u>

As of March 31, 2017, the portions of current liabilities classified in non-current liabilities have the following payment schedule:

Year of maturity	2017
April 1, 2017–March 31, 2018	236,562
April 1, 2018–March 31, 2019	177,231
April 1, 2019–March 31, 2020	60,909
April 1, 2020–March 31, 2021	41,662
April 1, 2021–March 31, 2022	7,467
April 1, 2022–March 31, 2024	7,833
	<hr/>
	531,664
	<hr/>

In May 2017, Usina Santa Fé S.A. renegotiated its short and long-term financial transactions, according to note 33, adjusting its future maturities according to the following schedule:

Year of maturity	2017
April 1, 2017–March 31, 2018	116,791
April 1, 2018–March 31, 2019	98,689
April 1, 2019–March 31, 2020	103,767
April 1, 2020–March 31, 2021	99,139
April 1, 2021–March 31, 2022	113,278
	<hr/>
	531,664
	<hr/>

Provision of guarantees, sureties and guarantees

The Group offered the following guarantees to above mentioned loans and financing:

Type of funding	Guarantees
Finame	Chattel mortgage of financed assets
Leases	Chattel mortgage of financed assets
	Commercial pledge, Rural Pledge (Lands) Guarantee of shares
NCE – Export credit note	Agricultural Pledge (Sugarcane), Rural Pledge (Lands),
PPE – Export pre-payment	Promissory note, Export contracts
ACC - Advance on exchange contract	Surety of Promissory Note

Usina Santa Fé S.A. has a contractual obligation to maintain financial indicators due to the closing of the corporate year, in addition to non-financial covenants. As of March 31, 2017, as a result of the renegotiation mentioned in note 33, the financial indicators provided for were changed and will be valid as of the financial statements for the year ending March 31, 2018, and the Company obtained the suspension of its measurement for March 31, 2017. The Group has been complying with the non-financial covenants and, thus, no adjustments were required to the combined financial statements.

19 Leases

Usina Santa Fé S.A has a financial lease contract recorded in its assets. The contracts are effective for up to two and five years, containing purchase option clauses after this date.

Assets from financial lease transactions are recorded in Group's fixed assets.

The Group has financial lease agreements for 26 assets as vehicles, 3 assets as agricultural machinery and equipment and 4 assets as data processing equipment. The contracts are effective between two and five years, containing renewal option, purchase option and readjustment clauses after this date.

Assets listed below are included in Group's fixed and intangible assets.

Net book value from depreciation of assets obtained through financial leasing agreements:

	2017	2016
Agricultural machinery and equipment	590	825
Vehicles	1,111	1,751
Data processing equipment	152	181
	<u>1,853</u>	<u>2,757</u>

During the year ended March 31, 2017, the Group recognized as expense in the income (loss) referring to a financial lease the amounts of R\$ 77 (R\$ 212 in March 2016) relating interest expenses and R\$ 656 (R\$ 586 in March 2016) relating to depreciation expense. The minimum future payments are segregated as follows:

	<u>2017</u>		<u>2016</u>	
	Present value of minimum payments	Minimum future payments	Present value of minimum payments	Minimum future payments
In years:				
Up to 1	130	130	870	870
2-3	30	30	272	272
	<u>160</u>	<u>160</u>	<u>1,141</u>	<u>1,141</u>

20 Taxes and contributions payable

	2017	2016
Installment payment – Law No. 11.941/09	13,755	15,451
ICMS - Installment Payment	10,998	8,103
INSS - Funrural	1,258	1,244
Current ICMS	694	1,473
IRRF (Withholding income tax)	436	190
Other	1,412	1,601
Total	28,553	28,062
Current liabilities	(16,181)	(12,778)
Non-current liabilities	12,372	15,285

Installment payment of taxes – Law No. 11.941/09

In November 2009, Usina Santa Fé S.A. chose to pay in installments its debts to social security contributions and federal taxes due until November 30, 2008, by accepting the REFIS IV Program set forth by Law No. 11.941 dated May 27, 2009, which was consolidated in June 2011 by the Federal Revenue Service ("RFB") and the Attorney General of the National Treasury ("PGFN").

Under the applicable legislation, the Company is required to comply with the monthly payments of the installments under such program, as this is an essential condition to the maintenance. Failure to comply with this obligation shall result in the exclusion and cancellation of benefits granted and also the immediate requirement of debts overdue and due, in its original amount, impacted by legal charges to the date of exclusion. The Company has been making timely payments provided for in this installment program.

21 Provision for contingencies

Based on the opinion of its legal advisors, the Group set up a provision for contingencies for labor and civil lawsuits, in an amount considered sufficient to cover probable losses that may arise from the unfavorable outcome of ongoing tax proceedings, as follows:

	2017	2016
Labor	5,888	6,402
Social Security – INSS	14,063	14,063
Civil	28	24
	19,979	20,489

Changes in provisions for contingencies in the year ended March 31, 2017 are as follows:

	Closing balance at 03/31/2016	Additions	Write-offs	Closing balance at 03/31/2017
Labor	6,402	1,643	2,157	5,888
Social Security – INSS	14,063	-	-	14,063
Civil	24	4	-	28
	<u>20,489</u>	<u>1,647</u>	<u>2,157</u>	<u>19,979</u>

Unrecorded contingent liabilities

The Group is a party to other lawsuits in which the Management, supported by the opinion of its legal advisors, believes that the chances of loss are possible, therefore, they have not been object of provision for contingencies. The claims relating to possible losses on March 31, 2017 were represented by tax lawsuits in the amount of R\$ 14,744 (R\$ 7,146 as of March 31, 2016).

22 Shareholders' equity

a. Capital

Usina Santa Fé S.A.

The capital totals R\$ 96,592 is represented by 62,217,000 nominative common shares, with no par value (same as on March 31, 2016).

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The capital totals R\$ 5,075 (R\$ 3,055 as of March 31, 2016) and is represented by 3,055,000 nominative common shares, with no par value.

In June 3, 2016, there was a capital increase in the amount of R\$ 2,020 in Agropecuária Nova Europa through the use of profit reserve, without the issuance of subscribed and paid-up new shares.

b. Reserves

Legal reserve

In compliance with article 193 of Law 6404/76, the reserve was recorded at the rate of 5% of the net income for the fiscal year, up to the limit of 20% of the capital and after the offsetting of accumulated losses.

Revaluation reserves

Formed as a result of the partial revaluation of own fixed assets. In compliance with the accounting practice established by Technical Interpretation ICPC 10, Santa Fé Group recorded deferred income and social contribution taxes arising from the revaluation of assets not subject to depreciation (land) in the amount of R\$ 42,098.

The revaluation reserve is being realized in proportion to the disposal or write-off of revalued assets, in counter entry to retained earnings.

Profit retention reserve

Recorded based on the remaining balance of income after payment of dividends and formation of legal reserve, it is intended to be allocated to investments scheduled in capital budget duly approved by the shareholders' meeting.

c. Equity valuation adjustment

It comprises the effect of adopting fixed assets' deemed cost due to the application of CPC 27 and ICPC 10 on transition date, less the respective deferred income and social contribution taxes, and is being realized through depreciation, disposal or write-off of assets that originated them, as well as cash flow hedge losses.

d. Shareholder remuneration -The dividends may be distributed through the preparation of interim balance sheets. The shareholders are entitled to a minimum dividend of 25 % on the net income for the year, adjusted in accordance with for Brazilian Corporate Law.

23 Net operating income

The operating income is basically comprised of sugar and ethanol sales to the foreign and domestic market. We present below the reconciliation between gross income for tax purposes and the income presented in the statement of income for the year:

	2017	2016
Operating income		
Sugar	314,512	244,765
Ethanol	302,736	248,592
Other income	<u>30,800</u>	<u>28,827</u>
Gross tax income	648,048	522,184
CPC 38 - Hedge Accounting	<u>(22,420)</u>	<u>(48,624)</u>
Income adjusted at Hedge Accounting	625,628	473,560
Less:		
Sales taxes	(54,167)	(40,992)
Refunds and rebates	<u>(59)</u>	<u>(248)</u>
Total accounting income	<u><u>571,402</u></u>	<u><u>432,320</u></u>

24 Operating expenses by type

The Group presented the income statement using a classification of operating expenses based on their function. The information on the nature of these expenses recognized in the income statement is as follows:

	2017	2016
Operating expenses by type:		
Raw material consumed (sugarcane)	372,837	297,167
Personnel expenses	41,288	39,729
Freights, transshipment and storage	19,344	15,523
Maintenance	7,571	8,043
Depreciation and amortization	6,887	14,900
Sales expenses except freight, transshipment and storage	240	330

Material transferred/received	356	51
Taxes and rates	(305)	446
Other expenses	35,906	27,746
	<u>484,124</u>	<u>403,935</u>
Reconciliation with operating expenses classified per function:		
Cost of products sold	434,414	356,849
Sales expenses	21,212	17,403
Administrative and general expenses	28,498	29,683
	<u>484,124</u>	<u>403,935</u>

25 Other net operating (expenses) income

	2017	2016
Profit sharing	(82)	(3,990)
Taxes and rates on other operations (*)	22,608	2,168
Claim recoveries	70	216
Income (loss) from sale/written-off of assets	(6,153)	(3,582)
Provision for contingencies	279	(6,698)
Other net operating (expenses) income	104	4,492
	<u>16,826</u>	<u>(7,393)</u>

(*) The amount highlighted in this account in 2017 refers to the recovery of ICMS, PIS and COFINS tax credits according to a report issued by a specialized tax consulting firm.

26 Financial income

	2017	2016
Income from financial operations	1,960	1,085
Interest from restatement - tax credit and contingencies	180	602
Derivative financial instruments (note 29)	1,696	-
Interest from other operations and financial discounts	664	2,516
	<u>4,500</u>	<u>4,203</u>

27 Financial expenses

	2017	2016
Derivative financial instruments (note 29)	-	(2,976)
Interest recognized on financing	(54,171)	(51,439)
Interest - current account	(6,989)	(3,158)
Tax interest – installment and contingencies	(2,537)	(2,886)
Discounts granted	(78)	(9)
Interest from other operations	(3,888)	(3,355)
	<u>(67,663)</u>	<u>(63,823)</u>

28 Net foreign exchange rate

	<u>2017</u>	<u>2016</u>
Asset foreign exchange fluctuation	9,625	24,724
Liability foreign exchange fluctuations	<u>(12,363)</u>	<u>(29,893)</u>
Net foreign exchange rate	<u>(2,738)</u>	<u>(5,169)</u>

29 Financial instruments

a. Accounting classification and fair values

Statement of financial instruments and their respective category classification

The main financial instruments normally used by the Group and jointly-controlled operations are presented and classified as follows:

2017	Note	Book value				Fair value		
		Fair value through profit or loss (Trading)	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
Assets								
Cash and banks	7	-	513	-	513	-	-	-
Interest earning bank deposits	7	29,603	-	-	29,603	-	29,603	-
Trade accounts receivable	8	-	3,944	-	3,943	-	-	-
Other credits		-	9,580	-	9,581	-	-	-
Derivative financial instruments	29	11,952	-	-	11,952	-	11,952	-
		<u>41,555</u>	<u>14,037</u>	<u>-</u>	<u>55,592</u>	<u>-</u>	<u>41,555</u>	<u>-</u>
Liabilities								
Suppliers and other accounts payable		-	-	106,728	106,728	-	-	-
Loans and financing	18	-	-	531,664	531,664	-	531,664	-
Advances from clients		-	-	3,979	3,979	-	-	-
Related parties	12	-	-	19,020	19,020	-	19,020	-
Derivative financial instruments	29	3,938	-	-	3,938	-	3,938	-
		<u>3,938</u>	<u>-</u>	<u>661,391</u>	<u>665,329</u>	<u>-</u>	<u>554,622</u>	<u>-</u>

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2016	Note	Book value				Fair value		
		Fair value through profit or loss (Trading)	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
Assets								
Cash and banks	7	-	5,738		5,738			
Interest earning bank deposits	7	18,428	-	-	18,428	-	18,428	-
Trade accounts receivable	8	-	5,345	-	5,345	-	-	-
Other credits		-	10,292	-	10,292	-	-	-
Derivative financial instruments	29	2,733	-	-	2,733	-	2,733	-
Total		21,161	21,375	-	42,536	-	21,161	-
Liabilities								
Suppliers and other accounts payable		-	-	83,351	83,351	-	-	-
Loans and financing	18	-	-	580,489	580,489	-	580,489	-
Advances from clients		-	-	3,337	3,337	-	-	-
Related parties	12	-	-	17,596	17,596	-	17,596	-
Derivative financial instruments	29	8,799	-	-	8,799	-	8,799	-
Total		8,799	-	684,773	693,572	-	606,884	-

b. Determination of fair value

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, additional information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Cash and cash equivalents

The book values found in the balance sheet are close to the fair values due to the short-term maturity of these instruments.

Derivative financial instruments

The fair value of forward contracts and cash flow swaps is based on brokers' quotations. These quotations are tested for reasonability through estimated future cash flows discount based on contract conditions and expiration and using market interest rates of a similar instrument on measurement date. Fair values reflect the instrument credit risk and include adjustments to consider the credit risk of the Group and the counterpart, if applicable.

Loans and financing

The fair value that is determined for disclosure purposes is calculated based on the present value of principal and future cash flows, discounted at market interest rate on the date of presentation of the financial statements. Non-derivative financial liabilities.

c. Financial risk management

Overview

The main risks to which the Group is exposed are covered in the current monitoring and management model. Risks such as the operating risk, demand behavior, competition and any significant changes in follow-up are managed by a risk management model.

The economic and financial risks mainly reflect the behavior of macroeconomic variables such as sugar and ethanol prices, exchange and interest rates as well as the characteristics of the financial instruments that the Group uses. These risks are managed by means of monitoring by Top Management that actively participates in the Group's operational management.

It is the practice of the Group to manage its existing risks on a conservative basis, and the main purposes of this practice is to preserve the value and liquidity of financial assets and to guarantee financial resources for the good progress of business. The main financial risks considered by Top Management are:

- Credit risk;
- Liquidity risk;
- Market risk;
- Operating risk; and
- Capital risk.

This note contains information on the Group's exposure to each of the abovementioned risks, the objectives, practices and the processes for measuring and managing risk and the capital management. Additional quantitative disclosures are included throughout these financial statements.

Risk management structure

Credit risk

Credit risk is the possibility of a financial loss of the Group if a client or a counterpart of a financial instrument fails to fulfill its contractual obligations arising mainly from trade accounts receivable and investments from sale of sugar and advances to sugarcane suppliers.

The management of the credit risk of the combined entities in relation to sugar business clients is centralized in the relationship with trading companies, whose contractual proposals are evaluated by the Group's management considering the Group's asset and financial condition. For transactions providing advances to sugarcane suppliers, partnership agreements are in place, establishing the supply of the product when ready, and foreseeing the monitoring and handling of the production of Usina Santa Fé S.A.

In addition, advances are managed with basis on establishment of percentage limits, which currently Management has established at 20% of estimated production cost.

In general, paths chosen for conducting business are addressed at meetings for decision making, monitoring of results and adaptations of established strategies, as well as maintain operations with prime financial institutions, aiming to maintain the expected results.

Book value of financial assets that represent the maximum credit risk exposure on financial statement date:

	Note	2017	2016
Assets			
Cash and cash equivalents	7	30,116	24,166
Trade accounts receivable	8	3,944	5,345
Derivative financial instruments	29	11,952	2,733
		<u>46,012</u>	<u>32,244</u>

For balances presented in group of interest earning bank deposits, 47% of the balance is concentrated in three financial institutions. However, the Group had loans and financing transactions with these institutions whose debt balances on that date were significantly higher than the balances maintained in financial investments.

Impairment losses

As of March 31, 2017, the Group had only R\$231 as an allowance for doubtful accounts relating to receivables. This item is detailed in note 8.

Liquidity risk

Liquidity risk is the risk of the Group may encounter difficulties in performing the obligations associated with its financial liabilities that are settled with cash payments or with another financial asset. The Group 's approach in liquidity management is to guarantee, as much as possible, that it always has sufficient liquidity to perform its obligations upon maturity, under normal and stress conditions, without causing unacceptable losses or with a risk of sullyng the Groups' reputation.

The combined entities work by aligning resource generation and availability and managing their income generation provided by sugar sales together with funding from financial institutions at reduced rates and extended periods in order to meet their obligations as agreed-upon. In addition, the Group follows the practice of keeping funds in interbank funds applied in order to ensure short-term liquidity.

We present below the contractual maturities of financial liabilities including payment of estimated interest and assets which are used to manage the liquidity risk.

	2017				
	Book value	Up to 12 months	1-2 years	2-5 years	>5 years
Assets					
Cash and cash equivalents	30,116	30,116	-	-	-
Trade accounts receivable	3,944	3,944	-	-	-
Derivative financial instruments	11,952	11,952	-	-	-
Total		46,012	-	-	-
Liabilities					
Suppliers and other accounts payable	106,728	103,221	3,507	-	-
Loans and financing (*)	531,664	116,791	98,689	316,184	-
Advances from clients	3,979	3,979	-	-	-
Related parties	19,020	-	-	-	19,020
Derivative financial instruments	3,938	2,532	1,406	-	-
Total		226,523	103,602	316,184	19,020

	2016				
	Book value	Up to 12 months	1-2 years	2-5 years	>5 years
Assets					
Cash and cash equivalents	24,166	24,166	-	-	-
Trade accounts receivable	5,345	5,345	-	-	-
Derivative financial instruments	2,733	2,733	-	-	-
Total		32,244	-	-	-
Liabilities					
Suppliers and other accounts payable	83,351	82,191	1,160	-	-
Loans and financing	580,489	193,717	305,038	80,954	780
Advances from clients	3,337	3,337	-	-	-
Related parties	17,596	-	-	-	17,596
Derivative financial instruments	8,799	3,344	5,455	-	-
Total		282,589	311,653	80,954	18,376

- (*) The balances of 2017 shown in the first table above consider the new contractual maturities due to the debt rescheduling generated by the renegotiation performed by Usina Santa Fé S.A. of its short- and long-term financial transactions, as explained in note 33, changing its future maturities.

No cash flow expected, included in the analysis of the Group's maturation, may occur significantly sooner or in amounts significantly different.

That scenario does not consider export agreements entered into for the next crops, and thus does not reflect the effective cash flow for the next periods.

Market risk

It results from the possibility of market oscillation of the market price, such as exchange rates, interest rates and price of products marketed or produced by the Group and of other inputs used in the production process.

The Group follows the practice of minimizing the market risk by entering into partnership agreements with producers to guarantee production and establishing agreements with trading company for future sales of the products. The main purpose of those decisions is to ensure better market prices.

Foreign exchange risk

Results from the possibility of oscillations of the foreign exchange rates of foreign currencies of sugar exports and funding used by the Company in the import and funding. Usina Santa Fé S.A. permanently assesses the contracting of hedge operations to mitigate these risks. Throughout the year, Usina Santa Fé S.A. used derivative hedge transactions to hedge its exposures, as follows: The risk management of foreign exchange exposure of Usina Santa Fé S.A. consists of analyzing the natural hedge between the export agreements generating receivables in foreign currencies and its foreign currency obligations, so that, upon determining the net exposure, a strategic assessment can be made of the need to contract a hedging instrument.

Foreign currency net exposure related to principal amounts is presented in the chart below (notional in R\$):

	2017			2016		
	Ptax	R\$	USD	Ptax	R\$	USD
Loans and financing	3.1684	282,703	89,226	3.5583	360,780	101,391
Derivative instruments (Notional)		(68,643)	(15,888)		54,998	19,993
Net exposure		214,060	73,338		415,778	121,384

Sensitivity analysis

The Group employs derivative financial instruments only to protect identified risks and in amounts compatible to them (limited to 100% of identified risk). Thus, for sensitivity analysis purposes for market risks originated by financial instruments, the Group jointly analyzes the hedging instrument and the hedged item, as shown in the tables below.

For the sensitivity analysis of foreign exchange hedging instruments, management adopted as the likely scenario the amounts recorded. As reference, other scenarios considered deterioration and appreciation of currency on foreign exchange rate used to calculate amounts presented in accounting books. Scenarios were estimated as an appreciation and devaluation of 25% and 50%, respectively, of the Reais in the likely scenario.

Based on hedge instrument balances and hedged item balances on March 31, 2017, foreign exchange rates and other indices, when applicable, were replaced, and the variation between the new balance in Brazilian Reais and the balance in Brazilian Reais on March 31, 2017 was calculated for each of the scenarios.

The following table shows the possible impacts on income for each of the presented scenarios, and it should be considered that export agreements for the coming crops are not included in the analysis provided below:

Scenarios	Probable	Rise		Write-off	
		25%	50%	25%	50%
Financial instruments					
Loans and financing	282,703	353,379	424,055	212,027	141,352
Financial instruments - NDF	(11,952)	(14,940)	(17,928)	(8,964)	(5,976)
Effects on income (loss)	-	(73,664)	(147,328)	73,664	147,328

Interest rate risk

Results from the possibility of the combined companies suffering gains or losses arising from oscillations of interest rates levied on their financial assets and liabilities. Aiming to mitigate this type of risk, the Group seeks to diversify borrowings in terms of prefixed or post-fixed rates, and swaps, as well as rural subsidies, when they are made available.

Variable interest rate net exposure is presented in the chart below.

	Note	2017	2016
Assets			
Cash and cash equivalents	7	30,116	24,166
Loans and financing	18	<u>(531,664)</u>	<u>(580,489)</u>
		<u>(501,549)</u>	<u>(556,323)</u>

Usina Santa Fé S.A. makes use of derivative financial instruments solely to hedge itself against Libor rate fluctuations, since had foreign funding indexed to the Libor rate. In general, Management understands that any change in interest rates would not represent a significant impact on Usina Santa Fé S.A. result, as this is not the main risk.

In the following tables, three scenarios are considered, with the likely scenario being that adopted by the Group. The probable scenario considered the market levels prevailing on the balance sheet closing date.

For Scenario I we consider a 25% increase in interest rates and for Scenario II we consider a 50% increase.

Sensitivity analysis on interest rate exposure

Interest rates	Balance - R\$	Scenario (period of 1 year)		
		Probable	Scenario I	Scenario II
			25%	50%
CDI rate on 03/31/2017		12.13%	15.16%	22.74%
Cash and cash equivalents	30,116	3,653	4,566	6,849
Loans and financing	531,664	64,491	<u>80,614</u>	<u>120,920</u>
Effect in income (loss)			<u>(17,036)</u>	<u>(59,626)</u>

Operating risk

Operating risk is the risk of direct or indirect losses arising from different causes related to the Group's processes, personnel, technology and infrastructure and external factors, except credit, market and liquidity risks, as those arising from legal and regulatory requirements and from generally accepted corporate behavior standards. Operating risks are associated to all operations of the Group.

The Group's aim is to manage the operating risk conservatively, by always seeking to use the best market opportunities and maximize financial income, thus contributing to avoid the compromising of the actions applied for the other risks mentioned in this note.

Capital structure risk

Results from the choice between own capital (capital contributions and profit retention) and third-party capital that the Group makes to finance its operations. To mitigate the liquidity risks

and the optimization of the weighted average cost of capital, the Group permanently monitors the indebtedness levels according to market standards.

Financial instruments designated to hedge accounting

As a market risk management procedure, Usina Santa Fé manages its exposures to foreign currencies by entering into derivative and non-derivative financial instruments linked to the US dollar, considering the sale forecast included in the Group's official budget.

As from April 2013, the Usina Santa Fé formally designated for cash flow hedge accounting the debt instruments and derivatives to cover its future income from exports, which are highly probable, with a view to hedging against the volatility in its income from exports due to unfavorable foreign exchange rate conditions.

The hedge accounting structure consists of hedging a forecast export transaction in foreign currency, classified as highly probable, against the risk of fluctuations in the USD/BRL exchange rates, using as hedging instruments non-derivative financial instruments as foreign currency debts (US Dollar), and derivatives, such as Non-Deliverable Forwards, at amounts and with maturities equivalent to the sales budget.

Transactions Usina Santa Fé assigned as hedge accounting are highly probable, present cash flow variation exposure that could affect income and losses and are highly effective in achieving exchange rate changes or cash flow attributable to covered risk.

Hedging instruments designated for Hedge Accounting and estimated periods of cash flow from exports

HEDGED ITEM		HEDGE INSTRUMENT:			
Date expected	Budget in US\$ (Hedged item)	US\$	US\$	US\$	US\$
		ACC	NDF	Total Instruments	Rollover
Apr 2017	1,501,582	1,077,582	424,000	1,501,582	-
May 2017	1,672,940	1,340,940	332,000	1,672,940	-
Jun 2017	5,974,978	8,949,978	2,975,000	5,974,978	-
Jul 2017	7,382,083	437,559	5,596,000	7,382,083	1,348,524
Aug 2017	12,015,674	9,992,893	1,869,000	12,015,674	153,781
Sep 2017	12,785,015	4,837,110	2,181,000	12,785,015	5,766,905
Oct 2017	11,072,497	7,887,707	10,454,000	11,072,497	(7,269,210)
Nov 2017	6,000,467	11,870,101	478,000	6,000,467	(5,391,634)
Dec 2017	5,809,343	67,975	500,000	5,809,343	5,241,368
Jan 2018	7,403,697	4,421,431	2,832,000	7,403,697	150,266
Feb 2018	570,240	70,240	500,000	570,240	-
Mar 2018	563,443	63,443	500,000	563,443	-
Apr 2018	503,499	503,499	-	503,499	-
May 2018	709,558	709,558	-	709,558	-
Jun 2018	124,972	124,972	-	124,972	-
Jul 2018	293,221	293,221	-	293,221	-
Aug 2018	9,924,159	9,924,159	-	9,924,159	-
Sep 2018	2,771,349	869,108	-	2,771,349	1,902,241
Oct 2018	11,099,837	5,231,872	-	11,099,837	5,867,965
Nov 2018	5,986,767	13,756,973	-	5,986,767	(7,770,206)
Dec 2018	4,066,842	4,066,842	-	4,066,842	-
Jan 2019	98,446	98,446	-	98,446	-
Feb 2019	-	-	-	-	-
Mar 2019	-	-	-	-	-
Apr 2019	247,576	247,576	-	247,576	-
May 2019	30,266	30,266	-	30,266	-
Jun 2019	31,275	31,275	-	31,275	-
Jul 2019	128,712	128,712	-	128,712	-
Aug 2019	781,275	781,275	-	781,275	-
Sep 2019	775,411	775,411	-	775,411	-
Oct 2019	5,067,363	5,067,363	-	5,067,363	-
Nov 2019	763,683	763,683	-	763,683	-
Dec 2019	-	-	-	-	-
Jan 2020	24,612	24,612	-	24,612	-
Feb 2020	-	-	-	-	-
Mar 2020	-	-	-	-	-
Apr 2020	62,414	62,414	-	62,414	-
May 2020	7,567	7,567	-	7,567	-
Jun 2020	7,819	7,819	-	7,819	-
Jul 2020	32,178	32,178	-	32,178	-
Aug 2020	2,415,844	2,415,844	-	2,415,844	-

Usina Santa Fé will run hedging instruments for periods equivalent to the expected exports. Thus, the Company will adjust the amount of instruments x hedging ones in order to adjust the hedging relation in the coming years.

Gains and losses on financial instruments designed for hedge accounting

The breakdown of realized and unrealized gains and losses recognized in the operating income and in shareholders' equity, respectively of financial instruments designated as hedge instruments is as follows.

Accounting effect - Hedge instrument

Operation	Unrealized	Realized
Non-derivatives (Foreign exchange variation)	71,738	(34,550)
Derivatives (Fair value)	8,094	12,130
Total net deferred taxes	52,546	(14,797)

Reconciliation of the net effects of the fair value of operations with the financial position

The fair value of derivative financial instruments, either asset or liability, is recognized in the balance sheet of the Group.

Below is the reconciliation of the net effects of fair value recorded in the balance sheet:

a. Balances in balance sheet

	2017	2016
Derivative financial instruments (assets)	<u>11,952</u>	<u>2,733</u>
Derivative financial instruments (liabilities)	<u>(3,938)</u>	<u>(8,799)</u>

b. Balances per type of operation

	2017	2016
NDF of currencies (asset)	11,591	2,733
Commodity options (active)	<u>361</u>	<u>-</u>
Total (assets)	<u>11,952</u>	<u>2,733</u>
Swap operations (liabilities)	(2,813)	(8,799)
NDF of currencies (liability)	<u>(1,125)</u>	<u>-</u>
Total (liabilities)	<u>(3,938)</u>	<u>(8,799)</u>

As a market risk management procedure, the Group manages its exposures to foreign currencies by entering into derivative and non-derivative financial instruments linked to the US dollar, considering the sale forecast included in the Group's official budget. In regard to currency options that represent NDF (Non-Deliverable Forward), contracted in relation to foreign currency future sale, as shown below:

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Asset balances							Liability balances						
Maturity	Type of operation	Notional value (In thousands of USD)	Notional value	Future rate	MTM rate	Fair value	Maturity	Type of operation	Notional value (In thousands of USD)	Notional value (R\$)	Future rate	MTM rate	Fair value
06/13/2017	Purchase	1,000	3,135	3.14	3.1820	45	01/30/2013	Purchase	168	577	3.43	3.3206	(18)
06/13/2017	Purchase	1,500	4,721	3.15	3.1820	50	10/18/2017	Purchase	25	34	3.36	3.2641	(2)
06/13/2017	Purchase	2,500	7,379	3.15	3.1820	73	10/24/2017	Purchase	64	216	3.37	3.2681	(6)
06/13/2017	Purchase	201	630	3.13	3.1820	10	10/31/2017	Purchase	223	769	5.37	3.2720	(22)
06/13/2017	Purchase	2,000	6,305	3.15	3.1820	57	11/24/2017	Purchase	60	203	3.39	3.2338	(6)
06/13/2017	Purchase	1,000	3,130	3.13	3.1820	50	11/29/2017	Purchase	413	1,413	3.39	3.2869	(41)
03/29/2013	Sale	(500)	(1,807)	3.61	3.3523	119	11/30/2017	Purchase	4,000	13,404	3.35	3.2377	(241)
02/25/2013	Sale	(500)	(1,796)	3.59	3.3366	118	12/29/2017	Purchase	1,000	3,361	3.36	3.3027	(55)
01/31/2013	Sale	(500)	(1,733)	3.58	3.3211	118	12/29/2017	Purchase	1,000	3,349	3.35	3.3027	(44)
12/29/2017	Sale	(500)	(1,778)	3.56	3.3027	118	12/29/2017	Purchase	1,000	3,323	3.33	3.3027	(23)
10/31/2017	Sale	(571)	(1,996)	3.50	3.2720	121	09/22/2017	Purchase	70	240	3.42	3.2491	(12)
11/30/2017	Sale	(2,000)	(7,100)	3.55	3.2877	494	07/24/2017	Purchase	71	240	3.38	3.2103	(12)
10/31/2017	Sale	(2,000)	(7,051)	3.53	3.2720	431	07/28/2017	Purchase	233	788	3.38	3.2131	(38)
03/31/2017	Sale	(500)	(1,655)	3.31	3.2367	36	03/24/2017	Purchase	74	252	3.40	3.2311	(12)
09/29/2017	Sale	(500)	(1,662)	3.32	3.2536	34	03/29/2017	Purchase	557	1,397	3.41	3.2348	(92)
07/31/2017	Sale	(2,400)	(3,232)	3.43	3.2140	502	09/19/2017	Purchase	249	852	3.42	3.2475	(41)
10/31/2017	Sale	(2,000)	(6,969)	3.43	3.2720	404	06/24/2017	Purchase	74	243	3.28	3.1894	(7)
10/31/2017	Sale	(2,000)	(7,118)	3.56	3.2720	545	04/24/2017	Purchase	360	1,200	3.39	3.1537	(84)
10/31/2017	Sale	(1,200)	(4,505)	3.75	3.2720	543	04/27/2017	Purchase	216	734	3.40	3.1516	(29)
10/31/2017	Sale	(1,500)	(5,570)	3.71	3.2720	628	05/24/2017	Purchase	71	242	3.41	3.1669	(17)
03/31/2017	Sale	(500)	(1,650)	3.30	3.2367	31	05/29/2017	Purchase	1,097	3,751	3.42	3.1706	(269)
09/29/2017	Sale	(500)	(1,653)	3.32	3.2536	30	12/29/2017	Purchase	1,000	3,360	3.36	3.3027	(54)
03/31/2017	Sale	(1,000)	(3,276)	3.28	3.2367	38							
09/29/2017	Sale	(1,000)	(3,294)	3.29	3.2536	39							
10/31/2017	Sale	(500)	(1,777)	3.55	3.2720	134			12,035	40,526			(1,125)
11/30/2017	Sale	(500)	(1,736)	3.57	3.2577	134							
06/30/2017	Sale	(1,000)	(3,432)	3.43	3.1939	282							
06/30/2017	Sale	(1,000)	(3,504)	3.50	3.1939	303							
06/30/2017	Sale	(1,000)	(3,495)	3.50	3.1939	295							
06/30/2017	Sale	(800)	(2,800)	3.50	3.1939	240							
11/30/2017	Sale	(500)	(1,797)	3.59	3.2877	144							
10/31/2017	Sale	(500)	(1,738)	3.53	3.2720	144							
12/29/2017	Sale	(500)	(1,836)	3.67	3.3027	172							
04/25/2017	Sale	(500)	(1,752)	3.50	3.1506	174							
07/31/2017	Sale	(500)	(1,732)	3.56	3.2140	169							
05/31/2017	Sale	(500)	(1,763)	3.53	3.1724	174							
12/29/2017	Sale	(2,000)	(7,143)	3.57	3.3027	507							
01/31/2013	Sale	(2,000)	(7,192)	3.60	3.3211	510							
04/28/2017	Sale	(500)	(1,742)	3.43	3.1506	165							
07/31/2017	Sale	(1,000)	(3,556)	3.56	3.2140	332							
05/31/2017	Sale	(500)	(1,756)	3.51	3.1724	167							
10/31/2017	Sale	(500)	(1,813)	3.63	3.2720	167							
11/30/2017	Sale	(500)	(1,823)	3.65	3.2877	168							
12/29/2017	Sale	(500)	(1,854)	3.71	3.3027	139							
05/31/2017	Sale	(500)	(1,773)	3.56	3.1724	139							
07/31/2017	Sale	(500)	(1,806)	3.61	3.2140	193							
12/29/2017	Sale	(500)	(1,856)	3.71	3.3027	191							
11/30/2017	Sale	(500)	(1,850)	3.70	3.2877	194							
01/31/2013	Sale	(500)	(1,825)	3.65	3.3211	153							
12/29/2017	Sale	(500)	(1,818)	3.64	3.3027	155							
07/31/2017	Sale	(500)	(1,764)	3.53	3.2140	152							
07/30/2017	Sale	(500)	(1,752)	3.50	3.1939	152							
06/30/2017	Sale	(1,000)	(3,660)	3.66	3.1939	456							
07/31/2017	Sale	(1,000)	(3,630)	3.63	3.2140	451							
03/31/2017	Sale	(500)	(1,643)	3.29	3.2367	24							
09/29/2017	Sale	(500)	(1,649)	3.30	3.2536	22							
		(33,770)	(122,627)			11,591							

Valuation of swaps

Notional value (R\$)	Notional value (In thousands of USD)	START DATE	MATURITY DATE	Index - Asset	Index - Liability	Fair value
4,294	1,763	07/31/2017	11/01/2017	100% FEX+5.07%	35% of CDI	(61)
5,884	2,608	07/03/2017	10/02/2017	100% FEX + 3.5%	6%	(83)
3,280	1,477	11/14/2017	12/14/2017	100% of CDI + Spread 5.5%	35% of CDI	(2,663)
						(2,813)

The fair value of derivative financial instruments, either asset or liability, is recognized in the balance sheet of the Group.

Income from financial instruments

The tables below summarize the amounts of gains (losses) recorded in March 31, 2017 and 2016 affecting the statement of income:

Income (loss) from operations held for trading	Income (loss)	
	2017	2016
Variable rate instruments		
Derivative financial instruments		
Gains on derivatives	64,637	130,324
Swap adjustment on financing	(4,290)	(3,835)
Losses with derivatives	<u>(58,651)</u>	<u>(129,465)</u>
Net (Notes 26 and 27)	<u>1,696</u>	<u>(2,976)</u>

The Usina Santa Fé uses, as instruments for exchange hedging, swap operations such as dollar swap, Libor swap, dollar and sugar NDFs, and such transactions have been contracted to hedge its exposures in foreign currency and sugar price quotations.

30 Purchase commitments

Usina Santa Fé S.A. has several sugarcane purchase commitments with the related company Agropecuária Nova Europa S.A., shareholders and third-parties to ensure a portion of their production for the next harvesting periods. The quantity of sugarcane to be purchased is calculated based on a sugarcane harvest estimate by geographical area. The amount to be paid by the Companies will be determined for each harvesting period with the sugarcane payment system adopted by the CONSECANA (Conselho dos Produtores de Cana-de-Açúcar, Açúcar e Alcool do Estado de São Paulo).

31 Sales commitments

Usina Santa Fé S.A. has an agreement in the sugar market with third parties through which it undertakes to sell volumes of these products until the 2017/2018 crop. The volumes related to the aforementioned commitments are:

Crop	Volume - tons
2017/2018	<u>204,413</u>
	<u>204,413</u>

32 Statements of added value – DVA

Santa Fé Group is presenting as supplementary information the statements of added value - DVA, according to CPC 09.

Those financial statements, supported by macroeconomic concepts, aim at presenting the Santa Fé Group's share in the formation of GDP by calculating the added value not only by the Santa Fé Group but also that received from other entities, and the distribution of related amounts to its employees, governmental spheres, asset leasers, loans, financing and debt security creditors, controlling and non-controlling shareholders, and other compensations representing the transfer of wealth to third-parties.

Said added value represents the wealth created by Santa Fé Group, generally measured by the income from the sale of goods and provision of services, less related inputs acquired from third parties and also including the added value produced by third parties and transferred to Santa Fé Group.

33 Subsequent costs

In May 2017, Usina Santa Fé S.A., with the purpose of seeking a financial balance in current assets to current liabilities ratio, concluded the renegotiation of its operations related to a syndicated transaction that mature in the short and long term with the main creditor banks, in order to guarantee greater financial liquidity for the following crops, whose installments will be settled only in the crop period, with the first installment maturing on July 25, 2018 and the last on December 27, 2022.

Under the terms of item 76 “a” of Technical Accounting Pronouncement CPC 26, the Group considered this transaction as a subsequent event that does not result in adjustments in accordance with Technical Pronouncement CPC 24 – Subsequent Event.

For purposes of assessing liquidity risk of Note 29, the Group already considers this subsequent event, as follows:

Year of maturity	Balance at March 31, 2017	Balance considering the rescheduling
April 1, 2017–March 31, 2018	236,562	116,791
April 1, 2018–March 31, 2019	177,231	98,689
April 1, 2019–March 31, 2020	60,909	103,767
April 1, 2020–March 31, 2021	41,662	99,139
April 1, 2021–March 31, 2022	7,467	113,278
April 1, 2022–March 31, 2024	<u>7,833</u>	<u>-</u>
	<u>531,664</u>	<u>531,664</u>

In this context, if the debt renegotiation had been completed by March 31, 2017, the Group's net working capital would increase from R\$ (167,280) to R\$ (47,509), the current liquidity ratio would increase from 0.57 to 0.82 and the short-term net debt to total net debt ratio would decrease from 0.44 to 0.22, using the balances presented below:

a) Net working capital (*)

	Without Reprofiling	With reprofiling
Total current assets	217,823	217,823
Total current liabilities	385,105	265,334
Net working capital	(167,280)	(47,509)

b) Current liquidity ratio (*)

	Without Reprofiling	With reprofiling
Total current assets	217,823	217,823
Total current liabilities	385,105	265,334
Current liquidity ratio	0.57	0.82

c) Short-term debt ratio and total debt (*)

	Without Reprofiling	With reprofiling
Short-term debt	236,562	116,791
Total debt	531,664	531,664
Debt ratio	0.44	0.22

(*) Although there is no accounting standard previously defined in the accounting technical pronouncements, management believes that the disclosure of such ratios is relevant since they are part of the financial covenants provided for in the contractual clauses of loans and financing.