Raízen Energia S.A.

Financial statements at March 31, 2018 and independent auditors' report

(A free translation of the original report in Portuguese, as filed with the Brazilian Securities Commission (CVM), containing individual and consolidated financial statements prepared in accordance with the accounting practices adopted in Brazil and in accordance with International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board - IASB)

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Independent Auditor's Report on the individual and consolidated financial statements

(A free translation of the original report in Portuguese, as filed with the Brazilian Securities Commission (CVM), containing individual and consolidated financial statements prepared in accordance with accounting practices adopted in Brazil and in accordance with International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board – IASB)

To the Directors and Shareholders of
Raízen Energia S.A.
São Paulo - SP

Opinion

We have audited the individual and consolidated financial statements of Raízen Energia S.A. ("the Company"), respectively referred to as Parent and Consolidated, which comprise the statement of financial position as at March 31, 2018, and the related statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of the Raízen Energia S.A. as at March 31, 2018, and of its individual and consolidated financial performance and its cash flows for the year then ended in accordance with Accounting Practices Adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

Basis for Opinion

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 individual and consolidated financial statements section of our report. We are independent of the Company and its subsidiaries 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the individual and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Acquisition of Santa Cândida and Paraíso sugar and ethanol plants ("Tonon Group")

See Notes 2.3(p) and 27 to the individual and consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
During the year ended March 31, 2018, the Company acquired the plants Santa Cândida and Paraíso - sugar and ethanol producing units of the Tonon Group. The accounting of such acquisition required the use of estimates and judgments by the Company with respect to the determination of fair value of assets acquired and liabilities assumed and disclosures of information related to this transaction. Consequently, we consider the measurement, accounting and disclosures of such acquisition as a key audit matter.	We evaluated the design of the key internal controls adopted by the Company related to the process of measurement, recognition and disclosure of such transactions in accordance with the applicable accounting standards. We also evaluated the contracts that formalize the business combination and analyse the supporting documentation for the consideration transferred. In addition, we evaluated the competence and objectivity of the external experts hired by the Company to issue the appraisal report at fair value used for the purpose of purchase price allocation in the business combination. With the assistance of our valuation specialists, we evaluated the reasonableness of the main assumptions adopted in measuring the fair value of the assets acquired, which consider biological assets, property, plant and equipment and those derived from financial leasing, including the respective obligations, with historical information available and observable market data. We also evaluated the adequacy of the

	disclosures made in the individual and consolidated financial statements. Based on the procedures summarized above, we consider that the measurement and accounting of such acquisition, as well as the respective disclosures, are acceptable in the context of the individual and consolidated financial statements taken as a whole, for the year ended March 31, 2018.

Biological assets measurement	
See Notes 2.3(g) and 7 to the individual and consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
The Company measures its biological assets at fair value and this measurement requires critical judgment in the determination of the assumptions, which include, among others, the future price of sugar, sugar cane productivity and discount rate. Due to the relevance of the estimates made to measure the fair value of the biological assets of the Company and the impact that eventual changes in the assumptions and estimates used in the measurement of this amount would have in the individual and consolidated financial statements, we consider this matter significant in our audit.	We evaluated the design and the operational effectiveness of the Company's key internal controls related to the calculation of the fair value of biological assets. We have evaluated, with the assistance of our corporate finance specialists, the reasonableness of the main assumptions used by the Company to calculate the fair value of biological assets and compare it with available historical information and observable market data. We also evaluated the disclosures made in the individual and consolidated financial statements, specifically in relation to the assumptions used to calculate the fair value of the biological assets and the sensitivity analysis. Based on the procedures summarized above, we consider that in the measurement of the biological assets balances, as well as the respective disclosures, are acceptable, in the context of the individual and consolidated financial statements taken as a whole, for the year ended 31 March 2018.

Evaluation of recoverability of goodwill based on future profitability generated in business combinations	
See Notes 2.3(k). 10 and 12 to the individual and consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
Business combinations made by the Company resulted in the recognition of goodwill based on expected future profitability, the recoverable amount of which should be evaluated annually. The evaluation of the recoverable value of the Company's cash-generating units involves significant judgments in determining the assumptions used in the projections of cash flows, including commodity prices such as sugar, exchange rates, growth and discount, and may result in impact on the individual and consolidated financial statements. For these reasons, we consider this matter significant in our audit.	Our procedures included the evaluation of the design of key internal controls related to the preparation and review of the business plan, budget, technical studies and impairment analysis provided by the Company. With the assistance of our corporate finance specialists, we evaluated the assumptions and methodology used by the Company in preparing the projections of future cash flows. We also evaluated the sensitivity of results considering reasonably possible changes in the key assumptions and compared the budgets approved for the year ended March 31, 2018 with the actual amounts calculated in order to verify the Company's ability to project future results. We compared the recoverable amount calculated based on discounted cash flows to the accounting balances per cash generating unit and we evaluated the adequacy of the disclosures made in the individual and consolidated financial statements, mainly those related to the assumptions used in calculating the recoverable value of goodwill of the cash-generating units. Based on the results of the abovementioned procedures, in order to test the measurement of the recoverable value of the cash-generating units containing goodwill arising from the business combinations, we consider that, in relation to its recoverability, the balance of goodwill originated in business combinations, as well as the respective disclosures are acceptable in the context of the individual and consolidated financial statements taken as a whole for the year ended March 31, 2018.

Valuation of derivative financial instruments and designation of hedge accounting	
See Notes 2.3(c) and 24 to the individual and consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
Due to the relevance of the operations with derivative financial instruments used by the Company to hedge the risks of commodity, currency and interest rate fluctuations, and considering the complexity and the judgments involved in measuring the fair value of the derivatives as well as determining a hedge ratio and its effectiveness, we consider this matter to be significant in our audit.	We evaluated the design and operational effectiveness of the Company's key internal controls related to the calculation of the fair value of derivative financial instruments and the documentation prepared for the designation of hedge accounting. We have evaluated, with the assistance of our specialists in financial instruments, the adequacy of the documentation supporting the hedge relationships as well as the reasonableness of the main assumptions used by the Company to calculate the fair value of derivative financial instruments, using information from recent market transactions, discounted cash flow and credit risk of the Company and its counterparties. We also evaluated the adequacy of the Company's disclosures in relation to the assumptions used to calculate the fair value of derivative financial assets and liabilities and the determination of hedge accounting. Based on the results of the procedures summarized above, we consider that the balances of derivative financial instruments and the designation of commodity, currency and interest rate protection accounting, as well as the respective disclosures, are acceptable in the context of the individual financial statements and consolidated financial statements for the year ended March 31, 2018.

Realization of balance of deferred income and social contribution taxes assets	
See Notes 2.3(n) and 15(b) to the individual and consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
The tax credit arising from temporary differences, tax losses carry forward and negative basis of social contribution is recorded to the extent that the Company considers probable that it will generate future taxable income. The estimate of generation of future taxable income requires judgment and interpretation of tax laws. The amount of deferred tax assets recognized can vary significantly if different assumptions are applied to the projection of future taxable income, which may materially impact the individual and consolidated financial statements. For these reasons, we consider this matter significant in our audit.	Our procedures included evaluating the design of the key internal controls related to the preparation and review of the business plan, budget, technical studies and analysis of projections of future taxable income made available by the Company. With the assistance of our corporate finance specialists, we evaluate the assumptions and methodology used by the Company in preparing future taxable income projections, especially those related to expectations of commodity sales prices, operating and administrative costs and the consistency of these assumptions with the business plans approved by the Board of Directors. We also evaluate the sensitivity of results considering reasonably possible changes in the key assumptions and compared them with the approved budgets for the year ended March 31, 2018 with the actual amounts calculated in order to verify the Company's ability to project future results. In addition, with the assistance of our tax specialists, we consider the appropriateness of applying tax laws and tax deductions. At the date of the financial statements, we analysed the evidence that indicates the probability of recovery of deferred tax assets, as well as those that justify the estimated time periods for the Company to use them. We also evaluated whether the Company's projections indicated sufficient future taxable income to allow the realization of tax losses carry forwards and unused tax losses carry forwards and deductible temporary differences recognized as deferred tax assets. We also evaluated the adequacy of the disclosures made in the individual and consolidated financial statements, especially those related to the expected realization of deferred tax assets. Based on the results of the procedures summarized above, we consider that the value of the deferred tax assets, as to their recoverability, as well as the respective

	disclosures, are acceptable, in the context of the individual and consolidated financial statements taken as a whole, for the year ended March 31, 2018.

Other matters

Statements of value added

The individual and consolidated statements of value added (DVA) for the year ended March 31, 2018, prepared under the responsibility of the Company's management, and presented herein as supplementary information for IFRS purposes, have been subject to audit procedures jointly performed with the audit of the Company's financial statements. In order to form our opinion, we assessed whether those statements are reconciled with the financial statements and accounting records, as applicable, and whether their format and contents are in accordance with criteria determined in the Technical Pronouncement 09 (CPC 09) - Statement of Value Added issued by the Committee for Accounting Pronouncements (CPC). In our opinion, the statements of value added have been fairly prepared, in all material respects, in accordance with the criteria determined by the aforementioned Technical Pronouncement, and are consistent with the overall individual and consolidated financial statements.

Other information accompanying the individual and consolidated financial statements and the auditor's report

Management is responsible for the other information comprising the management report.

Our opinion on the individual and consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the individual and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with Accounting Practices Adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company'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 Company and subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and subsidiaries financial reporting process.

Auditors' Responsibilities for the Audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and international standards on auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

– Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Company's and its subsidiaries 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 individual and consolidated 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 Company and subsidiaries to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group

audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the individual and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, May 18, 2018

KPMG Auditores Independentes

CRC 2SP014428/O-6

Original signed in Portuguese

Ulysses M. Duarte Magalhães

Accountant CRC RJ-092095/O-8

RAÍZEN ENERGIA S.A.

Statement of financial position at March 31
(In thousands of reais - R$)

	Note	Parent company		Consolidated	
		2018	2017	2018	2017
Assets					
Current assets					
Cash and cash equivalents	3	106,390	555,852	3,321,777	3,437,612
Restricted cash	4	25,748	151,067	91,109	234,200
Derivative financial instruments	24	169,317	372,926	243,538	422,055
Trade accounts receivable	5	215,994	114,305	602,365	371,930
Inventories	6	423,944	416,641	752,562	647,046
Biological assets	7	775,289	1,105,800	947,815	1,276,321
Recoverable income and social contribution taxes	15.a.1	554,599	491,994	584,435	564,271
Recoverable taxes		106,095	66,983	206,889	123,373
Other financial assets	8	408,379	11,048	408,379	11,048
Related parties	9	579,199	760,909	750,419	758,803
Dividends receivable	10.d.iv	93,641	44,994	-	-
Other receivables		246,803	258,412	308,231	332,395
Total current assets		3,705,398	4,350,931	8,217,519	8,179,054
Non-current assets					
Derivative financial instruments	24	213,614	151,717	242,541	160,325
Other financial assets	8	484,971	1,207,258	502,433	1,222,820
Recoverable income and social contribution taxes	15.a.1	275,513	179,643	300,930	191,878
Recoverable taxes		47,406	43,124	55,634	48,506
Related parties	9	312,079	313,717	3,019,804	3,009,917
Deferred income and social contribution tax	15.b	145,350	45,962	82,766	19,562
Judicial deposits	16	216,313	151,909	349,586	275,766
Other receivables		140,383	129,327	169,457	158,875
Investments	10	5,427,452	5,629,786	346,461	244,429
Property, plant and equipment	11	5,676,639	4,952,965	9,432,324	8,826,627
Intangible assets	12	1,464,739	1,086,176	1,810,841	1,443,041
Total non-current assets		14,404,459	13,891,584	16,312,777	15,601,746
Total assets		18,109,857	18,242,515	24,530,296	23,780,800

See the accompanying notes to the financial statements.

Statement of financial position at March 31
(In thousands of reais - R$) **(continued)**

	Note	Parent company 2018	Parent company 2017	Consolidated 2018	Consolidated 2017
Liabilities					
Current liabilities					
Loans and financing	14	1,223,870	638,228	1,504,014	1,005,578
Derivative financial instruments	24	111,414	260,404	181,648	294,094
Suppliers	13	677,303	545,779	2,001,873	948,360
Payroll and related charges payable		367,128	311,414	429,569	361,806
Income and social contribution taxes payable	15.a.2	-	-	90,115	28,227
Taxes payable		82,619	73,767	174,118	143,274
Dividends payable	18.b	17,082	45,167	17,082	45,167
Related parties	9	652,945	360,739	491,234	325,168
Advances from clients	5	16,133	122,317	36,741	177,816
Other liabilities		87,405	47,057	147,665	92,857
Total current liabilities		3,235,899	2,404,872	5,074,059	3,422,347
Non-current liabilities					
Loans and financing	14	3,858,030	3,967,057	9,275,582	9,313,113
Derivative financial instruments	24	31,598	34,405	59,703	74,134
Taxes payable		162,134	157,383	173,226	169,747
Related parties	9	1,548,801	1,890,419	379,894	801,090
Provision for legal disputes	16	264,378	229,815	340,506	293,913
Deferred income and social contribution tax	15.b	-	-	217,762	185,706
Other liabilities		183,880	173,409	185,397	136,558
Total non-current liabilities		6,048,821	6,452,488	10,632,070	10,974,261
Total liabilities		9,284,720	8,857,360	15,706,129	14,396,608
Equity	18				
Capital		6,505,526	6,456,346	6,505,526	6,456,346
Capital reserves		1,089,121	1,089,121	1,089,121	1,089,121
Equity valuation adjustments		(3,386)	(43,474)	(3,386)	(43,474)
Income reserves		1,233,876	1,883,162	1,233,876	1,883,162
		8,825,137	9,385,155	8,825,137	9,385,155
Non-controlling shareholders		-	-	(970)	(963)
Total equity		8,825,137	9,385,155	8,824,167	9,384,192
Total liabilities and equity		18,109,857	18,242,515	24,530,296	23,780,800

See the accompanying notes to the financial statements.

RAÍZEN ENERGIA S.A.

Income Statements
Years ended March 31
(In thousands of reais - R$, except income per share)

	Note	Parent company		Consolidated	
		2018	2017	2018	2017
Net operating revenue	19	6,994,240	6,115,030	14,752,380	12,180,692
Costs of products sold and services provided	21	(6,008,608)	(4,607,586)	(12,474,167)	(9,372,051)
Gross income		985,632	1,507,444	2,278,213	2,808,641
Operating revenue (expenses)					
Selling	21	(648,974)	(546,878)	(813,950)	(688,568)
General and administrative	21	(473,690)	(380,760)	(620,409)	(531,527)
Other operating income (expenses), net	22	65,171	(157,517)	128,504	(130,211)
Equity accounting result	10	888,147	750,862	(21,423)	(69,635)
		(169,346)	(334,293)	(1,327,278)	(1,419,941)
Income before financial income and social contribution taxes		816,286	1,173,151	950,935	1,388,700
Financial results					
Financial expenses	23	(656,268)	(622,567)	(875,762)	(868,270)
Financial income	23	301,070	303,100	646,169	665,347
Foreign exchange variation, net	23	(23,584)	(67,505)	(23,136)	(68,164)
Net effect of the derivatives	23	60,042	763,665	89,588	736,068
		(318,740)	376,693	(163,141)	464,981
Income before income and social contribution taxes		497,546	1,549,844	787,794	1,853,681
Income and social contribution taxes	15.a				
Current		25,299	(164,301)	(254,594)	(327,156)
Deferred		119,949	19,036	109,607	(121,858)
		145,248	(145,265)	(144,987)	(449,014)
Net income for the year		642,794	1,404,579	642,807	1,404,667
Attributable to:					
Company's controlling shareholders		642,794	1,404,579	642,794	1,404,579
Company's non-controlling shareholders		-	-	13	88
		642,794	1,404,579	642,807	1,404,667
Net income per common share:					
Basic and diluted	18.e			0.088	0.190

See the accompanying notes to the financial statements.

RAÍZEN ENERGIA S.A.

Statements of comprehensive income
Years ended March 31
(In thousands of reais - R$)

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Net income for the year	642,794	1,404,579	642,807	1,404,667
Comprehensive income				
Items that will not be reclassified to income or loss				
Equity valuation adjustment - Actuarial losses	(428)	(2,633)	(529)	(3,175)
Equity valuation adjustment - Actuarial losses (effect of subsidiaries included)	(69)	(373)	-	-
Deferred taxes on adjustments (Note 15.b)	145	895	177	1,064
	(352)	(2,111)	(352)	(2,111)
Items that are or may be reclassified to income or loss				
Net income from financial instruments designated as Hedge accounting (Note 24.e)	66,975	681,858	66,975	681,858
Effect of foreign currency translation - CTA	(3,765)	2,605	(3,765)	2,605
Deferred taxes on adjustments (Note 15.b)	(22,770)	(231,830)	(22,770)	(231,830)
	40,440	452,633	40,440	452,633
Other components of the comprehensive income for the year	40,088	450,522	40,088	450,522
Total comprehensive income for the year	682,882	1,855,101	682,895	1,855,189
Attributable to:				
Company's controlling shareholders	682,882	1,855,101	682,882	1,855,101
Company's non-controlling shareholders	-	-	13	88
	682,882	1,855,101	682,895	1,855,189

See the accompanying notes to the financial statements.

RAÍZEN ENERGIA S.A.

Statements of changes in equity
Years ended March 31
(In thousands of Reais - R$)

	Attributable to the shareholders of parent company										
		Capital reserves			Income reserves						
	Capital	Capital reserve	Goodwill special reserve	Equity valuation adjustments	Tax incentive reserve	Legal	Profit retention	Retained earnings	Total	Interest of non-controlling shareholders	Total equity
Balance at March 31, 2016	6,423,054	849,579	243,111	(493,996)	170,141	109,394	1,082,104	-	8,383,387	(963)	8,382,424
Comprehensive income for the year											
Net income for the year	-	-	-	-	-	-	-	1,404,579	1,404,579	88	1,404,667
Equity valuation adjustment - Hedge accounting (Note 24.e)	-	-	-	450,028	-	-	-	-	450,028	-	450,028
Equity valuation adjustments - Actuarial liabilities	-	-	-	(2,111)	-	-	-	-	(2,111)	-	(2,111)
Effect of foreign currency translation - CTA	-	-	-	2,605	-	-	-	-	2,605	-	2,605
	-	-	-	450,522	-	-	-	1,404,579	1,855,101	88	1,855,189
Contributions made by (distributions to) Company shareholders											
Effect of the acquisition of Raízen Fuels (Note 27.2.i)	-	(38)	-	-	-	-	-	-	(38)	(88)	(126)
Destination of dividends to holders of preferred shares (Note 18.b)	33,292	(3,531)	-	-	-	-	(2,420)	(29,151)	(1,810)	-	(1,810)
Formation of tax incentive reserve of subsidiaries (Note 18.d.ii)	-	-	-	-	65,316	-	-	(65,316)	-	-	-
Payment of dividends and interest on own capital (Note 18.b)	-	-	-	-	-	-	(639,000)	(200,000)	(839,000)	-	(839,000)
Minimum mandatory dividends (Note 18.b)	-	-	-	-	-	-	-	(12,485)	(12,485)	-	(12,485)
Formation of reserves (Note 18.d)	-	-	-	-	-	61,588	1,036,039	(1,097,627)	-	-	-
	33,292	(3,569)	-	-	65,316	61,588	394,619	(1,404,579)	(853,333)	(88)	(853,421)
Balance at March 31, 2017	6,456,346	846,010	243,111	(43,474)	235,457	170,982	1,476,723	-	9,385,155	(963)	9,384,192
Comprehensive income for the year											
Net income for the year	-	-	-	-	-	-	-	642,794	642,794	13	642,807
Equity valuation adjustment - Hedge accounting (Note 24.e)	-	-	-	44,205	-	-	-	-	44,205	-	44,205
Equity valuation adjustments - Actuarial liabilities	-	-	-	(352)	-	-	-	-	(352)	-	(352)
Effect of foreign currency translation - CTA	-	-	-	(3,765)	-	-	-	-	(3,765)	-	(3,765)
	-	-	-	40,088	-	-	-	642,794	682,882	13	682,895
Contributions from (distributions to) shareholders											
Initial recognition of non-controlling interest - Biogás	-	-	-	-	-	-	-	20	20	(20)	-
Redemption and allocation of dividends to holders of preferred shares (Note 18.b)	49,180	-	-	-	-	-	(39,422)	(11,841)	(2,083)	-	(2,083)
Formation of tax incentive reserve of subsidiaries (Note 18.d.ii)	-	-	-	-	74,733	-	-	(74,733)	-	-	-
Payment of dividends (Note 18.b)	-	-	-	-	-	-	(1,248,081)	-	(1,248,081)	-	(1,248,081)
Minimum mandatory dividends (Note 18.b)	-	-	-	-	-	-	12,485	(5,241)	7,244	-	7,244
Formation of reserves (Note 18.b)	-	-	-	-	-	32,140	518,859	(550,999)	-	-	-
	49,180	-	-	-	74,733	32,140	(756,159)	(642,794)	(1,242,900)	(20)	(1,242,920)
Balance at March 31, 2018	6,505,526	846,010	243,111	(3,386)	310,190	203,122	720,564	-	8,825,137	(970)	8,824,167

See the accompanying notes to the financial statements.

RAÍZEN ENERGIA S.A.

Statements of cash flows – Indirect method
Years ended March 31
(In thousands of reais - R$)

	Parent company		Consolidated	
	2018	2017	2018	2017
Cash flow from operating activities				
Income before income and social contribution taxes	497,546	1,549,844	787,794	1,853,681
Adjustments:				
Depreciation and amortization (Note 21.a)	1,650,659	1,370,296	2,136,639	1,818,791
Net loss (gain) arising from change in fair value and realization of fair value gain or loss of biological assets (Note 21.a)	373,609	(272,992)	367,432	(304,621)
Equity accounting result of subsidiaries and associated companies (Note 10)	(888,147)	(750,862)	21,423	69,635
Capital gain on dilution of corporate interest (Note 22)	-	(14,312)	-	(14,697)
Interest, monetary and exchange variation, net	468,632	355,409	486,725	409,920
Results determined in the sales of biological and fixed assets	2,879	(6,898)	15,112	1,979
Results from commercial operations (Note 22)	19,464	19,349	7,574	16,741
Fair value of liability financial instruments (Note 23)	20,253	-	20,253	-
(Reversal) formation of estimated loss from allowance for doubtful accounts, net	(114)	109	182	1,811
Formation of provision for legal disputes and contingencies, net	61,452	52,352	78,592	70,308
(Gains) losses from derivative financial instruments, net	(567,466)	130,290	(583,050)	163,471
Net recognition of extemporaneous tax credits (Note 22)	(43,236)	(10,219)	(55,045)	(6,737)
(Reversal) recognition net of estimated losses from non-realization and inventories' obsolescence	(44,463)	61,895	(54,277)	72,383
(Reversal) formation of estimated loss property, plant and equipment and intangible assets, net (Note 22)	(15,726)	151,875	(14,263)	156,200
Income from divestments (Note 10.d.iii)	(53,747)	-	(53,747)	-
Income from investment subsidy - ICMS	-	-	(76,885)	(67,758)
Other	-	(2)	(19,900)	(24,327)
Changes in assets and liabilities				
Trade accounts receivable and advances from clients	(194,982)	59,222	(319,479)	146,600
Inventories	(39,157)	(104,420)	(132,751)	(160,803)
Restricted cash	138,457	623,635	159,684	588,321
Derivative financial instruments	545,714	637,343	540,739	616,172
Judicial deposits	(23,163)	(18,572)	(28,549)	(22,506)
Suppliers and advances to suppliers	103,104	(82,403)	1,011,214	(50,813)
Recoverable and payable taxes	(67,698)	(119,922)	(16,749)	(137,944)
Related parties	111,165	(82,966)	(175,695)	(322,820)
Payroll and related charges payable	44,491	(9,906)	56,541	(1,336)
Provision for legal disputes	(18,727)	(18,103)	(26,788)	(32,615)
Other assets and liabilities, net	17,368	(25,338)	68,534	30,558
Payment of income and social contribution taxes on net income	-	-	(146,238)	(75,050)
Net cash generated by operating activities	2,098,167	3,494,704	4,055,022	4,794,544
Cash flow from investment activities				
Acquisitions of companies, net of acquired cash (Note 27.1.i)	(792,494)	(274)	(792,494)	(274)
Cash obtained from merger transaction	-	-	-	6,647
Additions to the investment	(121,347)	(206,502)	(121,347)	(144,709)
Additions to property, plant and equipment and intangible assets	(1,360,895)	(1,049,863)	(1,675,495)	(1,387,840)
Dividends received from subsidiaries (Note 10.d.iv)	653,720	5,658	-	-
Cash received upon redemption of capital from subsidiaries (Note 10.d ii)	430,256	-	-	-
Cash received upon disposal of fixed assets	20,347	25,129	16,694	24,663
Additions to biological assets	(486,014)	(455,684)	(555,785)	(530,209)
Cash received in the sale of net investment (Note 10.d.iii)	96,338	-	96,338	-
Receipt of principal of PPE granted - intragroup	-	-	-	316,900
Receipt of principal from loans and financing granted - intragroup	-	-	97,901	59,547
Net cash used in investment activities	(1,560,089)	(1,681,536)	(2,934,188)	(1,655,275)
Cash flow from financing activities				
Paid-in capital	-	-	-	3,751
Loans and financing - Third-parties	1,151,455	90,217	1,339,614	2,526,974
Amortizations of principal of loans and financing - third-parties	(719,780)	(383,059)	(1,220,476)	(3,432,129)
Payment of interest on loans and financing - third-parties	(376,542)	(377,766)	(622,723)	(651,257)
Financial investments linked to financing (Restricted cash	-	-	571	10,413
Payment of dividends (Note 18.b)	(1,320,185)	(976,285)	(1,320,185)	(976,285)
Amortizations of principal of PPE obtained - intragroup	-	(646,664)	-	-
Amortizations of interest of PPEs obtained - intragroup	(49,080)	(76,439)	-	-
Net asset management - intragroup	333,948	598,740	563,736	(135,706)
Net cash used in financing activities	(980,184)	(1,771,256)	(1,259,463)	(2,654,239)
(Decrease) increase in cash and cash equivalents, net	(442,106)	41,912	(138,629)	485,030
Cash and cash equivalents at the beginning of the year	555,852	506,602	3,437,612	2,987,675
Effect of foreign exchange variation on cash and cash equivalents	(7,356)	7,338	22,794	(35,093)
Cash and cash equivalents at the end of year	106,390	555,852	3,321,777	3,437,612

Supplementary information to the cash flow is shown in Note 28.

See the accompanying notes to the financial statements.

RAÍZEN ENERGIA S.A.

Statements of added value
Years ended March 31
(In thousands of reais - R$)

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Income				
Gross sales of products and services	7,433,195	6,398,882	15,844,028	12,900,645
Sales returns, discounts and rebates	(19,774)	(8,878)	(31,266)	(11,257)
Reversal (formation) of estimated loss for allowance for doubtful accounts, net	114	(109)	(182)	(1,811)
Other operating income (expenses), net	49,445	(5,642)	114,241	25,989
	7,462,980	6,384,253	15,926,821	12,913,566
Inputs acquired from third parties				
Costs of products sold and services provided	(2,798,262)	(2,079,593)	(8,521,465)	(6,124,579)
Materials, energy, outsourced services and other	(807,411)	(659,555)	(973,690)	(809,235)
(Loss) gain arising from change in the fair value and realization of the capital gain or loss of biological assets	(373,609)	272,992	(367,432)	304,621
Reversal (formation) of estimated loss with investments, fixed and intangible assets, net	15,726	(151,875)	14,263	(156,200)
Reversal (formation) of estimated loss for obsolescence of inventories	44,463	(61,895)	54,277	(72,383)
	(3,919,093)	(2,679,926)	(9,794,047)	(6,857,776)
Gross added value	3,543,887	3,704,327	6,132,774	6,055,790
Depreciation and amortization	(1,650,659)	(1,370,296)	(2,136,639)	(1,818,791)
Net added value produced	1,893,228	2,334,031	3,996,135	4,236,999
Added value received as transfers				
Equity accounting results	888,147	750,862	(21,423)	(69,635)
Financial income	301,070	303,100	646,169	665,347
Gain from foreign exchange variations	35,730	3,486	29,585	2,706
Gain on derivative operations	141,982	763,665	148,816	736,068
	1,366,929	1,821,113	803,147	1,334,486
Added value payable	3,260,157	4,155,144	4,799,282	5,571,485
Distribution of added value				
Personnel				
Direct remuneration	799,772	911,537	1,102,838	1,234,931
Benefits	233,792	222,840	288,020	276,800
FGTS	100,252	98,651	118,351	117,464
	1,133,816	1,233,028	1,509,209	1,629,195
Taxes, rates and contributions				
Federal	164,855	263,263	773,247	576,159
Deferred federal taxes	(119,949)	(19,036)	(109,607)	121,858
State	230,350	179,149	551,613	463,286
Municipal	6,151	6,364	7,928	8,158
	281,407	429,740	1,223,181	1,169,461
Third-party capital remuneration				
Financial expenses	656,268	622,567	875,762	868,270
Losses from foreign exchange variation	59,314	70,991	52,721	70,870
Loss on derivative operations	81,940	-	59,228	-
Rental and leases	404,618	394,239	436,387	429,110
	1,202,140	1,087,797	1,424,098	1,368,250
Remuneration of own capital				
Dividends and interest on own capital	-	211,636	-	211,636
Retained earnings	642,794	1,192,943	642,807	1,193,031
Minority interest in retained earnings	-	-	(13)	(88)
	642,794	1,404,579	642,794	1,404,579
Distributed added value	3,260,157	4,155,144	4,799,282	5,571,485

See the accompanying notes to the financial statements.

1. Operations

Raízen Energia S.A. ("Company", "Group", "Raízen Energia" or "RESA") is a publicly-held company enrolled in the Brazilian Securities and Exchange Commission ("CVM") in Category B, headquartered at Brigadeiro Faria Lima Avenue, number 4.100, 11° floor, Part V, Itaim Bibi, São Paulo - SP. The Company was established on June 1, 2011 and is indirectly and jointly controlled by Royal Dutch Shell ("Shell") and Cosan Limited ("Cosan").

The term Raízen, when mentioned, corresponds to the establishment of a joint venture between Shell and Cosan, in the ethanol, sugar and energy segment.

The Company and its subsidiaries are mainly engaged in producing and marketing sugar and ethanol, including abroad through its subsidiaries Raízen Trading LLP and Raízen International Universal Corporation, and co-generating energy produced from bagasse at its 26 mills located in Brazil's Center-Southern Region.

Sugarcane farming requires a period ranging from 12 to 18 months for maturing and harvesting and generally start between the months of April and May every year, the crop usually ends between November and December, period in which sugar and ethanol are also produced. Production is sold during the whole year and does not fluctuate over the seasons, but is affected by normal market supply and demand. Because of its production cycle, the Company's fiscal year starts on April 1 and ends on March 31.

The crop period may cause fluctuations in inventories, which are usually higher in November and December to cover off-season sales (December and April), and may cause oscillations in income (loss) of the quarters.

During the year ended in March 2017, RESA and Wilmar International Limited created a *joint venture called* Raízen and Wilmar Sugar Pte. Ltd. ("RaW"), to meet growing global demand of Very High polarization ("VHP") sugar from Brazil. RaW is a joint venture in which each shareholder has 50% interest, having as major goal combine the strengths of the largest Brazilian producer of VHP sugar with the largest global trader of such commodity. RaW operations had begun on April 1, 2017. The results of this transaction are reflected in Notes 9 and 10.

During August 2017, the Company returned predominant sugar and ethanol production and trading activities in Bom Retiro Plant, located in Capivari, São Paulo State, after two years of hibernation.

During the month of November 2017, RESA hibernated the industrial activities for two years estimated period of the mills Dois Córregos (located in Dois Córregos - SP) and Tamoio (Araraquara - SP) due to the lower availability of sugarcane in the region. The hibernation of activities purpose is to optimize the production of other plants of RESA located nearby areas, redirecting the raw material formerly destined to these units. The agricultural operation of sugarcane suppliers of Raízen in the region will not be impacted, as well as the RESA's production estimated for the period of hibernation. In addition, no impairment adjustment is necessary as result of this temporary hibernation of the manufacturing plants.

On March 29, 2018, RESA and Raízen Araraquara Açúcar e Álcool Ltda. sold Terminal Exportador de Álcool de Santos Ltda. to the UltraCargo group Operações Logísticas e Participações Ltda. For further details, see Note 10.d.iii.

During the years ended March 31, 2018 and 2017, the Company and its subsidiaries underwent the following internal restructuring and business combinations: i) Acquisition of Santa Candida and Paraíso plants from Tonon Bioenergia S.A., Tonon Holding S.A. and Tonon Luxembourg S.A., all under court-ordered reorganization; ii) Free assignment of ownership interest in Raízen-Geo Biogás S.A. to Geo Energética participações S.A.; iii) Partial spin-off of Benálcool Açúcar e Álcool Ltda. to RESA; iv) Downstream merger of Raízen Tarumã Ltda. ("Raízen Tarumã") by Raízen Paraguaçú Ltda. ("Raízen Paraguaçú"); v) Incorporation of Raízen Luxembourg S.A. ("Luxembourg") by Raízen Fuels Finance S.A. ("Raízen Fuels"). Details of these transactions are described in Note 27.

2. Significant accounting policies

2.1. Preparation basis

The individual and consolidated financial statements have been prepared and is being presented in conformity with accounting practices adopted in Brazil, which include the Brazilian Corporation Law ("LSA"), the standards issued by the Brazilian Securities and Exchange Commission ("CVM") and pronouncements of the Accounting Pronouncements Committee ("CPC"), which are in accordance with the international accounting standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and evidence all relevant information of the financial statements, and only them, is consistent with those used by Management in its Administration.

The presentation of the Statement of Added Value ("SAV"), individual and consolidated, is required by Brazilian Corporate Law and accounting practices adopted in Brazil applicable to public companies. The IFRS do not require the submission of this statement. Accordingly, in conformity with IFRS, this statement is presented as supplementary information, without prejudice to financial statements as a whole.

The issue of financial statements was authorized by the Management on May 18, 2018.

a) Measuring basis

The individual and consolidated financial statements were prepared using historical cost as the value base, except, when applicable, for the valuation of certain assets and liabilities such inventories as derivative and non-derivative financial instruments (including derivative instruments) and biological assets, which are measured at fair value.

b) Functional currency and presentation currency

These individual and consolidated financial statements are being presented in Brazilian Reais, functional currency of the Company. All balances have been rounded to the nearest value, except otherwise indicated. The financial statements of each subsidiary included in the consolidation of the Company, as well as those utilized as a basis to account for investments under the equity method, are prepared based on the functional currency of each company. For the subsidiaries located abroad, the financial statements have been translated into Reais based on the foreign exchange rate in effect at the end of the year and the results were calculated by the average monthly rate during the year. Translation effects are recognized in equity of these subsidiaries.

c) Significant judgments, estimates and assumptions

The preparation of Company's individual and consolidated financial statements requires management to make judgments, estimates and adopt assumptions that affect the amounts presented for revenues, expenses, assets and liabilities at the reporting date.

These estimates and assumptions are reviewed in a continuous manner. Reviews in relation to accounting estimates are recognized in the period in which the estimates are reviewed and in any future periods affected.

Should there be a significant change in the facts and circumstances on which the estimates and assumptions made are based, there may be a material impact on the results and financial position of the Company and its subsidiaries.

The significant accounting estimates and assumptions are set out below:

Income tax, social contribution and other taxes payable

The Company is subject to income tax and social contribution, when applicable, in all countries in which it operates. Significant judgment is required to determine the provision for income taxes in these various countries.

In many operations, the final determination of the tax is uncertain. When applicable, the Company also recognizes provisions to cover certain situations in which it is probable that additional tax amounts will be owed. When final result of such issues differs from initially estimated and recorded amounts, these differences affect current and deferred tax liabilities and income (loss) and comprehensive income in the period in which definitive value is determined.

Deferred income and social contribution tax

Deferred income tax and social contribution assets are recognized for all tax loss carryforwards not utilized to the extent that it is probable that there will be future taxable income to allow their use in the future. In addition, the Company recognized deferred taxes based on temporary differences determined based on tax basis and book value of certain assets and liabilities, using prevailing rates. Substantial judgment from Management is required to determine the amount of the deferred income tax and social contribution assets that can be recognized, based on the reasonable term and amount of future taxable income, along with future tax rationalization.

Deferred income tax assets and liabilities are presented at net value in statements of financial position only when there is the legal right and the intention of offsetting them upon calculation of current taxes, generally related to the same legal entity and the same tax authority. For further details on deferred taxes, see Note 15.

Biological assets

Biological assets are measured at fair value on the reporting date, and the effects of changes in fair value between the periods are recognized directly in the cost of products sold. For further information on the assumptions used, see Note 7.

Property, plant and equipment and intangible assets, including goodwill

The accounting treatment given to property, plant and equipment and intangible assets includes estimates to determine the useful life period for depreciation and amortization purposes, in addition to the fair value at acquisition date of the assets acquired through business combinations.

The Company annually tests the recoverable values of goodwill and intangible assets with indefinite useful lives. Fixed and intangible assets with defined life that are subject to depreciation and amortization are tested to for impairment and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The determination of the recoverable value of the cash-generating unit to which the goodwill was allocated also includes the use of estimates and assumptions and requires a significant degree of Management's judgment.

Provision for legal disputes

The Company and its subsidiaries recognize a provision for tax, civil, environmental and labor contingencies. Determination of the likelihood of loss includes determination of evidences available, hierarchy of laws, jurisprudence available, more recent court decisions and relevance thereof in legal system, as well as evaluation of internal and external attorneys. Such provisions are reviewed and adjusted to take into account changes in circumstances, such as statute of limitations applicable, tax inspection conclusions or additional exposures identified based on new matters or court decisions.

Fair value of financial instruments

When the fair value of the financial assets and liabilities presented in the statements of financial position cannot be obtained from active markets, it is determined by using valuation method, including the discounted cash flow method. The data for these methods are based on those adopted by the market, when possible. However, when such data are not available, a certain level of judgment is required to establish the fair value. Judgment includes considerations on the data utilized, such as liquidity, credit and volatility risk. Changes in the assumptions related to these factors can affect the fair value presented for the financial instruments. For more details on financial instruments, see Note 24.

2.2. Basis of consolidation

The consolidated financial statements include financial statements of Raízen Energia and its subsidiaries for the year ended March 31, 2018 and 2017. The direct and indirect subsidiaries are listed below:

	2018		2017	
	Direct	**Indirect**	**Direct**	**Indirect**
Agrícola Ponte Alta Ltda. ("Agrícola Ponte Alta")	91.21%	8.79%	91.21%	8.79%
Agropecuária Santa Hermínia Ltda. ("Santa Hermínia") (i)	-	-	-	100.00%
Benálcool Açúcar e Álcool Ltda. ("Benálcool") (ii)	100.00%	-	99.99%	0.01%
Bioenergia Araraquara Ltda. ("Bio Araraquara")	-	100.00%	-	100.00%
Bioenergia Barra Ltda. ("Bio Barra")	99.99%	0.01%	99.99%	0.01%
Bioenergia Caarapó Ltda. ("Bio Caarapó")	-	100.00%	-	100.00%
Bioenergia Costa Pinto Ltda. ("Bio Costa Pinto")	-	100.00%	-	100.00%
Bioenergia Gasa Ltda. ("Bio Gasa")	-	100.00%	-	100.00%
Bioenergia Jataí Ltda. ("Bio Jataí")	-	100.00%	-	100.00%
Bioenergia Maracaí Ltda. ("Bio Maracaí")	-	100.00%	-	100.00%
Bioenergia Rafard Ltda. ("Bio Rafard")	-	100.00%	-	100.00%
Bioenergia Serra Ltda. ("Bio Serra")	-	100.00%	-	100.00%
Bioenergia Tarumã Ltda. ("Bio Tarumã")	-	100.00%	-	100.00%
Bioenergia Univalem Ltda. ("Bio Univalem")	-	100.00%	-	100.00%
Raízen Centroeste Açúcar e Álcool Ltda. ("Raízen Centroeste")	47.37%	52.63%	47.37%	52.63%
Raízen Araraquara Açúcar e Álcool Ltda. ("Raízen Araraquara")	99.99%	0.01%	99.99%	0.01%
Raízen Ásia PT Ltd. ("Raízen Ásia")	-	100.00%	-	100.00%
Raízen Biotecnologia S.A. ("Biotecnologia")	100.00%	-	100.00%	-
Raízen Caarapó Açúcar e Álcool Ltda. ("Raízen Caarapó")	31.48%	68.52%	31.48%	68.52%
Raízen Energy Finance Ltd. ("Raízen Energy Finance")	100.00%	-	100.00%	-
Raízen Fuels Finance S.A. ("Raizen Fuels")	100.00%	-	100.00%	-
Raízen International Universal Corp. ("RIUC")	100.00%	-	100.00%	-
Raízen North América, Inc. ("Raízen North América")	-	100.00%	-	100.00%
Raízen Paraguaçú Ltda. ("Raízen Paraguaçú")	100.00%	-	100.00%	-
Raízen Trading LLP ("Raízen Trading") (iii)	100.00%	-	-	100.00%
São Joaquim Arrendamentos Agrícolas Ltda. ("São Joaquim") (i)	-	100.00%	-	-
TEAS Terminal Exp. de Álcool de Santos Ltda. ("TEAS") (iv)	-	-	99.99%	0.01%
Unimodal Ltda. ("Unimodal")	53.17%	20.24%	53.17%	20.24%
Raízen e Wilmar Açúcar Ltda. ("Raízen e Wilmar") (v)	-	-	99.00%	1.00%
Raízen-Geo Biogás S.A. ("Biogás") (vi)	85.00%	-	99.90%	0.10%
Raízen Biogás SPE Ltda. ("Raízen Biogás SPE")	99.90%	0.10%	99.90%	0.10%

(i) On June 21, 2017, the subsidiary Raízen Araraquara, through a process of exchange of quotas, transferred its interest in the company Agropecuária Santa Hermínia and, in return, received 1,806,090 quotas equivalent to 100% of equity of the company São Joaquim. No material accounting impacts arising for said exchange have not been recognized.
(ii) On March 29, 2018, the Company was partially split, and is now fully controlled by RESA.
(iii) After the partial split of Benálcool, the Company is now directly controlled by RESA. See Note 27.1.iii.
(iv) On March 29, 2018, the Company was fully sold to Grupo Ultra. See Note 10.d.iii.
(v) On April 18, 2017, by means of a Private Instrument for the 1st Amendment to the Articles of Association of Raízen e Wilmar Açúcar Ltda., the Company and its subsidiary Raízen Araraquara transferred portions and the totality, respectively, of their quotas issued by Raízen and Wilmar to the company RaW. Thus, the Company now holds a minority interest and Raízen Araraquara ceased to be a partner.
(vi) On February 19, 2018, the partner Bio Barra left the company, that was converted into a publicly-held company, with the transfer of 15% ownership interest to the new minority partner Geo Energética Participações S.A. See Note 27.1.ii.

The subsidiaries are fully consolidated from the date of control acquisition, and continue to be consolidated up to the date when control no longer exists. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, and utilizing accounting policies consistent and, when required, with the policies adopted by the Company.

Balances maintained between consolidated companies, income and expenses, unrealized gains and losses, arising from transactions between companies are eliminated as a whole.

A change in the ownership interest in a subsidiary which does not result in loss of control is accounted for as a transaction between shareholders in equity.

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is equal to the fair value of the assets transferred, liabilities assumed and equity instruments issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, when applicable. Acquisition-related costs are recorded in the statement of income as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Non-controlling interests to be recognized are determined for each acquisition carried out.

The excess of the consideration transferred plus the acquisition-date fair value of any previous ownership interest in the acquiree over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. For acquisitions in which the Company attributes fair value to non-controlling interests, the determination of goodwill also includes the value of any non-controlling interest in the acquiree, and the goodwill is determined considering the Company's and non-controlling interests. When the consideration transferred is less than the fair value of the net assets of the acquired subsidiary, the difference is recognized directly in the statement of income for the year as bargain purchase.

2.3. Description of significant accounting policies

The accounting policies described below have been consistently applied to all the years presented in these individual and consolidated financial statements.

a) Revenue recognition

Revenues from sales of products or goods, including sales in the foreign market made by RESA's subsidiaries, Raízen Trading and RIUC, are recognized when the entity transfers to the buyer the significant risks and rewards of ownership of the products and goods, and when it is probable that future economic benefits will be received by companies of the Group. Selling prices are established based on purchase orders or contracts. Goods or services whose income is deferred are recorded within other obligations and accounted as income upon transfer of significant risks and goods of ownership to the client or provision of the service.

The income from the sale of the electric power co-generated is recorded based on the energy available in the network and the tariffs specified in the supply agreements, or the current market price, according to each case. Due to the billing flow, the electric power produced and sold through auctions is initially recognized as prepaid income, and is only recognized in the statement of income for the year when it is available to be used by the clients.

Revenue is presented net of taxes (Excise Tax - IPI, Value-added Tax on Sales and Services - ICMS, Social Integration Program - PIS, Social Contribution on Revenues - COFINS, National Institute of

Social Security - INSS etc.), returns, rebates and discounts, as well as of sales eliminations between Group companies in the case of consolidated financial statements.

b) Foreign currency transactions

Foreign currency transactions are translated into the functional currency (the real) using the exchange rates prevailing at the dates of the transactions, or the dates of valuation when items are remeasured.

Monetary assets and liabilities denominated in a foreign currency are converted into Reais using the foreign exchange rates prevailing at the statements of financial position date, and foreign exchange gains and losses arising from the settlement of these transactions and the translation at year-end exchange rates are recognized in the statement of income within Finance income (losses), unless they qualify as hedge accounting, in which case they are recognized in Statement of Comprehensive Income.

Non-monetary items that are measured at the historical cost in a foreign currency are translated using the translation rate of the transaction start date. Non-monetary assets that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined.

c) Financial instruments – Initial recognition and subsequent measurement

(i) Financial assets

Initial recognition and measurement

The financial assets are classified into the following categories: at fair value through profit or loss or loans and receivables. The Company classifies its financial assets upon initial recognition.

Financial assets are initially recognized at fair value plus, in the case of investments not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

The Company’s financial assets are listed in Note 24.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, which can be as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and assets designated in the initial recognition, as measured at fair value through profit or loss. They are classified as held for trading in case they have been originated for the purpose of sale or repurchase in the short term. Derivatives are measured at fair value through profit or loss, except for those designated as cash flow instruments, which are recognized in equity and subsequently recognized in the statement of income, as described in Item v below. Interest, inflation adjustment, exchange-rate change, and changes from measurement at fair value in income (loss) when incurred, under financial income (loss).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and usually not quoted in an active market. After the initial measurement, these financial assets are accounted for at amortized cost using the effective interest rate method (effective interest rate), less impairment loss, when applicable. Amortized cost is calculated taking into account any discount or "premium" in the acquisition and fees or costs incurred. The amortization of the effective interest rate method is included under “Financial income (loss)” in the statement of income.

Derecognition (write-off)

A financial asset is written off when:

- The rights to receive cash flows from the asset expire; and,

- The Company transfer its rights to receive cash flows from the asset or assume an obligation to pay the cash flows received in full to a third party under a “pass-through” arrangement; and (a) the Company transfer substantially all risks and rewards of the assets, or (b) the Company neither transfers nor retains substantially all the risks and rewards related to the asset, but transfers the control over the asset.

Impairment of financial assets

The Company assesses, at the statements of financial position dates, whether there is any evidence that determines that a asset or group of financial assets is impaired. A financial asset or group of financial assets is considered impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (known as a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets and can be reliably estimated.

The criteria used by the Company to determine whether there is objective evidence of an impairment loss include: (i) issuer or debtor's relevant financial difficulties; (ii) a breach of contract, such as a default or delay on payment of interest or the principal; (iii) The Company, due to economic or legal reasons relating to the financial difficulty of the borrower, assures the borrower a concession that the creditor would not consider; (iv) It is likely that the borrower will declare bankruptcy or other financial reorganization; (v) the disappearance of an active market for that financial asset due to the financial difficulties; or (vi) observable data indicating a measurable reduction in estimated future cash flows from a financial asset portfolio since the initial recognition of the assets, even if the decrease cannot yet be identified with the individual financial assets in the portfolio, including: (a) national or local economic conditions correlating with adverse changes in the payment situation of the portfolio's loan; and, (b) national or local economic conditions correlating with defaults on the portfolio's assets.

If, in a subsequent period, the value of the impairment loss decreases and the decrease is objectively be related to an event occurring after the impairment is recognized (such as, an improvement in the debtor's credit classification) the reversal of the previously recognized impairment loss will be recognized in the statement of income in the period that the event occurs.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified in the following categories: fair value through profit or loss, including derivatives classified as effective hedge instrument, or amortized cost. The Company classifies its financial liabilities upon initial recognition.

Financial liabilities are initially recognized at fair value, and in the case of loans and financings, include directly related transaction cost.

The Company's financial liabilities are listed in Note 24.

Subsequent measurement

The measurement of financial liabilities depends on their classification, which can be as follows:

Financial liabilities at fair value through profit or loss

They include financial liabilities usually traded before maturity, liabilities designated in the initial recognition at fair value by means of the result and derivatives, except for those designated as cash flow hedge. Interest, inflation adjustment, and exchange-rate change and changes from measurement at fair value, when applicable, are recognized in statement of income when incurred.

Amortized cost

After initial recognition, loans and financing subject to interest are subsequently measured at amortized cost, using the effective interest rate method. Gains and losses are recognized in the income statement upon write-off of liabilities, as well as during the amortization process by the effective interest rate method.

Interest payments on loans and financing are classified as cash flows from financing activities.

Derecognition (write-off)

A financial liability is derecognized when the obligation under the liability is discharged, canceled or expired.

(iii) Offset of financial instruments – net presentation

Assets and liabilities are presented net in the statements of financial position if, and only if, there is a current legal and enforceable right to offset the recognized amounts and if the intention of offsetting, or realizing the asset and settling the liability simultaneously.

(iv) Fair value of financial instruments

The fair value of financial instruments actively traded in organized financial markets is determined based on quoted market prices at the close of business at the statements of financial position date, without deduction of transaction costs.

The fair value of financial instruments for which there is no active market is determined using valuation methods. These methods may include the use of recent market transactions (on an arm's length basis); by reference to the current fair value of another similar instrument; discounted cash flow analysis or other valuation models.

An analysis of the fair value of financial instruments and more details on how they are calculated are provided in Note 24.

(v) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as non-deliverable forwards, commodity forward contracts and interest rate swaps to provide protection against the risk of change in the foreign exchange rates, prices of commodities and interest rates, respectively. The derivative financial instruments designated as hedge are initially recognized at fair value on the date on which the derivative is obtained, and are subsequently restated also at fair value. Derivatives are presented as financial assets when the fair value of the instrument is positive; and as financial liabilities when the fair value is negative.

Any gains or losses resulting from changes in the fair value of derivatives during the year are recognized directly in the statement of income, with the exception of the effective portion of the hedge designated as hedge accounting, which is recognized directly in equity in other comprehensive income.

For hedge accounting purposes, there are the following classifications:

- fair value hedge, in providing protection against exposure to changes in the fair value of recognized asset or liability or of unrecognized firm commitment, or of identified part of such asset, liability or firm commitment, which is attributable to a particular risk and may affect the result;

- cash flow hedge, in providing protection against the change in the cash flows that is attributable to a particular risk associated with a recognized asset or liability or with a foreseen transaction that is highly likely and that might affect the result; or

- hedge of a net investment in a foreign operating unit.

On initial recognition of a hedge relationship, the Company formally classifies and documents the hedge relationship to which they wish to apply hedge accounting, as well as the objective and the risk management strategy of company management to put the hedge into effect.

The documentation includes: (i) the identification of the hedge instrument, (ii) the hedged item or transaction, (iii) the nature of the risk to be hedged, (iv) the prospective demonstration of the efficacy of the hedge relationship and (v) the way in which the Company intends to assess the efficacy of the hedge instrument for purposes of offsetting the exposure to changes in the fair value of the hedged item or cash flows related to the hedged risk. As regards cash flow hedge, the nature of the high probability of the foreseen transaction to be hedged, as well as the foreseen periods of transfer of the gains or losses resulting from the hedge instruments from equity to income, are also included in the documentation of the hedge relationship.

These hedges are expected to be highly effective to offset changes in the fair value or cash flows. They will be permanently evaluated to verify whether they were indeed highly effective over the course of all the base periods for which they were intended.

In practice, main hedges that meet accounting hedge criteria are as follows:

Cash flow hedge

The effective portion of the gain or loss on the hedging instrument is initially recorded directly in equity or other comprehensive income (loss), while any ineffective portion is recognized directly in financial income (loss).

Amounts recognized in other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or interest expense is recognized, or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts recognized in equity are transferred to the initial book value of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the amounts previously recognized in equity are transferred to the statement of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in comprehensive income (loss) remains deferred in equity within "Reserve for other comprehensive income (loss)" until the forecast transaction or firm commitment affects profit or loss.

The types of derivative financial instruments designated as hedge accounting are presented in Note 24.

d) Inventories

Inventories are valued at the average cost of acquisition or production cost, except for Raízen Trading's ethanol inventory, which are valued at fair value, adjusted according to the market price of commodities, not exceeding the net realizable value. Costs of finished products and products in process include raw material, direct labor costs and other direct costs as well as respective direct production expenses (based on regular operating capacity) less loan costs. The net realizable value is the sales price estimated for the normal course of the businesses, less estimated completion execution costs and selling expenses.

The estimated losses for slow-moving or obsolete warehouse inventories are constituted when these inventories have not moved for 2 years and are not considered strategic by the Management.

e) Related parties

Raízen Group, in which the Company is inserted, has a fully integrated system for the cash flow management of its companies and subsidiaries.

Some of the main instruments used for cash management between the Group's companies, applicable to the Company, we emphasize:

(i) Financial Resource Management (Contrato de Gestão de Recursos Financeiros, or "GRF") Agreement - an operation used between companies domiciled in Brazil

RESA, as centralizer of the Group's corporate activities, is responsible for cash management based on this agreement.

These operations are presented in the statement of cash flows, on a net basis, within "Cash flows from financing activities".

(ii) Export Prepayment ("PPEs") Agreements – an operation used between companies domiciled in Brazil and companies domiciled abroad

In certain situations, companies from the Group domiciled abroad obtain funds in the international financial market then on-lend these funds to companies from the Group domiciled in Brazil, in the form of PPE agreements. Such agreements are formalized backed by sufficient export volumes to pay off the amounts under the agreements.

These operations are presented in the statement of cash flows from investment when granted (outflow of funds) and when received (inflow of funds) in the statement of cash flows for financing.

Transactions with related parties are carried out under reasonable and commutative terms, in line with those that prevail in the market or under which the Company would enter into agreements with third parties.

f) Investment in associated companies and subsidiaries (individual financial statement)

Investments in entities over which the Company has significant influence are accounted for under the equity method. They are initially calculated in statements of financial position at cost, plus changes after the acquisition of the ownership interest.

The statement of income reflects the share in the results from operations of associated companies and subsidiaries based on the equity accounting method. When a change is directly recognized in the equity of the associated company or subsidiary, the Company will recognize its share in the changes and report such fact in the statement of changes in equity, when applicable.

After applying the equity accounting method, the Company determines whether it is necessary to recognize additional impairment on the Company's investment in its associated company or subsidiary. The Company determines, at each statements of financial position closing date, if there is objective evidence that investment in the associated company or subsidiary suffered impairment loss. If so, the Company calculates the amount of impairment loss as the difference between the recoverable value of the associated company or subsidiary and the book value and recognizes the amount in the statement of income.

When there is loss of significant influence on the associated company, the Company recognizes investment at fair value.

Unrealized results from operations between the Company and its associated companies and joint ventures are eliminated in proportion to the Company's interest. The accounting policies of the associated companies are changed when required in order to assure the consistency with the policies adopted by the Company.

g) Biological assets

Biological assets refer to sugarcane crops.

Sugarcane crops are measured at fair value, excluding the land on which they are located, under the discounted cash flow method.

For sugarcane, the Company uses future cash flows in accordance with the productivity cycle projected for each harvest, taking into consideration the estimated useful life of each crop, the prices of total recoverable sugar, estimated productivities, estimated costs to be incurred with production, harvesting, loading and transportation per planted hectare.

Changes in fair values between periods are allocated to in Statement of Income under "Cost of products sold" caption.

Any land belonging to the Company and its subsidiaries where biological assets are produced is accounted in property, plant and equipment caption.

h) Property, plant and equipment

Property, plant and equipment items, sugarcane planting included, are stated at historical acquisition or construction cost less accumulated depreciation and impairment losses, when applicable.

The cost includes expenditures that are directly attributable to the acquisition of assets. The cost of assets built by the Company includes materials and direct labor, as well as any other costs attributable to bringing the assets to the location and condition requires for them to operate in the manner intended by management, and loan costs on qualifiable assets. Borrowing costs relating to funds raised for works in progress are capitalized until the projects are concluded.

The Company and its subsidiaries perform the main maintenance activities scheduled for their manufacturing units on an annual basis. This usually occurs between the months from January to March, with the objective of inspecting and replacing components.

The main annual maintenance costs include costs of labor, materials, outsourced services and overhead allocated during the off-season period. These costs are classified as frequent replacement parts and components, in property, plant and equipment, and are fully amortized in the following crop season.

The cost of an equipment item that must be replaced on an annual basis is accounted for as a component of the equipment costs and depreciated over the following crop. The costs of normal periodic maintenance are accounted for in expenses when incurred as the replaced components do not improve the production capacity of the asset or introduce refinements in the equipment. Lands are not depreciated.

On March 31, 2018 and 2017 depreciation of such assets was calculated based on estimated useful life wear and tear for each asset. The annual weighted average depreciation rates are as follows:

Class of fixed assets	Average annual interest
Buildings and improvements	2%
Machinery, equipment and facilities	5%
Furniture and fixtures	10%
IT equipment	21%
Vehicles, vessels and aircrafts	8%
Sugarcane planting	20%

Residual values and the useful lives of material assets are reviewed and adjusted, if adequate, at the end of each year.

i) Leases

Whether a contract is, or contains, a lease is determined based on the substance of the contract at the inception date.

Under finance lease contracts when the risks and benefits are substantially transferred to the Company, they are capitalized at the inception of the lease at the fair value of the leased property, or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between interests and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the statement of income. A leased asset is depreciated over the useful life of the asset.

Operating lease agreements are recognized as operating expenses in the statement of income on a straight-line basis over the term of the lease.

j) Intangible assets

i) Goodwill

Goodwill is represented by the positive difference between the paid or payable amount for the acquisition of a business and the net fair value of assets and liabilities of the acquired company. Goodwill in the acquisition of subsidiaries is disclosed in Intangible Assets caption in consolidated financial statements.

The goodwill is maintained at cost value, less possible impairment losses, when applicable, and the accounting test is carried out at least every year. For impairment testing purposes, goodwill acquired in a business combination is, from the acquisition date, allocated to each cash-generating units of the Company that are expected to benefit from the business combination, regardless of other assets or liabilities of the acquire being allocated to those units.

ii) Intangible assets with defined useful life

Intangible assets with defined useful lives are carried at cost, less accumulated amortization and accumulated impairment losses, when applicable. On March 31, 2018 and 2017 the annual weighted average amortization rates are as follows:

Class of intangible assets	Average annual interest
Software license	20%
Agricultural partnership agreements	9%
Sugarcane supply agreements	10%
Public concession rights of use	20%
Technology	10%
Other	38%

Residual values and the useful lives of material assets are reviewed and adjusted, if adequate, at the end of each year.

k) Impairment of non-financial assets:

The Company and its subsidiaries assess every year whether there are indicators of an asset's loss of value. In the event such indicators are identified, the Company estimates the asset's recoverable amount. The recoverable value of an asset is the greater among: (a) fair value less costs that would be incurred to sell it, and (b) its value in use. When required, value in use is usually determined based on the discounted cash flow (before taxes) from the continued use of the asset until the end of its useful life.

Regardless of the existence of impairment indicators, goodwill and intangible assets with an indefinite useful life, if any, are tested for impairment at least once a year.

When the book value of an asset exceeds its recoverable value, the loss is recognized as an operating expense in the statement of income.

l) Provisions

Provisions are recognized when: (i) the Company has a present or non-formalized obligation because of past events; (ii) it is likely that an outflow of funds will be required to settle the obligation; and (iii) the amount can be reliably estimated.

m) Employee benefits

The Company has an optative defined contribution and partial defined benefit plan, in which maintains a private pension plan for the employees.

The Company recognizes a liability based on a methodology that considers a number of factors determined by actuarial estimates, which employ certain assumptions for determining pension plan cost or (revenue).

Actuarial gains and losses arising from adjustments and changes in actuarial assumptions are stated directly in equity as other comprehensive income, when they occur.

Past costs of services are immediately recognized in the statement of income.

The Company recognizes an estimated liability when it is contractually compelled or when there is a past practice that created a constructive obligation.

n) Income and social contribution taxes

Income (expenses) tax and social contribution expenses of the year include current and deferred taxes. Income taxes are recognized in the statement of income, except to the extent they are related to items directly recognized in equity or comprehensive income, when applicable. In that case, the tax is also recorded in equity or comprehensive income.

The current and deferred income tax and social contribution charge is calculated based on enacted, or substantially enacted, tax acts, at the statements of financial position date of countries in which the Company's entities operate and generate taxable income. Management periodically evaluates the positions taken by the Company in the calculations of income tax with respect to situations in which applicable tax regulation is subject to interpretations; and establishes provisions when appropriate, on the basis of amounts expected to be paid to the tax authorities.

Income tax is computed on taxable income at the rate of 15%, plus a 10% surtax for income exceeding R$ 240 in the 12-month period, whereas social contribution is computed at the rate of 9% on taxable income, recognized on the accrual basis.

That is, on a compound basis, the Company is subject to a theoretical tax rate equivalent to 34%.

Deferred income tax and social contribution relating to tax losses, social contribution negative base and temporary differences are shown as net in the statements of financial position when there is a legal right and an intention to offset these on calculation current taxes normally related with the same legal entity and the same tax authority. Accordingly, deferred tax assets and liabilities in different entities or countries are in general presented separately, and not at net value. Deferred taxes are calculated based on the tax rates in force when they are realized or reviewed annually.

Tax assets are only recognized to the extent that it is probable that future taxable income will be available against which these temporary differences can be offset.

Prepayments or amounts that can be offset are presented in current and non-current assets, in accordance with their expected realization.

o) Capital and remuneration to shareholders

The capital is comprised of common and preferred shares. Incremental expenses attributed directly to share issues, if any, are shown as a deduction from equity, as an additional capital contribution, net of tax effects.

The only class A preferred share as well as each common share, is entitled to one vote on resolutions by Company’s shareholders’ meetings, as well as R$ 0.01 (one centavo) fixed annual dividends.

Class B and C preferred shares issued by the Company have no voting rights or intended to refund assets, chiefly represented by tax benefits contributed by shareholders Cosan and Shell respectively, as these are employed by the Company.

Class D preferred shares have no voting rights and are entitled to a fixed annual dividend by the shareholder Shell.

Shareholder compensation will take place in the form of dividends and/or interest on own capital, based on the limitations defined in the Company's by-laws and in legislation in force.

p) Business combinations

Business combinations are accounted according to the acquisition method and, assets, liabilities and contingent liabilities identifiable of the company or acquired business are measured at fair value for the purposes of calculation and recognition of the goodwill arising on the transaction in accordance with effective accounting standards. Goodwill represents the surplus of acquisition cost in view of the Company's interest in fair value, net of identifiable assets, liabilities and contingent liabilities in the company acquired. If consideration is lower than fair value of assets, liabilities and contingent liabilities acquired, the difference must be recognized in statement of income.

q) Segment information

An operating segment is a component of the Company which engages in business activities from which it may earn revenues and incur expenses, including income and expenses relating to transactions with other components of the Company. All operating income (loss) of the operating segments are frequently reviewed by the Company's CEO and Board of Directors for decisions regarding the resources to be allocated to the segment to be taken and to assess their performance, for which individual financial information is available.

The Company has a single business segment: Ethanol, Sugar and Bioenergy, as disclosed in Note 20.

r) Statement of added value

The statement of value added was prepared in accordance with accounting pronouncement CPC 09 - Statement of Value Added, issued by the Accounting Pronouncements Committee.

2.4. New IFRS and IFRIC Interpretations (IASB Financial Reporting Interpretations Committee) applicable to financial statements

The following new standards and interpretations were issued by the IASB but are not yet effective for the year ended March 31, 2018. The early adoption of standards, although accepted by the IASB, is not allowed in Brazil by the Accounting Pronouncement Committee (CPC).

IFRS 9 Financial Instruments (CPC 48 – Instrumentos Financeiros)

IFRS 9 (CPC 48) establishes new models for the classification and measurement of financial instruments according to business and contractual cash flow model, measurement of expected credit losses for financial and contractual assets, and new requirements on hedge accounting.

IFRS 9 (CPC 48) becomes effective for annual starting on or after January 1, 2018 (in the case of the Group, as from April 1, 2018) and replaces guidelines of IAS 39 – Financial Instruments: Recognition and Measurement (CPC 38).

The Group will adopt IFRS 9 (CPC 48) in its financial statements for the year ended March 31, 2019 using the prospective approach and estimate of immaterial effects for adoption of such standard.

(i) Classification and measurement of financial assets and liabilities

IFRS 9 (CPC 48) retains a large part of the existing requirements of IAS 39 (CPC 38) for the classification and measurement of financial liabilities. However, it eliminates the old categories for financial assets: (i) held-to-maturity, (ii) loans and receivables and (iii) available for sale.

On initial recognition, pursuant to IFRS 9 (CPC 48), a financial asset is classified as measured: (i) at amortized cost, (ii) at fair value through other comprehensive income (FVTOCI) and (iii) at fair value through profit or loss (FVTPL).

Regarding financial liabilities, according to IAS 39 (CPC 38), all changes in fair value of the liabilities designated as FVTPL are recognized in Income (loss), whereas, according to IFRS 9 (CPC 48), changes in fair value attributable to changes in own credit risk of the Company are presented in Other Comprehensive Income (OCI). Company's risk credit impacts tend to be immaterial because the it presents the low risk classification with the reduced volatility. Therefore, up to the issuance of these financial statements, no material impacts on OCI are expected, which, pursuant to IAS 39 (CPC 38), are currently recognized in the statement of income.

(ii) Impairment - Financial and contractual assets

IFRS 9 (CPC 48) replaces the "incurred loss" model of CPC 38 (IAS 39) with a "expected credit losses" model. The new impairment model applies to financial assets measured at amortized cost, contractual assets and debt instruments measured at FVTPL, but is not applicable to investments in equity instruments.

The Group's management, after analyzing the scenarios, opted for the adoption of an expected loss matrix, based on the practical approach. The matrix considers the grouping of clients with similar default characteristics, by sales channel and rating (client risk rating, measured internally). The Group operates with a low average collection period, which justifies not considering future economic factors in this matrix.

(iii) Hedge accounting

IFRS 9 (CPC 48) will require the Group to assure that hedge accounting relationships are aligned with the Group's risk management objectives and strategies, and that the Group applies a more qualitative and forward-looking approach to assessing the effectiveness of the hedge.

IFRS 9 (CPC 48) also introduces new requirements for rebalancing hedging relationships and prohibits the voluntary discontinuation of hedge accounting. According to the new model, it is likely that more risk management strategies, particularly those of a hedge of a risk component (other than foreign currency risk) of a non-financial item, may qualify for hedge accounting.
In general, management did not identify any material impact on the Company's operations.

The adoption of IFRS 9 for hedge accounting will be prospective. In the management's evaluation there are not relevant effects for the current hedges. The effectiveness tests will be reformulated to bring prospective and qualitative data analysis and the company have the opportunity to designate new hedge strategies to hedge accounting with the flexibility.

IFRS 15 – Revenue from Contracts with Customers (CPC 47)

IFRS 15 (CPC 47) introduces a comprehensive framework for determining whether and when income is recognized. IFRS 15 (CPC 47) replaces current guidelines for recognition of income in IAS 18 / CPC 30 – Income, IAS 11/ CPC 17 – Construction Contracts and IFRIC 13 – Client Loyalty Programs.

Currently, most of Group's income refers to sales of oil, ethanol and sugar by-products, is recognized when the goods are delivered to the client's location or removed by them in Group's distribution centers, considered as the time when the client accepts the goods and the risks and benefits related to ownership are transferred. Thus, 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.

The income from the sale of the electric power is currently recorded based on the assured energy and the tariffs specified in the supply agreement, or the current market price, according to each case. The electric power produced and sold through auctions is initially recognized as prepaid income, and is only recognized in the statement of income for the year when it is available to be used by the clients. Accordingly, relevant changes in measurement and recognition of income are not expected with adoption of mentioned new accounting standard by the Group and understands that retrospective approach will not be required, since relevant impacts regarding individual and consolidated statements were not mapped.

IFRS 16 – Leases (CPC 06 (R2))

IFRS 16 (CPC 06 (R2)) introduces a single model of accounting of leases in the statement of financial position to lessees. A lessee recognizes an asset of right of use that represents its right to use the leased asset and a lease liability that represents its obligation to make the lease payments. Optional exemptions are available for short-term leases and low-value items. The lessor's accounting remains similar to the current standard, that is, lessors continue to classify leases as financial or operating leases.

IFRS 16 (CPC 06 (R2) replaces the current lease standards, including CPC 06 (IAS 17) - Commercial Lease Operations and ICPC 03 (IFRIC 4, SIC 15 and SIC 27) - Complementary Aspects of Commercial Lease Operations and it is effective for fiscal years starting or after January 1, 2019 (in case of Raízen, as of April 1, 2019). The early adoption is only permitted for financial statements in accordance with IFRSs and only to entities that adopt IFRS 15 (CPC 47) Revenue from Contracts with Customers on or before the date of early adoption of IFRS 16.

The Group started an initial evaluation of possible impact on its financial statements. Up to now, the most significant impact identified is that the Group will recognize new assets and liabilities for operating leases of land, machinery and vehicles. Moreover, the nature of the expenses related to these leases will be changed, since IFRS 16 replaces the straight-line operating lease expense due to depreciation of the right of use and interest on the lease liabilities.

The Group is still validating whether to use the optional exemptions and the transition methodology.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration (ICPC 21)

IFRIC 22 (ICPC 21) defines that the date of transaction for effects of determination of the exchange rate should be the date on which the entity first recognizes the non-monetary asset or liability derived from the early payment or receipt.

This interpretation will become effective for annual periods starting on or after January 1, 2018 (in the case of the Group, as from April 1, 2018).

Management analyzed the impacts of the early adoption of IFRIC 22 (ICPC 21) and considered them immaterial. Accordingly, the adoption will be made on prospective basis.

There are no IFRS standards or IFRIC interpretations other than the aforementioned, that are not yet effective and that are expected to have a significant impact on the Group.

3. Cash and cash equivalents

		Average yield rate		Parent company		Consolidated	
	Index	2018	2017	2018	2017	2018	2017
Funds in banks and in cash				42,240	15,055	906,245	309,961
Values awaiting foreign exchange closure (1)				63,106	171,674	63,325	171,674
Interest earnings bank deposits:							
Investment funds (2)	CDI	99.11%	99.40%	-	-	999,756	838,512
Bank deposit certificate (CDB) and commitments (3)	CDI	100.19%	101.10%	437	368,544	1,351,844	2,116,886
Other investments	-	-	-	607	579	607	579
				106,390	555,852	3,321,777	3,437,612
Domestic (domestic currency)				61,962	455,688	2,423,919	3,057,125
Abroad (foreign currency) (Note 24.d)				44,428	100,164	897,858	380,487
				106,390	555,852	3,321,777	3,437,612

(1) Refer basically to receiving foreign currency funds from overseas clients, for which obtaining foreign exchange from financial institutions was not yet concluded until the statements of financial position date, and to foreign funds intended to settle debts related to export performance.

(2) Refer to investment in fixed income funds managed by first-class financial institutions, divided into quotas with daily earnings and liquidity.

(3) Refer to fixed income investments such as CDBs and Repurchase Agreements in first-class financial institutions with daily yield and liquidity.

4. Restricted cash

		Average yield rate		Parent company		Consolidated	
	Index	2018	2017	2018	2017	2018	2017
Financial investments linked to debts (1)	CDI	100.02%	100.05%	-	-	50,663	47,206
Short-term investments related to derivative operations (Note 24.g) (2)	CDI	100.65%	101.20%	25,028	28,246	25,028	28,246
Margin on derivative operations (Note 24.g) (3)	-	-	-	720	122,821	15,418	158,748
				25,748	151,067	91,109	234,200
Domestic (domestic currency)				25,028	28,246	75,691	75,452
Abroad (foreign currency) (Note 24.d)				720	122,821	15,418	158,748
				25,748	151,067	91,109	234,200

(1) Correspond to LFTs (Financial Treasury Bills) with prime banks, held by virtue of Banco Nacional de Desenvolvimento Econômico e Social ("BNDES") financing and with redemption subject to payment of certain portions of the mentioned financing.

(2) Refer to investments such as CDBs and overseas public bonds with first-class financial institutions, employed in transactions with derivative financial instruments.

(3) Margin deposits in derivative operations refer to margin requirements by counterparts in transactions with derivative instruments, and are exposed to US dollar exchange fluctuations (Note 24.g).

5. Trade accounts receivable

	Parent company		Consolidated	
	2018	2017	2018	2017
Domestic	217,899	95,116	452,856	257,901
Abroad (Note 24.d)	1,759	22,967	176,330	140,499
Allowance for doubtful accounts	(3,664)	(3,778)	(26,821)	(26,470)
	215,994	114,305	602,365	371,930

The Company did not pledge any trade as a guarantee. The maximum exposure to credit risk on the statement of financial position date is the book value of each kind of trade accounts receivable.

The aging analysis of trade accounts receivable is as follows:

	Parent company		Consolidated	
	2018	2017	2018	2017
Falling due	215,595	105,723	571,745	271,216
Overdue - in days				
Up to 30 days	129	5,592	3,771	94,895
31 – 90 days	270	2,928	24,340	4,214
From 91 - 180 days	35	63	2,452	212
Above > 180 days	3,629	3,777	26,878	27,863
	4,063	12,360	57,441	127,184
	219,658	118,083	629,186	398,400

The estimated loss in allowance for doubtful accounts was estimated based on credit risk analysis, which contemplates loss history, individual situation of clients, situation of the corporate group to which they belong, real guarantees for debts and the assessment of the legal advisors. Allowance for doubtful accounts is considered sufficient by Company's Management to cover possible losses on amounts receivable; changes are as follows:

	Parent company	Consolidated
March 31, 2016	(3,669)	(25,055)
Estimated loss	(533)	(3,211)
Write-off	424	1,401
Exchange-rate change	-	395
March 31, 2017	(3,778)	(26,470)
Estimated loss	(1,634)	(3,152)
Write-off	1,748	2,970
Exchange-rate change	-	(169)
March 31, 2018	(3,664)	(26,821)

On March 31, 2018, the Company had the amount of R$ 16,133 and R$ 36,741 in Parent Company and Consolidated, respectively, (R$ 122,317 and R$ 177,816, in Parent Company and Consolidated, respectively in 2017) recorded in current liabilities, in the line item Advances from clients, which substantially refer to the receipts from foreign clients for acquisition of sugar. When applicable, accounts receivable and advances from clients are presented net.

6. Inventories

	Parent company		Consolidated	
	2018	2017	2018	2017
Finished goods:				
Sugar	26,380	143,549	55,215	204,923
Ethanol	255,451	189,109	521,225	327,489
Work in process	876	2,965	1,333	4,695
Warehouse and others	159,342	143,586	197,719	187,146
Estimated loss with obsolescence and realization of inventories	(18,105)	(62,568)	(22,930)	(77,207)
	423,944	416,641	752,562	647,046

The changes in estimated loss for net realizable value and obsolescence is as follows and was calculated in the statement of income under the caption Cost of products sold and services provided:

	Parent company	Consolidated
Balance at March 31, 2016	(7,921)	(12,720)
Estimated loss	(61,895)	(72,384)
Reversal	7,248	7,897
Balance at March 31, 2017	(62,568)	(77,207)
Estimated loss	(16,382)	(18,626)
Reversal / realization (1)	60,845	72,903
Balance at March 31, 2018	(18,105)	(22,930)

(1) Refers mainly to realization of estimated ethanol inventories' losses recognized in the year ended March 31, 2017 due to sale of said product.

7. Biological assets

The Company's biological assets correspond to standing sugarcane produced in sugar-cane plantations wich will be used as raw material for production of sugar, ethanol and bioenergy at harvest time. Fair value is evaluated using the cash flow discounted at present value method. Valuation model considers present value of cash flows expected to be generated, including two-year projections, considering estimates for the cutting effective date of uncut sugarcane.

Planted areas refer only to sugarcane plantations, and do not consider planted land and are recognized as property, plant and equipment. The following assumptions were used in the determination of the fair value:

	Parent company		Consolidated	
	2018	2	2018	2017
Estimated harvest area (hectares) (1)	391,017	3	447,277	415,095
Productivity expected (tons of sugar-cane per hectare)	76.48	7	77.31	77.06
Amount of ATR (kg)	132.88	1	132.88	132.30
Average ATR price per Kg projected (R$/Kg)	0.60	0.	0.60	0.70

(1) Increase in estimated harvest area is mainly due to acquisition of Santa Cândida and Paraíso plants. For further details, see Note 27.1.i.

As of March 31, 2018, cash flows were discounted at 6.37% (6.08% in 2017) which is the WACC (Weighted Average Capital Cost) of the Company.

The Company periodically reviews assumptions used to calculate biological assets, adjusting it in case there are significant changes in relation to those previously projected.

Changes in biological assets (sugar cane) are detailed below:

	Parent company	Consolidated
Balance at March 31, 2016	829,317	973,373
Additions of sugarcane treatments	468,118	545,134
Absorption of sugarcane harvest costs	(464,868)	(547,109)
Change in fair value	565,581	652,984
Realization of fair value	(292,348)	(348,061)
Balance at March 31, 2017	1,105,800	1,276,321
Additions of sugar-cane treatments	506,219	579,081
Absorption of sugarcane harvest costs	(475,846)	(552,881)
Change in fair value	190,883	272,564
Realization of fair value	(564,503)	(640,006)
Business combination (1)	12,736	12,736
Balance at March 31, 2018	775,289	947,815

(1) Refers to acquisition of Santa Cândida and Paraíso plants. For further details, see Note 27.1.i.

Fair value estimate could increase (decrease) if:

- Estimated ATR price was higher (lower);
- Estimated productivity (tons per hectare and ATR quantity) were higher (lower); and
- Discount rate were lower (higher)

The Company's sugarcane planting operations are exposed to changes from climate changes, pests and diseases, forest fires and other forces of nature.

Weather conditions may historically cause fluctuations in the sugar and alcohol industry and therefore in Companies operating income because they affect crops by means of increasing or reducing harvests. Moreover, Company’s businesses are subject to seasonal fluctuations determined by the sugar cane growth cycle in Brazil's Center-Southern region.

8. Other financial assets

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Credits from indemnity suits (1)	83,769	496,779	83,769	496,779
National Treasury Certificates (CTN) (2)	809,580	721,526	827,042	737,088
Other	1	1	1	1
	893,350	1,218,306	910,812	1,233,868
Current	(408,379)	(11,048)	(408,379)	(11,048)
Non-current	484,971	1,207,258	502,433	1,222,820

(1) Receivables from legal disputes on which a final judgment favorable to RESA was passed made, which were not part of the net assets contributed by Cosan to set up the Group. Therefore, RESA recognized a liability in the same amount, classified as current and non-current liabilities in the related parties (Note 9.c) caption, given that RESA has the obligation to reimburse those receivables to Cosan when they are actually collected. These credits yield IPCA-E (Special Amplified Consumer Price Index) and Selic rate change plus annual interest of 6% as applicable.

On December 21, 2017, Cosan performed with third parties, the assignment of credit rights related to the plant Univalem, with no right of return. Accordingly, RESA recorded the write-off of "Other financial assets and related parties" captions (Note 9.a.5.) in the amount of R$ 426,438. Such transactions neither did nor will produce impact on the RESA's cash flow.

(2) Brazilian Treasury Certificates are government bonds issued by the Brazilian Treasury within the Special Agriculture Industry Securitization Program - PESA, with a 20-year original maturity (falling due between 2018 and 2025) and which pledged to secure its related financing transaction called PESA. These bonds bear annual compound interest of 12%, plus the IGP-M (General Market Price Index). Their value on maturity date tends to be equivalent to the principal value of the debt due under PESA and may be used for settlement.

9. Related parties

a) Summary of related party balances

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Assets				
Assets classification per currency:				
Domestic (domestic currency)	803,832	868,531	916,444	1,281,962
Abroad (foreign currency) (Note 24.d)	87,446	206,095	2,853,779	2,486,758
	891,278	1,074,626	3,770,223	3,768,720
Asset management (1)				
Raízen Combustíveis S.A. and its subsidiaries	12,160	339,404	12,160	339,404
Bioenergia Barra Ltda.	27,429	-	-	-
Raízen Paraguaçú Ltda.	3,622	-	-	-
Agrícola Ponte Alta Ltda.	1,932	-	-	-
Raízen Centroeste Açúcar e Álcool Ltda.	-	6,561	-	-
Other	2,863	1,481	-	-
	48,006	347,446	12,160	339,404
Debentures (2)				
Raízen Combustíveis S.A. and its subsidiaries	-	-	-	206,916
Commercial and administrative operations (3)				
Raízen Combustíveis S.A. and its subsidiaries	125,040	22,826	408,632	180,291
Nova América Agrícola Caarapó Ltda.	-	-	119,694	102,289
Agroterenas S.A.	-	85	39,324	49,183
Rumo group	20,459	26,679	20,609	26,828
Cosan S.A. Indústria e Comércio	9,726	3,623	9,726	3,623
Iogen Energy Corporation	-	-	2,493	-
Raízen and Wilmar Sugar Pte. Ltd.	-	366	825	-
Philipínas Shell Petroleum Corp.	-	-	4,007	4,241
Shell Trading US Company	-	-	1,265	558
Raízen International Universal Corporation	86,827	202,282	-	-
Raízen Paraguaçú Ltda.	61,231	5,169	-	-
Raízen Araraquara Açúcar e Álcool Ltda.	7,363	4,957	-	-
Raízen Centroeste Açúcar e Álcool Ltda.	4,273	3,438	-	-
Unimodal Ltda.	3,617	3,617	-	-
Raízen Trading LLP	407	3,755	-	-
Other	22,160	12,805	16,962	10,221
	341,103	289,602	623,537	377,234
Financial operations (4)				
Raízen Combustíveis S.A. and its subsidiaries	-	-	2,572,495	2,355,347
Corporate restructuring				
Logum Logística S.A.	-	1,714	-	1,714
Framework operations (5)				
Cosan S.A Indústria e Comércio	501,957	435,806	561,819	488,047
Shell Brazil Holding B.V.	212	58	212	58
	502,169	435,864	562,031	488,105
	891,278	1,074,626	3,770,223	3,768,720
Current assets	(579,199)	(760,909)	(750,419)	(758,803)
Non-current assets	312,079	313,717	3,019,804	3,009,917

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Liabilities				
Classification of liabilities per currency:				
Domestic (domestic currency)	746,536	152,314	753,119	896,381
Abroad (foreign currency) (Note 24.d)	1,455,210	2,098,844	118,009	229,877
	2,201,746	2,251,158	871,128	1,126,258
Asset management (1)				
Raízen Combustíveis S.A. and its subsidiaries	103,403	96,583	103,403	96,582
Bioenergia Barra Ltda and its subsidiaries	101,115	16,179	-	-
Raízen Caarapó Açúcar e Álcool Ltda.	10,269	16,402	-	-
Raízen Centrooeste Açúcar e Álcool Ltda.	533	-	-	-
Raízen Araraquara Açúcar e Álcool Ltda.	451	-	-	-
Agrícola Ponte Alta Ltda.	-	26,181	-	-
Teas Terminal Exportador de Álcool de Santos Ltda.	-	9,225	-	-
Raízen Paraguaçú Ltda.	-	1,554	-	-
	215,771	166,124	103,403	96,582
Commercial and administrative operations (3)				
Shell Trading US Company	-	-	114,143	-
Raízen Combustíveis S.A. and its subsidiaries	30,635	3,760	43,829	4,984
Rumo group	21,371	8,117	24,014	8,250
Agroterenas S.A.	-	-	12,934	17,568
Nova América Agrícola Ltda.	-	-	9,428	9,172
Cosan S.A. Indústria e Comércio	7,094	17,073	7,094	18,410
Propriedades Agrícola Radar and its subsidiaries	5,091	12,431	5,091	12,431
Nova América Agrícola Caarapó Ltda.	-	-	9,731	19,299
Cosan Lubrificantes e Especialidades	2,078	2,577	2,540	3,162
Raízen Trading LLP.	157,001	57	-	-
Raízen Paraguaçú Ltda.	21,841	2,897	-	-
Agrícola Ponte Alta Ltda.	19,665	5,784	-	-
Raízen Internacional Universal Corporation	7,595	686	-	-
Bioenergia Barra Ltda and its subsidiaries	4,042	3,933	-	-
Raízen Araraquara Açúcar e Álcool Ltda.	3,904	1,165	-	-
Other	7,640	4,492	9,221	2,049
	287,957	62,972	238,025	95,325
Financial operations (4)				
Shell Finance B.V.	3,567	3,021	3,567	3,021
Cosan S.A. Indústria e Comércio	3,032	2,301	3,032	2,301
Raízen Fuels Finance Limited	1,287,047	1,203,365	-	-
	1,293,646	1,208,687	6,599	5,322
Corporate restructuring				
Logum Logística S.A.	61,457	61,457	61,457	61,457
Uniduto Logística S.A. (Note 10.e.i)	14,281	14,281	14,281	14,281
	75,738	75,738	75,738	75,738
Framework operations (5)				
Cosan S.A Indústria e Comércio	315,891	677,629	436,535	793,283
Agrícola Ponte Alta S.A.	1,915	-	-	-
	317,806	677,629	436,535	793,283
Preferred shares (6)				
Cosan S.A Indústria e Comércio	10,828	60,008	10,828	60,008
	2,201,746	2,251,158	871,128	1,126,258
Current liabilities	(652,945)	(360,739)	(491,234)	(325,168)
Non-current liabilities	1,548,801	1,890,419	379,894	801,090

(1) Asset management

The amount recorded in assets refers to funds made available to companies as a form of managing financial resources. On these transactions, the Company recorded financial income in the amount of R$ 42,066 and R$ 32,704 (R$ 19,044 and R$ 12,420 in the year ended March 31, 2017), Parent Company and Consolidated, respectively, according to the cash financial management, under the terms of the resource management agreement.

The amount recorded in liabilities refers to funds received from the companies as a form of managing financial resources. On these transactions, the Company recorded financial expenses in the amount of R$ 58,483 and R$ 15,778 (R$ 41,212 and R$ 14,129 in the year ended March 31, 2017), Parent Company and Consolidated, respectively, according to the cash financial management, under the terms of the resource management agreement.

(2) Debentures

On June 9, 2017, Petróleo Sabbá S.A. ("Sabbá") settled with Raízen a private debenture maintained between the parties, in the amount of R$ 211,469, of which R$ 200,000 of principal and R$ 11,469 of interest.

During the year ended March 31, 2018, the Company recorded financial income in the amount of R$ 4,553 related to said transaction.

(3) Commercial operations

Amount recorded in assets refers to commercial transactions for sale of products such as: sugar, ethanol and other materials, as well as advances for acquisition of sugar cane and port lifting transactions.

Amount recorded in liabilities refers to reimbursement of administrative expenses, rendering of services, advance from clients for export of sugar and purchase of products such as: sugar, sugarcane, diesel, and ethanol.

As of April 1, 2017, RESA and its subsidiaries started commercial operations with RaW.

(4) Financial operations

As of March 31, 2018, the amount recorded in assets refers to export prepayment agreements ("PPE") receivable from Raízen Combustíveis S.A., as stated below:

						Consolidated	
Contract	Currency	Principal value in foreign currency	Maturity	Annual effective average interest rate	Index	2018	2017
PPE	Dollar (US$)	219,000	04/27/2020	3.98%	Libor	725,140	689,561
PPE	Dollar (US$)	350,000	01/20/2027	5.49%	-	1,175,749	1,110,714
		569,000				1,900,889	1,800,275
PPE	Euro (€)	66,000	10/15/2021	3.09%	-	271,996	225,351
PPE	Euro (€)	40,000	01/20/2022	1.88%	Euribor	160,664	132,608
PPE	Euro (€)	60,000	01/21/2022	2.17%	Euribor	238,946	197,113
		166,000				671,606	555,072
						2,572,495	2,355,347
					Current	(17,407)	(14,862)
					Non-current	2,555,088	2,340,485

As of March 31, 2018, the amount recorded in liabilities refers mainly to export prepayment agreements ("PPE") due to Raízen Fuels as shown below:

						Parent company	
Contract	Currency	Amount	Maturity	Annual effective average interest rate	Index	2018	2017
PPE	Dollar (US$)	231,000	04/27/2020	3.98%	Euribor	762,904	723,466
PPE	Dollar (US$)	87,500	01/20/2027	5.49%	Euribor	273,718	479,899
PPE	Dollar (US$)	62,500	01/20/2027	5.49%	Euribor	250,425	-
		381,000				1,287,047	1,203,365
					Current	(5,747)	(4,870)
					Non-current	1,281,300	1,198,495

(1) The Company assigns certain PPE as liability measured at fair value through profit or loss. Accordingly, the said PPE is increased by the fair value evaluation in the amount of R$ 20,253 (R$ zero on March 31, 2017).

(5) Framework agreement

As of March 31, 2018, amounts recorded in assets and liabilities refer to amounts spent or payable, fully reimbursable, resulting from establishment of Raízen (Note 1). The principal change occurred in the year refers to the assignment of credit rights of the plant Univalem, which Cosan performed with third-parties. For further details, see Note 8.

(6) Preferred shares

The balance of preferred shares payable, recorded in liabilities, refers to tax benefit amounts to reimburse Cosan, when effectively utilized by the Company, determined at balances of tax losses and negative basis of social contribution and tax benefit on amortization of goodwill ("GW").

During the year ended March 31, 2017, the Company proposed the allocation of R$ 28,422 of dividends to the holders of Class B preferred shares. At the Extraordinary General Meeting held on July 31, 2017, the Company's shareholders decided and approved the payment of dividends to holders of Class B preferred shares in the amount of R$ 26,361. Thus, the Company reserved (R$ 2,061) of Class B preferred shares related to the amounts allocated as of March 31, 2017. See Note 18.b.

In the Special Shareholders' Meeting held on January 29, 2018, Company's shareholders decided and approved dividends to holders of Class B preferred shares, of R$ 40,886. See Note 18.b.

During the year ended March 31, 2018, the Company proposed the allocation of R$ 10,355 of dividends to the holders of Class B preferred shares. See Note 18.b.

The reduction in the balance refers to dividend allocations for the years ended March 31, 2018 and 2017, according to Notes 18.a and 18.b.

b) Summary of related-party transactions (4)

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Sale of products, net of returns				
Raízen Combustíveis S.A. and its subsidiaries	460,139	465,590	2,691,947	2,016,786
Raízen and Wilmar Sugar Pt	-	-	2,223,935	-
Shell Trading US Company	139,777	-	280,725	154,278
Shell Trading Rotterdam	-	-	20,118	16
Philipinas Shell Petroleum	-	-	16,866	86,081
Raízen International Universal	2,182,152	3,531,136	-	-
Raízen Trading LLP	553,869	458,157	-	-
Raízen Tarumã Ltda.	-	1,342	-	-
Other	96,828	27,224	24,732	7,238
	3,432,765	4,483,449	5,258,323	2,264,399
Purchase of goods and services				
Shell Trading US Company	-	-	(791,819)	(621,445)
Raízen Combustíveis S.A. and its subsidiaries	(474,295)	(439,199)	(537,235)	(499,023)
Rumo group (i)	(340,195)	(323,027)	(389,676)	(355,845)
Agroterenas S.A.	-	-	(271,178)	(279,953)
Nova América Agrícola Ltda.	(60)	-	(169,119)	(160,919)
Nova América Agrícola Caarapó Ltda.	-	-	(139,572)	(199,587)
Cosan Lubrificantes e Especialidades S.A.	(14,740)	(18,430)	(18,734)	(22,978)
Nova América Terras Ltda.	-	-	(11,521)	(10,272)
Shell Trading Roterdam	-	-	(9,988)	(8,263)
Agroterenas S.A. Terra	-	-	(9,533)	(10,939)
Shell Brasil Petróleo	(5,340)	(4,487)	(6,433)	(6,184)
Iogen Energy Corporation	(380)	(255)	(5,525)	(255)
Palermo Agrícola S.A.	(4,747)	(5,101)	(4,747)	(5,101)
Raízen Trading LLP	(321,233)	(2,913)	-	(7,878)
Raízen Paraguaçu Ltda.	(87,880)	(15,374)	-	-
Raízen Araraquara Açúcar e Álcool Ltda.	(34,635)	(61,328)	-	-
Other	(93,671)	(61,876)	(26,773)	(13,237)
	(1,377,176)	(931,990)	(2,391,853)	(2,201,879)

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Reimbursement of shared expenses (1)				
Raízen Combustíveis S.A. and its subsidiaries	142,258	148,270	142,258	148,270
Companhia de Gás de São Paulo	33,868	31,104	33,868	31,104
Rumo group (i)	26,969	27,375	26,969	27,375
Cosan Lubrificantes e Especialidades S.A.	6,801	7,116	6,801	7,116
Cosan S.A. Indústria e Comércio	3,994	4,335	3,994	4,335
Raízen Paraguaçú Ltda.	25,639	23,811	-	-
Bioenergia Barra Ltda and its subsidiaries	8,637	9,341	-	-
Other	21,304	23,430	3,534	2,784
	269,470	274,782	217,424	220,984
Land leases (2)				
Radar group (iii)	(78,069)	(83,480)	(78,069)	(83,480)
Janus Group	(31,224)	(16,491)	(31,224)	(16,491)
Tellus group	(24,322)	(25,116)	(24,322)	(25,116)
Aguassanta group (ii)	(11,625)	(27,063)	(11,625)	(27,063)
Barrapar Participações S.A.	(64)	-	(64)	-
	(145,304)	(152,150)	(145,304)	(152,150)
Net financial income (3)				
Raízen Combustíveis S.A. and its subsidiaries	16,926	31,375	336,531	19,992
Nova América Agrícola Caarapó Ltda.	-	-	8,257	10,299
Agroterenas S.A.	-	-	1,441	3,148
Raízen Internacional Universal	21,014	(55,922)	-	-
Raízen Luxembourg S.A.	-	107,114	-	-
Raízen Energy Finance Limited	(44)	43,562	-	-
Bioenergia Barra Ltda and its subsidiaries	(22,268)	(8,878)	-	-
Raízen Fuels Finance Limited	(132,761)	3,976	-	-
Other	(31,789)	(27,538)	(10,872)	(7,493)
	(148,922)	93,689	335,357	25,946

(i) The term Rumo Group refers to the railway and port operations represented by the companies Rumo S.A., Elevações Portuárias S.A, Logispot Armazéns Gerais S.A., Rumo Malha Sul S.A., Rumo Malha Oeste S.A., Rumo Malha Paulista S.A., Rumo Malha Norte S.A., ALL América Latina Logística Rail Management, Portofer Transporte Ferroviário Ltda. and Brado Logística S.A.

(ii) Aguassanta Group term refers to land lease transactions for the planting of sugarcane with entities Aguassanta Agrícola Ltda., Aguassanta Participações S.A., Aguapar Agrícola Ltda., Palermo Agrícola S.A. and Vila Santa Empreendimentos Imobiliários Ltda.

(iii) Grupo Radar term refers to land lease transactions for the planting of sugarcane, and main entities in the group are Radar Propriedades Agrícolas S.A., Nova Agrícola Ponte Alta S.A., Nova Amaralina S.A., Terras da Ponte Alta, Nova Santa Barbara Agrícola S.A., Radar II Propriedades Agrícolas S.A., Vale da Ponte Alta S.A., Proud Participações S.A. and Bioinvestments Negócios S.A.

(1) Expenses incurred by shared corporate, management and operating costs reimbursed from related parties;

(2) Expenses incurred with land leased from related parties, outside Raízen Group;

(3) It mainly refers to charges produced by the as a way of administering financial resources, due the financial management of cash and PPE.

(4) Transactions with related parties are entered into under reasonable and cumulative conditions, in line with those prevailing in the market or that the Company would contract with third parties.

c) Summary of recoverable and chargeable balances from Cosan shareholder

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Current assets				
Other financial assets (Note 8)	11,967	11,048	11,967	11,048
Other receivable (i)	47,252	34,665	55,503	41,153
	59,219	45,713	67,470	52,201
Non-current assets				
Judicial deposits (Note 16)	121,436	85,328	231,865	192,570
Other financial assets (Note 8)	71,802	485,731	71,802	485,731
Other receivable (i)	63,434	60,857	65,398	62,781
	256,672	631,916	369,065	741,082
Total assets	315,891	677,629	436,535	793,283
Current liabilities				
Taxes payable	2,770	23	5,144	2,939
Other payable (ii)	187,368	123,780	205,429	136,374
	190,138	123,803	210,573	139,313
Non-current liabilities				
Taxes payable (ii)	165,050	157,383	175,910	169,747
Provision for legal disputes (Note 16)	146,769	154,620	175,336	178,987
	311,819	312,003	351,246	348,734
Total liabilities	501,957	435,806	561,819	488,047

i. Refers substantially to legal expenses receivable from the shareholder.
ii. Refers substantially to tax credits to be reimbursed to the shareholder.

d) Other significant information involving related parties

Committed Back-up Credit Facility Agreement

The Company is a beneficiary of a US$ 700,000 thousand Revolving Committed Back-up Credit Facility Agreement granted by Shell Finance B.V. (Netherlands) and Cosan S.A. Indústria e Comércio, valid until May 10, 2019 and renewed periodically. Until the closing of the year ended on March 31, 2018 the mentioned credit facility had not been used.

e) Directors and members of the Board of Directors

Fixed and variable remuneration to key management personnel, including statutory officers and members of the Board of Directors that are recognized in income (loss) for the year is as follows:

	2018	2017
Regular remuneration	(51,401)	(46,983)
Bonuses and other variable compensation	(39,489)	(45,207)
Total compensation	(90,890)	(92,190)

The Company shares the structure and corporate, managerial and operating costs with its related party Raízen Combustíveis S.A. ("RCSA"). Key management personnel and other administrative positions mostly consist of employees of the Company itself. Accordingly, as of March 31, 2018, RCSA reimbursed RESA the Company for all the structure shared, including the key management personnel and other employees, totaling R$ 64,535 (R$ 71,909 in 2017).

10. Investments

a) Parent company

				Investments (1)		Equity accounting result	
	Country	Business	Percentage of Interest	2018	2017	2018	2017
Book value							
Agrícola Ponte Alta Ltda.	Brazil	Ethanol trade	91.21%	912,330	956,282	105,617	93,926
Benálcool Açúcar e Álcool Ltda. (9)	Brazil	Holding	100.00%	54,318	212,504	177,152	129,420
Centro de Tecnologia Canavieira S.A.	Brazil	R&D	19.04%	107,928	105,145	2,784	4,105
Raízen Caarapó Açúcar e Álcool Ltda.	Brazil	Sugar and ethanol plant	31.48%	211,580	199,188	12,416	22,629
Raízen Centroeste Açúcar e Álcool Ltda.	Brazil	Ethanol plant	47.37%	684,613	872,794	72,828	88,847
Logum Logística S.A. (4)	Brazil	Logistics	20.81%	132,986	62,906	(29,521)	(35,074)
Raízen Araraquara Açúcar e Álcool Ltda. (3)	Brazil	Sugar and ethanol plant	99.99%	824,956	799,979	24,995	56,087
Raízen Luxembourg S.A. (6)	Luxembourg	Financing	100.00%	-	-	-	1,137
Raízen Fuels Finance S.A.	Luxembourg	Financing	100.00%	39,887	30,475	7,702	14,870
Raízen and Wilmar Sugar PTE Ltd. (5)	Singapore	Trading of sugar	50.00%	13,448	-	12,735	-
Raízen Energy Finance Ltd.	Cayman Islands	Financing	100.00%	32,566	31,055	(9)	(2,654)
Raízen Paraguaçu Ltda. (3)	Brazil	Sugar and ethanol plant	100.00%	999,354	844,851	155,944	150,755
Raízen Tarumã Ltda. (3) (7)	Brazil	Sugar and ethanol plant	100.00%	-	-	-	19,968
TEAS - Terminal Exportador de Alcool de Santos Ltda. (10)	Brazil	Port terminal	99.99%	-	109,958	2,946	3,561
Bionergia Barra Ltda.	Brazil	Co-generation of energy	99.99%	810,408	999,092	334,674	242,952
Uniduto Logística S.A.	Brazil	Logistics	46.48%	31,416	15,773	(7,504)	(38,783)
Raízen Trading LLP (9)	United Kingdom	Trading	100.00%	181,878	-	(24,350)	-
Subtotal				5,037,668	5,240,002	848,409	751,746
Goodwill on investment (8)							
In Benálcool Açúcar e Álcool Ltda.			100.00%	49,202	49,202	-	-
Raízen Araraquara Açúcar e Álcool Ltda.			99.99%	197,013	197,013	-	-
Raízen Tarumã Ltda.			100.00%	92,379	92,379	-	-
Uniduto Logística S.A.			46.48%	5,676	5,676	-	-
Centro de Tecnologia Canavieira S.A.			19.04%	45,514	45,514	-	-
Subtotal				389,784	389,784	-	-
Total investments				5,427,452	5,629,786	848,409	751,746
Provision for negative equity in subsidiaries and associated companies (2)							
Raízen International Universal Corporation	British Virgin Islands.	Ethanol and sugar trade	100.00%	(118)	(38,888)	39,802	(884)
Unimodal Ltda.	Brazil	Logistics	53.17%	(1,923)	(1,923)	-	-
Raízen-Geo Biogás S.A. (12)	Brazil	Usina Biogás	85.00%	(41)	-	(63)	-
Other	Brazil	-		(3)	(2)	(1)	-
Total provision for negative equity				(2,085)	(40,813)	39,738	(884)
						888,147	750,862

(1) Investments assessed under the equity method; (2) Classified in the non-current liabilities, under "Other obligations" caption; (3) As of March 31, 2018, balances of investments include a portion allocated to goodwill from merger of Curupay and acquisition of Usina Zanin in the amounts of R$ 103,383 and R$ 59,105 (Negative) (R$ 115,251 and R$ 55,391 (negative) in 2017), respectively. Goodwill amortizations of said recognitions, classified in Parent Company as equity in net income of subsidiaries, totaled R$ 11,869 and R$ 3,711 (R$ 9,616 and R$ 5,600 in 2017), respectively; (4) As of March 31, 2018, the estimated impairment loss includes R$ 131,792 in the investment. See Note 10.e.ii; (5) Refers to the income (loss) of RaW that RESA started recognizing as of April 1, 2017, according to its interest; (6) Company established on September 15, 2016 by Raízen Fuels; (7) Company merged by Raízen Paraguaçú as of June 1, 2016; (8) Goodwill on the purchase of shares; (9) On March 29, 2018, the subsidiary Benalcool partially spun-off its capital, and RESA assumed the direct control of the Trading company. See Note 10.d.ii e; (10) On March 29, 2018, TEAS was sold to Grupo Ultra. See Note 10.d.iii.

(b) Consolidated

				Investments (1)		Equity account result	
	Country	Business	Percentage of Interest	2018	2017	2018	2017
Book value							
Centro de Tecnologia Canavieira S.A.	Brazil	R&D	19.58%	110,989	108,128	2,863	4,222
Logum Logística S.A. (4)	Brazil	Logistics	20.81%	132,986	62,906	(29,521)	(35,074)
Uniduto Logística S.A.	Brazil	Logistics	46.48%	31,416	15,773	(7,500)	(38,783)
Raízen and Wilmar Sugar PTE Ltd (3)	Singapore	Trading of sugar	50.00%	13,448	-	12,735	-
Subtotal				288,839	186,807	(21,423)	(69,635)
Goodwill on investment (2)							
Uniduto Logística S.A.			46.48%	5,676	5,676	-	-
Centro de Tecnologia Canavieira S.A.			19.58%	51,946	51,946	-	-
Subtotal				57,622	57,622	-	-
Total investments				346,461	244,429	(21,423)	(69,635)

(1) Investments assessed under the equity method; (2) Goodwill on the purchase of shares; (3) Refers to income (loss) from RaW that RESA started recognizing as of April 1, 2017 at its interest; and (4) As of March 31, 2018, includes the estimated impairment loss in investment amounting to R$ 131,792, as mentioned in Note 10.e.ii.

Changes in interest in subsidiaries and associated companies:

	Parent company	Consolidated
Balance at March 31, 2016	4,758,982	210,425
Equity accounting result	751,746	(69,635)
Additions to investment (Note 10.e.i)	286,438	219,838
Write-off (Note 27.2.ii.a)	(4,555)	-
Estimated investment impairment loss (Note 10.e.ii)	(131,792)	(131,792)
Dividends declared	(43,890)	-
Capital gain on dilution of ownership interest (Note 10.e.i)	14,312	14,697
Other	(1,455)	896
Balance at March 31, 2017	5,629,786	244,429
Equity accounting result	848,409	(21,423)
Additions to investment (Note 10.d.i)	123,058	123,058
Write-off for disposal of ownership interest (Note 10.d.iii)	(47,865)	-
Write-off due to capital decrease (Note 10.d.ii)	(430,256)	-
Dividends declared (Note 10.d.iv)	(702,367)	-
Other	6,687	397
Balance at March 31, 2018	5,427,452	346,461

Changes in provision for deficit shareholders' equity in subsidiaries and associated companies:

	Parent company
Balance at March 31, 2016	(45,130)
Equity accounting result	(884)
Effect of foreign currency translation - CTA	5,201
Balance at March 31, 2017	(40,813)
Equity accounting result	39,738
Capital gain due to dilution of ownership interest	20
Effect of foreign currency translation - CTA	(1,030)
Balance at March 31, 2018	(2,085)

There are no cross share-holdings between the parent company and the investees.

c) Summarized financial information of associated companies, considering adjustments to equity value, when applicable.

- March 31, 2018

	Logum Logística S.A. (1)/(2)	Uniduto Logística Ltda. (1)/(2)	Centro de Tecnologia Canavieira S.A. (2)/(4)	Iogen Energy Corporation (3)	Raízen and Wilmar Sugar PTE Ltd. (4)
Assets	2,287,895	98,340	801,551	34,594	93,584
Liabilities	(1,015,609)	(30,743)	(234,701)	(265,464)	(66,688)
Equity	1,272,286	67,597	566,850	(230,870)	26,896
Net operating income	93,834	-	90,011	-	2,804,380
Net income (loss) for the year	(140,515)	(200)	14,619	(1,214)	25,398

- March 31, 2017

	Logum Logística S.A. (1)/(2)	Uniduto Logística Ltda. (1)/(2)	Centro de Tecnologia Canavieira S.A. (2)/(4)	Iogen Energy Corporation (3)
Assets	2,603,854	32,818	824,612	29,855
Liabilities	(1,689,053)	(30,791)	(272,381)	(248,287)
Equity	914,801	2,027	552,231	(218,432)
Net operating income	123,871	-	120,917	-
Net income (loss)	(162,633)	(83,387)	20,945	(1,505)

(1) The fiscal year of these investees ends on December 31;

(2) Significant influence over these companies has been defined, mainly, based on the Company's right to elect key management personnel and to decide on their significant operational and some strategic issues.

(3) Jointly controlled entity in which the Company interest is 50% in common shares, whose fiscal year ends on August 31. The Company did not form an estimated loss for equity in net income of subsidiaries, given that it has no legal or constructive obligations to make payments on account of that company.

(4) Year ended March 31.

d) Transactions occurred in 2018

i) Additions to the investment

Capital increases in Logum Logística S.A. ("Logum")

In the year ended March 2018, the Company's capital increase was resolved, approved and subscribed totaling R$ 498,000. The company recorded in this operation pursuant to its interest. The amount of R$ 97,889 was paid in the form of current account credit, and R$ 1,711 on the settlement for advance for future capital increase.

At the end of these operations, the Company started to hold direct and indirect ownership interest of 20.81% and 25.65%, respectively, in Logum (21.28% and 26.23% as of March 31, 2017).

Capital increases in Uniduto Logística S.A. ("Uniduto")

In the year ended March 2018, the Company's capital increase was resolved, approved and subscribed totaling R$ 49,800. The Company recorded the amount of R$ 23,146 in this transaction, according to its interest and paid-up by means of credit in current account.

In these operations, there were no changes in the percentage of participation in the share capital of the investee, since all shareholders effected capital contributions in proportion to their existing holding.

Capital increase at Raizen and Wilmar Sugar PTE. Ltd. ("RaW")

On September 30, 2016, a capital increase of US$ 200, corresponding to R$ 623 was decided, upon subscription of 200,000 shares of US$ 1 each. On April 3, 2017, the Company paid in this operation, the amount of US$ 100, corresponding to R$ 312 by means of credit in current accounts, proportional to its interest of 50%.

ii) Decrease investment

Capital decrease in Raízen Centroeste

On November 22, 2017, the subsidiary Raízen Centroeste decided in common agreement with its shareholders Agrícola Ponte Alta and RESA, to reduce its capital by R$ 500,000. According to its interest, the Company recorded the amount of R$ 236,850 for this operation, received as credit in current account as of November 30, 2017.

Capital decrease in Agrícola Ponte Alta

On March 26, 2018, the subsidiary Agrícola Ponte Alta decided in common agreement with its shareholders Raízen Araraquara Açúcar e Álcool and RESA, to reduce the capital by R$ 163,100. According to its interest, the Company recorded the amount of R$ 148,762 for this operation, received as credit in current account as of March 28, 2018.

Capital decrease in Benálcool

The partial split of the subsidiary Benálcool occurred on March 29, 2018, reducing its capital by R$ 331,000. The Company recorded the amount of R$ 44,644 for this operation, received as credit in current account as of March 29, 2018. The remainder amount, representing R$ 286,356, was recognized as an investment at Raízen Trading, which was then directly controlled by RESA.

iii) Disposal of ownership interest (investments)

On March 29, 2018, RESA and Raízen Araraquara sold TEAS, a company in which they held 99.99% and 0.01% of the capital, respectively. The buyer was the group UltraCargo Operações Logísticas e Participações Ltda. The adjusted final sale price of the transaction was R$ 106,430, whereas an amount of R$ 100,000 was received in cash via a current account credit on March 29, 2018, and the remaining balance of R$ 6,430 was recognized on the same date as other receivables arising mainly from adjustments in working capital and net debt. The receipt of this amount is scheduled for June 30, 2018.

The calculation of the accounting impacts in RESA's consolidated is as follows:

Captions	Total
Final price	106,430
Write-off of net assets (Note 10.b)	(47,865)
Write-off of goodwill (Note 12)	(4,818)
Capital gain (Note 22)	53,747

The breakdown of net assets written-off by the sale is as follows:

Captions	Total
Cash and cash equivalents	3,662
Recoverable income and social contribution taxes	1,967
Recoverable taxes and contributions	1,862
Deferred income and social contribution tax (Note 15.b.3)	1,054
Judicial deposits	72
Property, plant and equipment (Note 11)	39,261
Provision for legal disputes (Note 16)	(13)
	47,865

iv) Dividends declared

On March 29, 2018, the subsidiaries assigned dividends to the Company, as shown in the table below:

					Dividends
Subsidiary	**Determination period**	**Assigned**	**Received**	**Receipt date**	**Receivable**
Raízen Trading	2017/2018	87,060	-	-	87,060
Bio Barra	2016/2017	520,000	(520,000)	02/28/2018	-
Bio Barra	2017/2018	3,347	-	-	3,347
Raízen Paraguaçú	2017/2018	1,406	-	-	1,406
Agrícola Ponte Alta	2017/2018	801	-	-	801
Benálcool	2017/2018	533	-	-	533
Raízen Centroeste	2016/2017	23,685	(23,685)	11/30/2017	-
Raízen Centroeste	2017/2018	472	-	-	472
Raízen Caarapó	2017/2018	22	-	-	22
TEAS	2016/2017	62,200	(62,200)	11/30/2017	-
TEAS	2017/2018	2,841	(2,841)	03/28/2018	-
		702,367	(608,726)		93,641

In the year ended March 31, 2018, the Company received a current account credit from its subsidiaries regarding the allocation of income for the year ended March 31, 2017, in the amount of R$ 44,994.

e) Transactions occurred in 2017

i) Additions to the investment

Capital increase at Logum

In the year ended March 31, 2017, capital increases were resolved, approved and subscribed totaling R$ 809,000. The amounts subscribed by the Company in these operations totaled R$ 176,086, of which R$ 114,629 paid-in in cash, and R$ 61,457 recorded as capital to be paid-in under "Related Parties" caption, in current liabilities, which shall be paid-in until December 31, 2018.

At the end of this operation, the Company started to hold direct and indirect ownership interests of 21.28% and 26.23%, respectively, in Logum (20% and 24.65% in 2017).

Capital increase at Uniduto

Uniduto is Logum shareholder and became liable, by means of the commitments provided for in the Shareholders' Agreements and the announcements of subscriptions for capital increase of Logum, to pay-in the amount of R$ 88,043, in the year ended March 31, 2017.

In these operations, RESA subscribed the amount of R$ 40,922, pursuant to its interest, of which R$ 26,641 paid-in in cash, and R$ 14,281 recorded as capital to be paid-in in Related Parties, in current liabilities, which shall be paid-in until December 31, 2018.

In these operations, there were no changes in the percentage of participation in the share capital of the investee, since all shareholders effected capital contributions in proportion to their existing holding.

Capital increase at Raízen Fuels

On July 29, 2016, the Company acquired, by means of a corporate restructuring under common control, a 96.11% interest in Raízen Fuels through its subsidiary Luxembourg in the amount of R$ 4,555. This transaction was carried out at book value and generated a capital loss in the amount of R$ 38, recorded under "Capital reserve".

On September 15, 2016, the Company acquired the remaining interest of 3.89% from RCSA, in the amount of R$ 274. For further details, see Note 27.2.ii.a.

On March 17, 2017, a capital contribution in this subsidiary was made in the amount of R$ 10,885, equal to US$ 3,502 thousand and entirely underwritten and paid in.

Capital increase at Benálcool

On May 19, 2016, the Company made a capital contribution in this subsidiary in the amount of R$ 51,000, fully subscribed and paid-up in local currency.

Centro de Tecnologia Canavieira ("CTC")

a) Capital increase

During the Board of Directors' Meeting held on December 12, 2016 a capital increase R$ 98,802 was approved by members of CTC's Board of Directors, through an issue of 41,869 new common shares. The sum subscribed and paid-up by the Company in this transaction totaled R$ 2,754, equal to 1,157 common shares. Hence, Company recognized investment and goodwill totaling R$ 704 and R$ 2,050 respectively in "Investments" caption.

As provided for in the CTC Contract for Subscription of shares, executed into among shareholders of CTC control block and BNDESPar, in this transaction the Company and all other shareholders waived 89.83% of their pre-emptive rights to underwrite CTC shares to BNDES. Hence, its ownership interest in the capital of this investee dropped from 19.93% to 19.04%, thus creating a R$ 14,312 capital gain by diluting the ownership interest, stated in the item Other operating income, net (Note 22).

During the year ended March 31, 2017, the amount of R$ 593 and R$ 609, Parent Company and Consolidated, respectively, was paid in accordance with the Board Meeting held on February 24, 2016.

b) Capital increase by the subsidiary Raízen Paraguaçu

At CTC's capital increase as of December 12, 2016, as shown above, Paraguaçu subscribed and paid-up R$ 76, corresponding to 32 common shares. Hence, Raízen Paraguaçú recognized investment and goodwill totaling R$ 19 and R$ 57 respectively in "Investments" caption.

Based on the waiver of pre-emptive rights to subscribe CTC shares, also mentioned above, Raízen Paraguaçu reduced its ownership interest in CTC from 0.57% to 0.54%, thus creating a R$ 385 capital gain by diluting the ownership interest, stated in the item Other operating income (expenses), net (Note 22).

Capital increase in Agrícola Ponte Alta by the subsidiary Raízen Araraquara

On December 20, 2016, the subsidiary Araraquara subscribed 80,000,000 new shares issued in the amount of R$ 80,000, which were paid-in as of February 2, 2017. The Company waived its subscription rights, now holding a 91.21% ownership interest in Agrícola Ponte Alta, while Raízen Araraquara now holds 8.79%.

ii) Analysis of investment impairment losses

According to accounting test of investment recoverability at Logum pursuant to IAS 36 (CPC 01) - Asset Impairment and IAS 28 (CPC 18) - Investments in Associated Company and Subsidiary, on March 31, 2017, the Company recognized estimated impairment losses with Logum's investment in the amount of R$162,384, being R$131,792 in income (loss) for the year under "Other operating income (expenses), net" caption (Note 22), referring to direct interest of 21.3% in Logum, and R$30,592 in equity in investees, referring to RESA's indirect interest of 4.9% in Logum via Uniduto.

Current infrastructure of Logum project is the backbone of the next business plan stages, which will increase volumes as system gains capillarity, connecting ethanol producers and consumers. However, for the impairment test on March 31, 2017, we considered that it would be appropriate to use only the current project stage estimated cash flows, net of financial debts, without considering future stages and synergies that may be generated in the future. To the extent that investments are made in new project stages, impairment tests will be made and may indicate reversal of the provision recognized. As of March 31, 2018, the Group assessed and did not find any indicator to revert the estimated impairment losses with Logum's investment.

11. Property, plant and equipment

a) Parent company

	Lands and rural properties	Buildings and improvements	Machinery, equipment and facilities	Aircrafts, vessels and vehicles	Furniture, fixtures and IT equipment	Works in progress	Frequently replaced parts and accessories	Sugarcane planting	Other	Total
Cost:										
March 31, 2016	9,329	685,176	3,770,912	453,923	128,212	248,216	815,112	3,447,558	21,252	9,579,690
Additions	-	641	13,250	10,763	394	288,389	481,920	288,885	-	1,084,242
Write-offs	-	(34)	(61,509)	(19,736)	(2,379)	-	-	-	(1,587)	(85,245)
Transfer between cost and depreciation	-	-	-	-	-	-	(480,476)	-	-	(480,476)
Transfers (2)	-	26,778	166,944	35,195	20,265	(260,498)	-	-	46	(11,270)
Estimated loss (3)	-	(33)	(19,166)	(206)	(678)	-	-	-	-	(20,083)
March 31, 2017	9,329	712,528	3,870,431	479,939	145,814	276,107	816,556	3,736,443	19,711	10,066,858
Additions	-	1,586	15,418	2,871	972	487,278	486,490	427,590	-	1,422,205
Business combination (1)	5,586	74,640	228,136	25,923	1,032	-	-	115,830	-	451,147
Write-offs	-	(4,455)	(124,950)	(30,160)	(12,909)	(1,178)	-	-	(735)	(174,387)
Transfer between cost and depreciation	-	-	-	-	-	-	(343,417)	-	-	(343,417)
Transfers (2)	-	41,099	263,857	36,283	12,473	(370,884)	2,562	-	34	(14,576)
Estimated loss (3)	-	33	14,958	(98)	833	-	-	-	-	15,726
March 31, 2018	14,915	825,431	4,267,850	514,758	148,215	391,323	962,191	4,279,863	19,010	11,423,556
Accumulated depreciation:										
March 31, 2016	-	(210,933)	(1,338,853)	(205,264)	(79,774)	-	(480,476)	(2,371,462)	(20,688)	(4,707,450)
Depreciation expense for the year	-	(22,998)	(183,418)	(25,543)	(15,043)	-	(343,417)	(363,632)	(320)	(954,371)
Write-offs	-	34	52,717	14,694	2,254	-	-	(4,273)	1,588	67,014
Transfer between cost and depreciation	-	-	-	-	-	-	480,476	-	-	480,476
Transfers (2)	-	(258)	4,825	(4,525)	380	-	-	-	16	438
March 31, 2017	-	(234,155)	(1,464,729)	(220,638)	(92,183)	-	(343,417)	(2,739,367)	(19,404)	(5,113,893)
Depreciation expense for the year	-	(23,826)	(191,966)	(37,424)	(16,405)	-	(510,410)	(347,334)	(260)	(1,127,625)
Write-offs	-	4,329	109,849	25,148	11,509	-	-	(325)	651	151,161
Transfer between cost and depreciation	-	-	-	-	-	-	343,417	-	-	343,417
Transfers (2)	-	(426)	248	(231)	429	-	-	-	3	23
March 31, 2018	-	(254,078)	(1,546,598)	(233,145)	(96,650)	-	(510,410)	(3,087,026)	(19,010)	(5,746,917)
Net residual value:										
March 31, 2018	14,915	571,353	2,721,252	281,613	51,565	391,323	451,781	1,192,837	-	5,676,639
March 31, 2017	9,329	478,373	2,405,702	259,301	53,631	276,107	473,139	997,076	307	4,952,965

(1) Refers to acquisition of Santa Cândida and Paraíso mills. For further details, see Note 27.1.i.
(2) Refers to the transfers of intangible assets, corresponding to the software license.
(3) Refers to (formation) net reversal of estimated loss in fixed assets, recognized in income (loss) for the year under “Other operating income (expenses), net” caption (Note 22).

b) Consolidated

	Lands and rural properties	Buildings and improvements	Machinery, equipment and facilities	Aircrafts, vessels and vehicles	Furniture, fixtures and IT equipment	Works in progress	Frequently replaced parts and accessories	Sugarcane planting	Other	Total
Cost:										
March 31, 2016	35,211	1,250,648	7,724,581	554,195	156,569	596,567	1,051,477	4,050,364	41,043	15,460,655
Additions	-	913	23,410	1,402	1,324	456,190	626,859	332,365	-	1,442,463
Write-offs	-	(34)	(78,807)	(33,082)	(2,455)	(1,694)	-	-	(1,590)	(117,662)
Transfer between cost and depreciation	-	-	-	-	-	-	(611,755)	-	-	(611,755)
Transfer (3)	-	51,516	329,683	30,703	21,968	(439,168)	-	-	(6,040)	(11,338)
Estimated loss (4)	-	(33)	(21,317)	(208)	(684)	(2,166)	-	-	-	(24,408)
Other	-	-	-	-	(122)	-	-	-	-	(122)
March 31, 2017	35,211	1,303,010	7,977,550	553,010	176,600	609,729	1,066,581	4,382,729	33,413	16,137,833
Additions	-	4,063	27,784	3,107	1,298	614,153	629,503	478,359	-	1,758,267
Business combination (1)	5,586	74,640	228,136	25,923	1,032	-	-	115,830	-	451,147
Write-off for disposal of ownership interest (2)	(1,366)	(17,800)	(34,740)	-	(36)	(9)	-	-	-	(53,951)
Write-offs	-	(4,469)	(156,578)	(35,088)	(16,878)	(3,989)	-	-	(5,489)	(222,491)
Transfer between cost and depreciation	-	-	-	-	-	-	(452,743)	-	-	(452,743)
Transfer (3)	300	120,534	497,699	39,068	15,656	(691,626)	2,560	-	1,221	(14,588)
Estimated loss (4)	-	33	13,419	(124)	935	-	-	-	-	14,263
Other	(1,805)	-	900	1	53	-	-	-	-	(851)
March 31, 2018	37,926	1,480,011	8,554,170	585,897	178,660	528,258	1,245,901	4,976,918	29,145	17,616,886
Accumulated depreciation:										
March 31, 2016	-	(337,725)	(2,545,326)	(249,282)	(97,060)	-	(611,755)	(2,822,080)	(31,212)	(6,694,440)
Depreciation expense for the year	-	(35,790)	(352,928)	(31,758)	(18,036)	-	(452,743)	(426,874)	(1,847)	(1,319,976)
Write-offs	-	34	64,774	26,768	2,356	-	-	(4,500)	1,588	91,020
Transfer between cost and depreciation	-	-	-	-	-	-	611,755	-	-	611,755
Transfer (3)	-	(163)	2,493	(2,310)	395	-	-	-	20	435
March 31, 2017	-	(373,644)	(2,830,987)	(256,582)	(112,345)	-	(452,743)	(3,253,454)	(31,451)	(7,311,206)
Depreciation expense for the year	-	(38,070)	(373,999)	(42,881)	(19,325)	-	(665,301)	(391,099)	(794)	(1,531,469)
Write-offs	-	4,353	138,241	27,822	15,213	-	-	(346)	5,402	190,685
Transfer between cost and depreciation	-	-	-	-	-	-	452,743	-	-	452,743
Write-off for disposal of ownership interest (2)	-	4,434	10,229	-	27	-	-	-	-	14,690
Transfer (3)	-	(752)	597	(263)	396	-	-	-	17	(5)
March 31, 2018	-	(403,679)	(3,055,919)	(271,904)	(116,034)	-	(665,301)	(3,644,899)	(26,826)	(8,184,562)
Net residual value:										
March 31, 2018	37,926	1,076,332	5,498,251	313,993	62,626	528,258	580,600	1,332,019	2,319	9,432,324
March 31, 2017	35,211	929,366	5,146,563	296,428	64,255	609,729	613,838	1,129,275	1,962	8,826,627

(1) Refers to acquisition of Santa Cândida and Paraíso mills. For further details, see Note 27.1.i.
(2) Refers to the sale of TEAS. For further details, see Note 10.d.iii.
(3) Refers to the transfers to intangible assets, corresponding to the software license.
(4) Refers to (formation) net reversal of estimated loss in fixed assets, recognized in income (loss) for the year under "Other operating income (expenses), net" caption (Note 22).

Constructions in progress

The balance of constructions in progress refers mainly to: i) stillage concentration project; ii) project for reception of chopped sugarcane and separation of straw for co-generation of energy; iii) installation of tanks to expand ethanol storage capacity; and iv) investments to maintain and improve processing, agricultural automation, as well as in Security, Health and Environment.

During the year ended March 31, 2018, several projects were completed, namely: i) investments for processing maintenance and improvement and agricultural automation, in the amount of R$ 536,357; ii) SSMA in the amount of R$ 74,661; and iii) administrative investments of units in the amount of R$ 37,139 and iv) expansion of plant Raízen Caarapó in the amount of R$ 24,516.

Borrowing cost capitalization

During year ended on March 31, 2018 the costs of loans capitalized in the Parent Company and Consolidated were R$ 19,321 and R$ 32,680 (R$ 10,660 and R$ 22,426 in 2017), respectively. The annual weighted average rates of debt financial charges for the Parent Company and Consolidated, used for capitalization of interest in the balance of construction in progress were 7.28% and 7.48% in 2018 (8.12% and 7.51% in 2017), respectively.

Financial lease

As of March 31, 2018, the machinery and equipment, vehicles and aircraft classes include net residual values of R$ 24,344 (R$ 4,194 in 2017), Parent Company and Consolidated in which the Company is the lessee under a financial lease, guaranteed by promissory note in the amount of R$ 13,076. The increase in relation to the year 2017 was mainly due to the acquisition of the Santa Candida and Paraiso mills, within the scope of the business combination described in Note 27.1.i.

Property, plant and equipment provided as collateral and industrial equipment purchase commitments

As of March 31, 2018, loans and financing are secured by land, building and machinery in the total amount of R$ 642,821 and R$ 1,093,646 (R$ 418,862 and R$ 1,307,185 in 2017), in the Parent Company and Consolidated, respectively.

RESA has contracts to purchase industrial equipment with the purpose of maintenance and expansion of mills, as well as to meet the needs of electric energy cogeneration projects, totaling R$ 37,778 (R$ 28,807 in 2017).

12. Intangible assets

a) Parent company

	Software license	Goodwill	Agricultural partnership agreements	Sugarcane supply agreements	Technology (4)	Total
Cost or evaluation:						
March 31, 2016	157,248	1,213,357	18,411	26,011	179,876	1,594,903
Additions	16,834	-	-	-	-	16,834
Transfer (3)	11,053	-	-	-	-	11,053
March 31, 2017	185,135	1,213,357	18,411	26,011	179,876	1,622,790
Additions	2,518	-	-	-	3,853	6,371
Business combinations (1)	-	410,137	-	-	-	410,137
Write-off for disposal of ownership interest (2)	-	(4,818)	-	-	-	(4,818)
Transfer (3)	14,578	-	-	-	-	14,578
March 31, 2018	202,231	1,618,676	18,411	26,011	183,729	2,049,058
Accumulated amortization:						
March 31, 2016	(89,429)	(368,026)	(9,026)	(9,866)	(17,988)	(494,335)
Amortization expenses for the year	(17,976)	-	(3,225)	(2,870)	(17,987)	(42,058)
Transfer (3)	(221)	-	-	-	-	(221)
March 31, 2017	(107,626)	(368,026)	(12,251)	(12,736)	(35,975)	(536,614)
Amortization expenses for the year	(23,598)	-	(3,225)	(2,870)	(17,987)	(47,680)
Transfer (3)	(25)	-	-	-	-	(25)
March 31, 2018	(131,249)	(368,026)	(15,476)	(15,606)	(53,962)	(584,319)
Net residual value:						
March 31, 2018	70,982	1,250,650	2,935	10,405	129,767	1,464,739
March 31, 2017	77,509	845,331	6,160	13,275	143,901	1,086,176

(1) Refers to acquisition of Santa Cândida and Paraíso mills. For further details, see Note 27.1.i.
(2) Refers to the sale of TEAS. For further details, see Note 10.d.iii.
(3) Refers to transfers from property, plant and equipment.
(4) Refers to technology developed by Iogen to produce second-generation ethanol ("E2G"). These technologies are represented by contractual rights including, among others, RESA's exclusive marketing of those rights in the locations where it operates. The average period of amortization will be 10 years, which is the expected return period of the technologies developed for the production of E2G.

b) Consolidated

	Software license	Goodwill	Agricultural Partnership Agreements	Sugarcane supply agreements	Public concession rights of use	Technology (4)	Other (5)	Total
Cost or evaluation:								
March 31, 2016	177,948	1,538,446	18,411	181,516	12,541	179,876	25,533	2,134,271
Additions	16,835	-	-	-	-	-	-	16,835
Transfer (3)	11,123	-	-	-	-	-	-	11,123
Other	-	-	-	-	-	-	(1,156)	(1,156)
March 31, 2017	205,906	1,538,446	18,411	181,516	12,541	179,876	24,377	2,161,073
Additions	2,518	-	-	-	-	3,853	-	6,371
Business combination (1)	-	410,137	-	-	-	-	-	410,137
Write-off for disposal of ownership interest (2)	(50)	(4,818)	-	-	-	-	-	(4,868)
Write-offs	(13)	-	-	-	-	-	-	(13)
Transfer (3)	14,587	-	-	-	-	-	-	14,587
Other	-	-	-	-	-	-	379	379
March 31, 2018	222,948	1,943,765	18,411	181,516	12,541	183,729	24,756	2,587,666
Accumulated amortization:								
March 31, 2016	(109,781)	(431,380)	(9,026)	(67,462)	(8,278)	(17,988)	(18,935)	(662,850)
Amortization expenses for the year	(18,291)	-	(3,224)	(11,508)	(2,509)	(17,987)	(1,443)	(54,962)
Write-offs	-	-	-	-	-	-	-	-
Transfer (3)	499	-	-	(719)	-	-	-	(220)
March 31, 2017	(127,573)	(431,380)	(12,250)	(79,689)	(10,787)	(35,975)	(20,378)	(718,032)
Amortization expenses for the year	(23,906)	-	(3,224)	(11,508)	(1,408)	(17,988)	(828)	(58,862)
Write-off for disposal of ownership interest (2)	50							50
Write-offs	13	-	-	-	-	-	-	13
Transfer (3)	6	-	-	-	-	-	-	6
March 31, 2018	(151,410)	(431,380)	(15,474)	(91,197)	(12,195)	(53,963)	(21,206)	(776,825)
Net residual value:								
March 31, 2018	71,538	1,512,385	2,937	90,319	346	129,766	3,550	1,810,841
March 31, 2017	78,333	1,107,066	6,161	101,827	1,754	143,901	3,999	1,443,041

(1) Refers to acquisition of Santa Cândida and Paraíso mills. For further details, see Note 27.1.i.
(2) Refers to the sale of TEAS. For further details, see Note 10.d.iii.
(3) Refers to transfers from property, plant and equipment.
(4) Refers to technology developed by Iogen to produce second-generation ethanol ("E2G"). These technologies are represented by contractual rights including, among others, RESA's exclusive marketing of those rights in the locations where it operates. The average period of amortization will be 10 years, which is the expected return period of the technologies developed for the production of E2G.
(5) Intangible assets recorded at Raízen Trading corresponding to the client portfolio and licenses acquired in business combinations for operations in Europe and the United States.

Goodwill

Refers to goodwill paid for expected future profitability, amortized on a straight-line basis up to March 31, 2009, when, as required by IAS 38 (CPC 04) - Intangible Assets, it was no longer amortized. On March 31, 2018 and 2017, goodwill balance is as follows:

	Parent company		Consolidated	
Goodwill	**2018**	**2017**	**2018**	**2017**
Upon acquisition of Costa Rica Canavieira Ltda.	57,169	57,169	57,169	57,169
Upon acquisition of Cerrado Açúcar e Álcool S.A.	24,660	24,660	24,660	24,660
Upon acquisition of former Cosan S.A. Açúcar e Álcool (current RESA)	558	558	558	558
Upon acquisition of Univalem S.A. Açúcar e Álcool	5,018	5,018	5,018	5,018
Upon acquisition of Usina Açucareira Bom Retiro S.A.	81,575	81,575	81,575	81,575
Upon acquisition of Usina Benálcool	100,046	100,046	149,247	149,247
Upon acquisition of Usina Santa Luíza	42,348	42,348	42,348	42,348
Upon acquisition of Usina Zanin Açúcar e Álcool	-	-	98,380	98,380
Upon acquisition of Vertical	-	-	4,313	4,313
Upon acquisition of TEAS shares (Note 10.d.iii)	-	4,818	-	4,818
Upon acquisition of Corona Group	380,003	380,003	380,003	380,003
Upon acquisition of Destivale Group	42,494	42,494	42,494	42,494
Upon acquisition of Mundial Group	87,435	87,435	87,435	87,435
Upon establishment of FBA – Franco Brasileira S.A. Açúcar e Álcool	4,407	4,407	4,407	4,407
Upon merger of Curupay S.A. Participações	-	-	109,841	109,841
Upon capital payment at Mundial	14,800	14,800	14,800	14,800
In acquisition of Santa Cândida and Paraíso mills (Note 27.1.i)	410,137	-	410,137	-
	1,250,650	845,331	1,512,385	1,107,066

Impairment analysis for cash generating units containing goodwill

The Company tests goodwill for impairment at least on an annual basis.

Goodwill is applied to cash-generating units (CGU) identified according to the operating region, as follows:

	Consolidated	
Operating region	**2018**	**2017**
Piracicaba	138,744	138,744
Jaú	410,695	558
Araraquara	545,391	545,391
Araçatuba	303,401	303,401
Assis	109,841	109,841
Other	4,313	9,131
	1,512,385	1,107,066

In order to determine the recoverable value, RESA uses the method of value in use, which is based on projections of expected discounted cash flow of any cash generating unit (CGU). The projections are determined by management based on budgets regarding assumptions on each CGU, using market data available and prior performances. Discounted cash flows were prepared for a twentie years period. The cash flow and perpetuity were calculated disregarding real growth, based on past performance and on expected market development. The discount rates used were 6.37% p.y. (6.08% in 2017).

The main assumptions adopted were as follows: expected sales price of commodities in the long-term, productivity of agricultural areas, performance of Total Recoverable Sugar ("ATR"), and operating and administrative costs. Every cash flow was discounted at rates that reflect specific risks related to relevant assets in each cash generating unit.

As a result of annual tests, no expense for impairment of assets and goodwill was recognized in the years ended March 31, 2018 and 2017. As aforementioned, determination of assets recoverability depends on the accomplishment of certain assumptions that are influenced by market, technological, and economic conditions prevailing at the time in which recoverability is tested and, therefore, it is not possible to determine if recoverability losses will occur in the future and, in case they occur, if they will be material.

13. Suppliers

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Materials and services (i)	419,437	334,493	998,682	571,349
Sugarcane suppliers (i)	155,140	135,994	196,393	183,362
Suppliers – Agreement (ii)	102,726	75,292	806,798	193,649
	677,303	545,779	2,001,873	948,360
Domestic (domestic currency)	676,570	545,443	903,780	780,654
Abroad (foreign currency) (Note 24.d)	733	336	1,098,093	167,706
	677,303	545,779	2,001,873	948,360

(i) The balance payable to suppliers of materials and services mostly consists of acquisition of machinery and equipment for production facilities, as sourcing of products for resale.

(ii) The Company has agreements related to payments to financial institutions ("Agreements") that permit certain suppliers to advance their receivables referring to products and services rendered to the Company, directly with financial institutions. In said Agreements, supplier may choose to grant or not and the financial institutions decide whether to acquire or not said credit, without interference from the Company. Using the Agreements does not imply any change in notes issued by the supplier, and the same original value and payment term conditions are maintained, which, as average, is around 60 to 90 days, period that is consistent with the Company's recurring operating cycle.

14. Loans and financing

			Financial charges Annual effective average interest rate		Parent company		Consolidated	
Types of debts	**Final maturity**	**Index**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Classification of debts per currency:								
Denominated in reais					5,115,058	4,358,787	6,798,773	6,343,343
Denominated in US Dollar and Euro (Note 24.d)					-	269,633	4,045,946	4,047,031
					5,115,058	4,628,420	10,844,719	10,390,374
Type of debts (1):								
BNDES	October 2025	URTJLP	9.28%	10.10%	147,552	202,690	743,555	955,802
BNDES	July 2024	Pre-fixed	3.94%	4.03%	430,773	546,582	742,341	960,242
BNDES	April 2024	UMBND	6.79%	6.72%	12,688	14,392	45,589	56,395
Debentures	October 2018	CDI	7.38%	13.17%	406,691	473,917	406,691	473,917
Debentures	October 2020	IPCA + interest	10.17%	10.73%	413,677	402,808	413,677	402,808
PPE	December 2020	Dollar (US$) + *Libor*	3.56%	2.82%	-	269,633	167,930	429,499
Term Loan Agreement	April 2020	Dollar (US$) + *Libor*	3.49%	2.35%	-	-	1,496,434	1,426,154
Senior Notes Due 2027 (2)	January 2027	Dollar (USA)	5.30%	5.30%	-	-	1,699,276	1,600,526
Resolution 2471 (PESA)	April 2023	IGP-M	8.67%	8.48%	947,779	946,084	975,224	973,477
PESA	October 2025	Pre-fixed	3.00%	3.00%	61	68	61	68
Credit Notes	October 2020	CDI	6.85%	13.03%	257,355	264,126	257,355	264,126
Finame/Leasing	January 25	Pre-fixed	6.73%	6.70%	68,504	86,104	102,392	128,253
Finame/Leasing	March 2021	URTJLP	10.02%	10.84%	133	132	133	132
Certificate of Agribusiness Receivables (CRA)	April 2023	CDI	6.29%	12.06%	2,054,205	1,296,483	2,508,072	1,780,644
CRA	April 2024	IPCA + interest	9.23%	10.33%	375,640	125,401	603,685	347,479
Schuldschein	October 2021	Fixed - EUR	2.88%	2.90%	-	-	273,159	226,658
Schuldschein	September 2022	*Euribor*	1.85%	1.85%	-	-	409,145	339,507
Other	Sundry	Dollar (US$)	-	-	-	-	-	24,687
					5,115,058	4,628,420	10,844,719	10,390,374
Expenses incurred with the placement of the securities:								
BNDES					(2,124)	(2,501)	(3,278)	(3,936)
CRA					(29,729)	(18,180)	(38,989)	(29,261)
Debentures					(1,266)	(2,362)	(1,266)	(2,362)
PPE					(39)	(92)	(1,317)	(1,818)
Term Loan Agreement					-	-	(7,155)	(10,102)
Senior notes due 2027					-	-	(2,035)	(12,788)
Schuldschein					-	-	(11,083)	(11,416)
					(33,158)	(23,135)	(65,123)	(71,683)
					5,081,900	4,605,285	10,779,596	10,318,691
Current					(1,223,870)	(638,228)	(1,504,014)	(1,005,578)
Non-current					3,858,030	3,967,057	9,275,582	9,313,113

(1) Loans and financing are usually secured by Company's promissory notes. In certain cases, they also have collaterals from its subsidiaries and Raízen Combustíveis S.A., in addition to real guarantees such as: i) credit rights deriving from contracts for energy trading (BNDES); ii) CTN (Note 8) and mortgage of land (PESA); iii) fixed assets (Note 11); and iv) financed assets pledged in guarantee (Finame).
(2) As of March 31, 2018, said debts were increased by R$ 20,253 (zero as of March 31, 2017), resulting from fair value appraisal.

Installments falling due in the long term, less the amortizations of expenses incurred with the placement of securities, have the following schedule:

	Parent company		Consolidated	
Months:	**2018**	**2017**	**2018**	**2017**
13–24	1,264,089	1,078,984	1,484,002	1,350,618
25–36	700,487	1,303,756	2,521,103	1,512,317
37–48	825,374	678,026	1,391,316	2,407,178
49–60	72,838	818,525	867,586	1,304,205
61–72	757,141	63,979	1,067,868	822,331
73–84	238,101	22,108	253,345	323,891
85–96	-	1,679	8,222	16,779
>97	-	-	1,682,140	1,575,794
	3,858,030	3,967,057	9,275,582	9,313,113

As mentioned in Note 27.2.ii, during the year ended March 31, 2017, the Company assumed control of Raízen Fuels through its subsidiary Luxembourg. The breakdown of the net assets assumed included loans and financing in the amount of R$ 1,702,931, equivalent to US$ 530,541 thousand, detailed in the types below in items (i) and (ii):

i. Term Loan Agreement (Syndicated loan)

On April 8, 2014, the direct subsidiary Luxembourg contracted *syndicated Loans* from several financial institutions in the amount of US$ 250,000 thousand. As of January 26, 2017, the contracted loan was settled in advance. Said contract was subject to quarterly Libor interest plus fixed interest of 1.4%, resulting in effective average interest rate of 2.02% p.a.

ii. Schuldschein

In October 2014, the subsidiary Raízen Fuels contracted financing in the amount of €66,000 thousand with fixed interest rate of 2.88% p.a. and final maturity on October 15, 2021.

In January 2015, a financing in the amount of €40,000 thousand was contracted with fixed annual interest rate of 2% p.a. and quarterly Euribor interest, resulting in effective rate of 1.67% p.a. and final maturity on January 20, 2022.

As of September 21, 2015, a new financing was contracted in the amount of €60,000 thousand with fixed annual interest rate of 2.30% p.a. and quarterly Euribor interest, resulting in effective rate of 1.97% p.a. and final maturity on September 21, 2022.

a) Term Loan Agreement (Syndicated loan)

On January 26, 2017, the loan obtained with several financial institutions, in the amount of US$ 350,000 thousand, contracted on April 8, 2014 was early settled through its subsidiary Raízen Fuels. Said contract was subject to quarterly Libor interest plus fixed interest of 1.4%, p.a. resulting in effective average interest rate of 2.02% p.a.

On March 30, 2015, Luxembourg contracted a loan from a syndicate comprised of several global commercial banks in the amount of US$ 450,000 thousand. Said contract is subject to USD exchange-rate change and quarterly Libor interest plus annual fixed interest of 1.2%, resulting in effective

average interest rate of 3.49% p.a. with quarterly maturity and maturity dates on April 27, 2020. Through this union, the Company also obtained a Revolving Credit Facility of US$285,000 thousand, also maturing on April 27, 2020. Until the closing of the year ended on March 31, 2018 the mentioned credit facility had not been used.

b) PESA - Resolution 2471

In the period from 1998 to 2000, the Company and its subsidiaries renegotiated with several financial institutions its debts related to financing of agricultural costs, reducing their financial cost to annual interest rates lower than 8.67%, ensuring amortization of debt with granting and transfer of National Treasury Certificates, redeemable upon debt settlement, using incentive promoted by Brazilian Central Bank Resolution No. 2,471, of February 26, 1998. Said debt may be automatically settled through redemption of CTN's and compliance with contract provisions, as mentioned in Note 8.

c) Senior notes due 2027

On January 20, 2017, Raízen Fuels issued Senior Notes in the international market according to "Regulations S and 144A", in the amount of US$ 500,000 thousand, which are subject to interest of 5.30% p.a., payable on a half-annual basis in January and July every year and payment of principal in January 2027.

As provided for in Offering Memorandum of the issuance, net funds obtained in the ambit of the Offer were used for prepayment of existing debts.

d) BNDES

Correspond to funds raised by the Company and its subsidiaries destined to financing co-generation projects, greenfield, renewal and implementation of new sugarcane fields (Prorenova) and construction of plant for E2G production.

On March 31, 2018, the Company and its subsidiaries had available credit facilities of financing from BNDES, unused, amounting to R$ 115,758 (R$ 168,665 in 2017). The use of these credit facilities depends on the fulfillment of certain contractual conditions.

e) Credit Notes

Credit notes will be settled through exports to be made up to 2020 and are subject to average interest of 6.85% p.a. payable on a half-annual basis.

f) Finame

Refer to financing operations of machinery and equipment, through several financial institutions and intended for fixed asset investments. These financings are subject to effective interest of 6.73% p.a., monthly paid and are guaranteed by lien of the financed assets.

g) PPEs

In 2013, RESA entered into PPE contracts with several financial institutions for financing of future sugar export in the amount of R$ 170,842, equal to US$ 75,000 thousand. Said contracts are subject to

USD exchange-rate change and quarterly Libor interest resulting in effective average interest rate of 2.78% p.a. with final maturity in September 2017. PPEs were settled as of September 11, 2017.

As of December 15, 2015, RESA, through its subsidiary Raízen Paraguaçú (formerly Raízen Tarumã), signed a new loan in the amount of R$ 192,740, equivalent to US$ 50,000 thousand. This PPE bears half-annual Libor interest plus annual interest of 1.80%, resulting in effective average interest rate of 3.56% p.a., with final maturity in December 2020.

h) Issuance of Certificate of Agribusiness Receivables - CRA

In October 2014, RESA issued CPRs ("Rural Product Bill") linked to Public Distribution of 1st and 2nd Series of 10th issuance of Agribusiness Receivable Certificates (CRAs) of Gaia Agro Securitizadora S.A ("Gaia"), in the amount of R$ 675,000, of which R$ 573,013 maturing in December 2019, restated at 100% of CDI, and R$ 101,987 maturing in December 2021, restated by IPCA plus 5.57% per annum. About such operation, issuing costs in the amount of R$ 12,583 will amortized by the maturity date.

In June 2015, RESA issued CPRs linked to Public Distribution of the 14thissuance of CRA's of Gaia Agro Securitizadora S.A., in the amount of R$675,000 and maturity in December 2021, restated at 100% of CDI. About such operation, issuing costs in the amount of R$ 12,492 will amortized by the maturity date.

In May 2016, Raízen Paraguaçú (formerly RaízenTarumã) RESA issued CPRs (Rural Product Note) related to Public Distribution of 3rd and 4th series of the 1st issuance of Agribusiness Receivable Certificates (CRAs) of RB Capital Companhia de Securitização ("RB Capital") in the amount of R$ 675,000, of which R$ 465,706 maturing in May 2022, restated at 98% of CDI, and R$ 209,294 maturing in May 2023, restated by IPCA plus 6.17% per annum. About such operation, issuing costs in the amount of R$ 13,519 will amortized by the maturity date.

In May 2017, RESA issued CPRs ("Rural Product Bills") related to Public Distribution of 6th and 7th series of the 1st issuance of Agribusiness Receivable Certificates (CRAs) of RB Capital in the amount of R$ 969,691, of which R$ 738,814 maturing in April 2023, restated at 96% of CDI, and R$ 230,877 maturing in April 2024, restated by IPCA plus 4.73% per annum. About such operation, funding expenditures in the amount of R$ 17,465 to be amortized by the debt term.

Final destination of funds raised is Raízen Energia and its subsidiaries' activities, which are substantially related to agribusiness, in the ordinary course of its business, which is understood as transactions, investments and financing needs related to production, trading, processing or industrialization of agricultural products and inputs or of machinery and inputs used in agricultural activity.

i) Debentures

In October 2013, CVM granted to the Company, registration of its 1st Public Issuance of Simple Debentures through which 750,000 simple, unsecured debentures, not convertible into shares were issued in three series, with par value of R$1,000, totaling R$750,000.

The net proceeds from the issuance of debentures, in the amount of R$ 747,710, were fully used to: (i) strengthen Company's cash in relation to 1st-series debentures and 2nd-series debentures; and (ii) pay

part of Company's investment costs related to 2013/2014 crop both in agricultural and industrial areas, pursuant to the terms of Law no. 12,431, in relation to 3rd series debentures.

	Index	Annual interest rate	Effective average annual interest rate	Principal	Date of receipt	Maturity
1st	CDI	0.89%	7.34%	105,975	10/25/2013	Oct 2018
2nd	CDI	0.94%	7.39%	340,000	10/28/2013	Oct 2018
3rd	IPCA	6.38%	10.17%	304,025	10/29/2013	Oct 2020

Covenants

The Company and its subsidiaries are not subject to comply with financial ratios, being subject only to certain covenants in loans and financing contracts, such as "cross-default" and "negative pledge", which are being fully complied with by the Company.

Fair value

As of March 31, 2018 and 2017, the fair value of the Senior Notes Due 2027 and based on the price quotations in the secondary market at the statements of financial position date (Note 24.i), and the book value and fair value of such loans less the amortization of expenses incurred with the placement of securities are as follows:

	Book value		Fair value	
	2018	2017	2018	2017
Senior notes due 2027	1,697,241	1,587,738	1,697,648	1,615,143
Face value			101.23%	101.73%

Additionally, as of March 31, 2017, Senior Notes Due 2017 debt was plus R$ 20,253 (zero as of March 31, 2017) resulting from fair value appraisal. The amount of such debt after fair value totals R$ 230,174 (zero as of March 31, 2017) (Notes 23 and 24.i).

Other loans and financing do not have a value quoted, but the fair value is close to the book value due to their exposure to variable interest rates and insignificant changes in the Company's credit risk which may be noted by the securities quoted aforementioned.(Note 24.i).

15. Income and social contribution taxes

a) Reconciliation of income (expense) of income and social contribution taxes:

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Income before income and social contribution taxes	497,546	1,549,844	787,794	1,853,681
Income tax and social contribution at nominal rate (34%)	(169,166)	(526,945)	(267,850)	(630,252)
Adjustments for calculation of effective rate:				
Difference between deemed income and taxable income rates (i)	-	-	63,884	55,280
Special Tax Reintegration Regime - Reintegra	30,661	9,040	32,812	9,243
Investment grant - ICMS (Note 18.d.ii)	-	-	26,141	23,038
Exchange rate change on investee abroad	3,227	208	6,335	(5,054)
Interest on own capital	-	68,000	-	68,000
Capital gain due to dilution of ownership interest	-	4,866	-	4,997
Gifts, donations, class association	(539)	(1,643)	(3,622)	(3,512)
Taxation at universal basis related to investments abroad	(18,646)	45,211	(4,897)	54,230
Equity in net income of subsidiaries	301,970	255,293	(7,284)	(23,676)
Other	(2,259)	705	9,494	(1,308)
Expense form income and social contribution taxes (current and deferred)	145,248	(145,265)	(144,987)	(449,014)
Effective rate	-29.19%	9.37%	18.40%	24.22%

(i) Organizations with co-generation activity determined IRPJ and CSLL at deemed income. This type of taxation considers investments of a percentage of income as taxable income, as determined by the law, generating a difference in relation to IRPJ and CSLL nominal rate.

a.1) Income and social contribution taxes recoverable

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Taxes on income ("IRPJ")	629,331	525,872	674,506	600,297
Social contribution (CSLL)	200,781	145,765	210,859	155,852
	830,112	671,637	885,365	756,149
Current	(554,599)	(491,994)	(584,435)	(564,271)
Non-current	275,513	179,643	300,930	191,878

a.2) Income and social contribution taxes payable

	Consolidated	
	2018	**2017**
IRPJ	66,488	25,882
CSLL	23,627	2,345
	90,115	28,227

b) Deferred income and social contribution taxes in assets and liabilities:

b.1) Parent company

				2018	2017
	Base	IRPJ 25%	CSLL 9%	Total	Total
Non-current assets (liabilities)					
Tax losses					
Tax losses	939,952	234,988	-	234,988	223,407
Negative basis for social contribution	939,956	-	84,596	84,596	80,427
Temporary differences:					
Tax goodwill deriving from downstream merger	-	-	-	-	36,166
Provisions for legal disputes	503,921	125,980	45,353	171,333	141,772
Foreign exchange variation on the cash basis	506,635	126,659	45,597	172,256	178,219
Estimated loss for realization of assets	263,665	65,916	23,730	89,646	106,426
Remuneration and employee benefits	213,524	53,382	19,216	72,598	65,119
Sundry provisions and other temporary differences	173,976	43,494	15,658	59,152	36,135
Total deferred tax assets		650,419	234,150	884,569	867,671
Biological assets	(262,371)	(65,593)	(23,613)	(89,206)	(216,237)
Cost of capitalized loans	(123,497)	(30,874)	(11,115)	(41,989)	(40,061)
Unrealized gain (loss) with derivatives	(317,200)	(79,300)	(28,548)	(107,848)	(104,947)
Fixed assets' useful life review	(792,126)	(198,032)	(71,291)	(269,323)	(235,190)
Amortized tax goodwill	(678,979)	(169,745)	(61,108)	(230,853)	(225,274)
Total deferred tax liabilities		(543,544)	(195,675)	(739,219)	(821,709)
Total deferred - Assets, net		106,875	38,475	145,350	45,962

b.2) Consolidated

				2018	2017
	Base	IRPJ 25%	CSLL 9%	Total	Total
Non-current assets (liabilities)					
Tax losses					
Tax losses	1,105,028	276,257	-	276,257	308,560
Negative basis for social contribution	1,105,022	-	99,452	99,452	111,082
Temporary differences:					
Tax goodwill deriving from downstream merger	-	-	-	-	38,934
Provisions legal disputes	561,156	140,289	50,504	190,793	158,608
Exchange-rate change on the cash basis	481,388	120,347	43,325	163,672	166,609
Estimated loss for realization of assets	328,776	82,194	29,590	111,784	126,327
Provision on write-off of goodwill	166,656	41,664	14,999	56,663	56,663
Remuneration and employee benefits	236,138	59,035	21,252	80,287	71,565
Other provisions and other temporary differences	256,703	64,176	23,103	87,279	30,271
Total deferred tax assets		783,962	282,225	1,066,187	1,068,619
Biological assets	(362,053)	(90,513)	(32,585)	(123,098)	(248,029)
Cost of capitalized loans	(244,447)	(61,112)	(22,000)	(83,112)	(80,064)
Unrealized gain (loss) with derivatives	(317,974)	(79,494)	(28,617)	(108,111)	(94,366)
Fair value of the fixed asset	(254,241)	(63,560)	(22,882)	(86,442)	(91,274)
Property, plant and equipaments' useful life review	(1,507,744)	(376,936)	(135,697)	(512,633)	(444,489)
Amortized tax goodwill	(846,432)	(211,608)	(76,179)	(287,787)	(276,541)
Total deferred tax liabilities		(883,223)	(317,960)	(1,201,183)	(1,234,763)
Total deferred taxes		(99,261)	(35,735)	(134,996)	(166,144)
Deferred taxes - Assets, net				82,766	19,562
Deferred taxes - Liabilities, net				(217,762)	(185,706)
Total deferred taxes				(134,996)	(166,144)

b.3) Net movement in deferred taxes:

	Parent company		Consolidated	
	2018	2017	2018	2017
Balance at the beginning of the year	45,962	257,861	(166,144)	186,622
Results income (expenses)	119,949	19,036	109,607	(121,858)
Deferred taxes on other comprehensive income	(22,625)	(230,935)	(22,593)	(230,766)
Write-off for disposal of ownership interest (Note 10.d.iii)	-	-	(1,054)	-
Use of tax losses and negative basis for social contribution for REFIS settlement (1)	-	-	(35,530)	-
Other	2,064	-	(19,282)	(142)
Balance at the end of the year	145,350	45,962	(134,996)	(166,144)

(1) As of November 24, 2017, Raízen Centroeste sold tax loss to Cosan in the amount of R$ 35,530 to be used in REFIS, Law 13043/2014. As contra entry, received in current currency the amount of R$ 26,627, with negative goodwill of 25%, recognized in financial income.

b.4) Realization of deferred income and social contribution taxes:

When evaluating deferred taxes' recovery capacity, management considers future taxable income projections and changes in temporary differences. Possibility of using tax losses and negative bases' balances does not expire, but the use of these losses accumulated in prior years is limited to 30% of taxable annual income.

On March 31, 2018, the Company expects to realize deferred tax assets as follows, including accumulated tax loss assets, negative basis and temporary differences:

	Parent company	Consolidated
Years:		
2018/2019	155,089	187,975
2019/2020	167,400	220,129
2020/2021	216,986	223,807
2021/2022	107,281	112,331
2022/2023	121,123	146,793
2023/2024	116,690	175,152
Total	884,569	1,066,187

As of December 31, 2018, subsidiaries Biotecnologia and Agrícola Ponte Alta, stated a balance of tax loss and negative basis of social contribution amounting to R$ 29 and zero (R$ 28 and R$ 16,626 in 2017), respectively, for which no deferred tax asset was established, as their recovery is not considered as probable.

16. Provision for legal disputes and judicial deposits

Breakdown of lawsuits considered as probable loss

On March 31, 2018 and 2017, the balance of lawsuits is as follows:

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Tax	44,860	33,683	53,523	44,133
Civil	27,581	26,783	33,096	29,396
Labor	191,937	169,349	253,887	220,384
	264,378	229,815	340,506	293,913
Non-reimbursable legal disputes	117,609	75,195	165,170	114,926
Refundable legal disputes (Note 9.c)	146,769	154,620	175,336	178,987

When Raízen was setup it was agreed that Cosan would reimburse the Company for legal disputes that were ongoing before its formation, thus, Company should reimburse Cosan regarding the judicial deposits made on the date before its formation. As of March 31, 2018 and 2017, balances of judicial deposits are as follow:

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Tax	150,307	100,057	265,036	210,160
Civil	8,569	8,944	9,104	9,750
Labor	57,437	42,908	75,446	55,856
	216,313	151,909	349,586	275,766
Own judicial deposits	94,877	66,581	117,721	83,196
Refundable judicial deposits (Note 9.c)	121,436	85,328	231,865	192,570

i) Non-reimbursable legal disputes

	Parent company			
	Tax	**Civil**	**Labor**	**Total**
March 31, 2017	5,070	3,150	66,975	75,195
Provision in the year	3,901	5,102	64,284	73,287
Write-offs/reversals (i)	(26)	(3,706)	(31,605)	(35,337)
Payments	(64)	(1,145)	(17,518)	(18,727)
Monetary restatement (ii)	12	1,059	22,120	23,191
March 31, 2018	8,893	4,460	104,256	117,609

(i) Includes the reversal variation in the amount of (R$ 13,237), calculated at the income (loss) for the year under “Financial income (loss)” caption.

(ii) Calculated in income (loss) for the year in "Financial income (loss)” caption.

	Consolidated			
	Tax	**Civil**	**Labor**	**Total**
March 31, 2017	12,733	4,994	97,199	114,926
Provision in the year	5,352	6,586	88,589	100,527
Write-offs/reversals (i)	(2,526)	(5,425)	(47,291)	(55,242)
Payments	(78)	(2,097)	(24,613)	(26,788)
Monetary variation (ii)	635	1,654	29,471	31,760
Write-off for disposal of ownership interest (iii)	(13)	-	-	(13)
March 31, 2018	16,103	5,712	143,355	165,170

(i) Includes the reversal of inflation adjustment in the amount of (R$ 21,822), calculated at the income (loss) for the year under “Financial income (loss)” caption.

(ii) Calculated in income (loss) for the year in "Financial income (loss)” caption.

(iii) Refers to the sale of TEAS. For further details, see Note 10.d.iii.

ii) Reimbursable legal disputes (i)

	Parent company			
	Tax	**Civil**	**Labor**	**Total**
March 31, 2017	28,613	23,633	102,374	154,620
Provision in the year	8,641	4,465	30,092	43,198
Write-offs / reversals (ii)	(13,010)	(8,297)	(37,801)	(59,108)
Payments	-	(4,497)	(25,099)	(29,596)
Monetary variation	11,723	7,817	18,115	37,655
March 31, 2018	35,967	23,121	87,681	146,769

(i) The movement does not have and will never have effect on profit or loss, due to Company's right to reimbursement.

(ii) Includes the reversal of inflation adjustment in the amount of R$ 37,947.

	Consolidated			
	Tax	**Civil**	**Labor**	**Total**
March 31, 2017	31,400	24,402	123,185	178,987
Provision in the year	8,642	7,441	34,558	50,641
Write-offs / reversals (ii)	(14,407)	(8,547)	(40,906)	(63,860)
Payments	-	(4,497)	(27,052)	(31,549)
Monetary variation	11,785	8,585	20,747	41,117
March 31, 2018	37,420	27,384	110,532	175,336

(i) The movement does not have and will never have effect on profit or loss, due to Company's right to reimbursement.

(ii) Includes the reversal of inflation adjustment in the amount of R$ 40,234.

iii) Total legal disputes

	Parent company			
	Tax	**Civil**	**Labor**	**Total**
March 31, 2017	33,683	26,783	169,349	229,815
Provision in the year	12,542	9,567	94,376	116,485
Write-offs/reversals	(13,036)	(12,003)	(69,406)	(94,445)
Payments	(64)	(5,642)	(42,617)	(48,323)
Monetary variation	11,735	8,876	40,235	60,846
March 31, 2018	44,860	27,581	191,937	264,378

	Consolidated			
	Tax	**Civil**	**Labor**	**Total**
March 31, 2017	44,133	29,396	220,384	293,913
Provision in the year	13,994	14,027	123,147	151,168
Write-offs/reversals	(16,933)	(13,972)	(88,197)	(119,102)
Payments	(78)	(6,594)	(51,665)	(58,337)
Monetary variation	12,420	10,239	50,218	72,877
Write-off for disposal of ownership interest	(13)	-	-	(13)
March 31, 2018	53,523	33,096	253,887	340,506

a) Tax

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Social Security Charges (“INSS”) (i)	-	792	1,608	2,590
Value-added tax on sales and services ("ICMS") (ii)	27,525	20,515	31,702	23,827
Social Integration Program ("PIS") and Contribution for Social Security Funding ("COFINS")	-	204	-	204
Excise tax ("IPI")	854	817	1,137	2,726
Lawyers' fees	8,707	4,869	11,243	7,375
Other	7,774	6,486	7,833	7,411
	44,860	33,683	53,523	44,133
Non-reimbursable legal disputes	8,893	5,070	16,100	12,733
Reimbursable legal disputes	35,967	28,613	37,423	31,400

i) The amount recorded as provision for INSS corresponds to amounts related to social security contributions levied on billing, pursuant to the terms of Article 22-A of Law no. 8.212/91, whose constitutionality is being challenged in a lawsuit. The Company made judicial deposits related to said lawsuit in the amount of R$ 287,157 (R$ 275,177 in 2017). Accordingly, both balances are presented net in these financial statements.

ii) Amount recorded as provision for ICMS credits is substantially represented by: (a) tax assessments received that, despite being defended in the administrative and legal spheres, are considered as probable loss by the Company’s legal advisors; (b) using financial credits and charges in matters on which understanding of the Company’s management and tax advisors differ from tax authorities’ interpretations.

b) Civil and labor

The Company and its subsidiaries are parties to several civil lawsuits relating to (i) indemnification for material and pain and suffering, (ii) disputes on contracts, (iii) executions, (iv) collection, (v) rendering of accounts, (vi) possessory and (vii) public civil actions and environmental annulment actions.

The Company and its subsidiaries are also parties to various labor lawsuits filed by former employees and employees of service providers who question, among others, payment of overtime, extra for night and dangerous work, rehiring to job position, return of amounts discounted on payroll such as confederation union dues, union dues, and others.

The following legal disputes were considered as possible loss and, thus, no provision for lawsuits demands has been recognized in the financial statements

a) Tax

	Parent company		Consolidated	
	2018	2017	2018	2017
ICMS (i)	1,679,209	1,620,452	2,029,314	1,909,687
INSS (ii)	484,548	483,175	491,903	496,956
IPI (iii)	390,135	401,966	426,081	440,872
IRPJ and CSSL (vi)	839,096	406,000	1,002,904	524,053
PIS and COFINS (v)	1,298,744	947,275	1,343,360	986,455
Offset with IPI credits – Normative Instruction No. 67/98 (vi)	112,025	109,323	132,869	129,618
MP 470 Debt in installments (vii)	181,541	174,765	181,541	174,765
Other	339,384	292,966	402,747	327,354
	5,324,682	4,435,922	6,010,719	4,989,760
Non-reimbursable legal disputes	2,414,289	1,520,245	2,678,404	1,718,076
Reimbursable legal disputes	2,910,393	2,915,677	3,332,315	3,271,684

If a reimbursed provision for these claims has to be recognized in the future because a change in the loss assessment, or for any other reason, the Company will record the amount receivable from the shareholders of equal amount at the same time and, therefore, there will not be an impact on the income of the Company. If the provision is non-reimbursed, the Company will register the legal claim against the income of the period in which the probability of loss has been changed.

(i) ICMS

Refers substantially to: (i) part related to fine of tax assessment issued due to alleged lack of ICMS payment and non-compliance with accessory obligation, in agricultural partnership for on-demand industrialization in periods from May 2005 to March 2006 and from May 2006 to March 2007; (ii) ICMS levied on crystal sugar for export that, as understood by tax agent, is classified as semi-finished product and, in accordance with ICMS regulation, would be subject to taxation; (iii) ICMS levied on alleged divergences on sugar and ethanol inventories deriving from comparison between magnetic tax files and inventory registration books; (iv) tax assessment related to collection of ICMS rate difference deriving from ethanol sales to companies located in other states of the Federation, which had their state registrations canceled; and (v) requirement of ICMS deriving from disallowances of diesel credits used in agricultural-industrial production process, the defense was presented because it is essential to the activities of the Company based on article 155, §2, I of Federal Constitution and Complementary Law 87/96.

(ii) INSS

Possible legal disputes related to INSS involve mainly: (i) questioning about legality and constitutionality of MPS/SRP Regulatory Instruction no. 3 of 2005, which restricted constitutional immunity of social security contributions on revenues from export exclusively to direct sales and started to tax exports carried out through trading companies; (ii) requirement of contribution to SENAR in direct and indirect export transactions for which Secretariat of the Federal Revenue Service ("SRFB") understands that constitutional immunity does not apply; and, (iii) mandatory payment of social security contribution on resale of merchandise in domestic market and to third parties that are not included in calculation basis of social contribution levied only on gross revenue from establishment production and not from acquired merchandise.

(iii) IPI

SRF Regulatory Instruction no. 67/98 supported procedure adopted by industrial establishments that made shipments without recording and paying IPI related to transactions with cane sugars: demerara, high-quality crystal, special crystal, extra special crystal, and granulated refined sugar carried out in the period from July 6, 1995 to November 16, 1997, and with refined amorphous sugar in the period from January 14, 1992 to November 16, 1997. This standard was carried into effect in the respective proceedings brought by Brazilian Federal Revenue Service, whose likelihood of loss is classified as possible, according to the assessment of the Company's legal advisors.

(iv) IRPJ and CSLL

Regarding reimbursable lawsuits, as of December 2011, the Company received tax assessment notices, in the updated amount of R$ 448,488 (R$ 427,504 in 2017), filed by the Brazilian Federal Revenue Service, demanding payment of corporate income tax and social contribution for calendar years 2006 to 2009, and questioning: (i) deductibility of amortization expenses of determined goodwill; (ii) offset of tax losses and CSLL negative calculation basis; and (iii) taxation on differences in restatements of property, plant and equipment assets. The Company filed its defense in January 2012 and, together with its legal advisors, classified the amount of R$ 233,531 (R$ 222,524 in 2017) as possible losses.

Moreover, in February 2014, the subsidiary Raízen Paraguaçú (former Raízen Tarumã) received tax assessment notices in the amount of R$ 57,144 (R$ 53,958 in 2017) filed by the Brazilian Federal Revenue Service, demanding payment of corporate income tax and social contribution for calendar years 2009 to 2012, and questioning: (i) amortization of goodwill; and, (ii) offset of tax losses and negative basis of social contribution. The Company filed its defense in January 2012 and, together with its legal advisors, classified this lawsuit as a possible loss.

In November 2014, the Company received decisions from the Brazilan Federal Revenue Service regarding the disallowance of non-cumulative PIS/COFINS credits arising from goods and services purchased in the domestic market and offset with withholding income tax (IRRF) and social contribution (CSLL)/corporate income tax (IRPJ). Since the disallowed credits are linked to goods and services used in the Company's production chain, the disallowance is totally improper and illegal based on current legislation (Law No. 10.637/02 and Law No.10.833/03), and, for this reason, the expectation of loss is considered possible.

In December 2016, the Company received a tax assessment notice, recoverable from the shareholder Cosan, related to the disallowance of goodwill amortization deductions for the calendar years 2011 to

2012 (corporate action that generated the right to use goodwill occurred in 2006), whose possible amount is R$ 100,932 (R$ 94,518 in 2017).

In February 2018, the Company received a tax assessment notice related to the disallowance of goodwill amortization based on expected future profitability, deducted from the corporate income tax (IRPJ) and social contribution (CSLL) tax base for the calendar years 2013 to 2016, in the amount of R$ 412,691. The company presented its administrative defense since goodwill amortization occurred under the terms of current legislation. The chances of success are classified as possible.

(v) PIS and COFINS

They substantially refer to (i) disallowances of PIS and CONFINS credits, in the non-cumulative system, in the period from 2012 to 2015, provided for in the Laws No. 10.637/2002 and 10.833/2003, respectively. These rejections arise, in summary, due to the restrictive interpretation of the Secretariat of the Brazilian Federal Revenue Service in regard to the concept of "inputs" as well as differences regarding the interpretation of the referred to laws. Such questions are still at the administrative level. (ii) related to unconstitutionality of expansion of PIS/COFINS calculation basis brought by Law no. 9.718/98. It is important to emphasize that the Supreme Federal Court has already settled this matter, deciding that this taxation is unconstitutional; (iii) PIS and COFINS difference determined as a result of deduction of CIDE settled through offset. For inspectors, this deduction could only be made in case CIDE had been paid.

(vi) Offsets with IPI credit – Normative Instruction No. 67/98

SRF Regulatory Instruction Number 67/98 brought with it the possibility of a refund of IPI collected in the period from January 14, 1992, to November 16, 1997, on amorphous refined sugar. Accordingly, RESA, for the periods in which payment was made, it pleaded to offset amounts against other taxes due. However, the SRFB dismissed requests for restitution as well as an offset. Therefore, RESA administratively appealed against the dismissal.

After notification of payment of debts object to an offset in view of the changes introduced by IN SRF Number 210/02, RESA filed a writ of mandamus with an injunction request to suspend the enforceability of offset taxes, with the aim of impeding the Public Administration from executing these debts. The injunction was granted by the competent court.

(vii) MP 470 - Installment payment of debts

Federal Revenue Service partially rejected requests for payment of federal tax debts in installments made by the Company, with the argument that offered tax loss is not sufficient to settle respective debts. The Company and its legal counsel understand that the likelihood of loss is considered possible, as indicated losses existed and were available for such use.

b) Civil and labor

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Civil	430,153	398,489	707,395	694,634
Labor	349,447	490,583	422,651	580,386
	779,600	889,072	1,130,046	1,275,020
Non-reimbursable legal disputes	284,544	287,843	450,757	444,120
Reimbursable legal disputes	495,056	601,229	679,289	830,900

17. Commitments (Consolidated)

Purchasing

The Company and its subsidiaries have various purchase commitments for sugarcane with third parties in order to guarantee part of its production in subsequent harvests. The amount of sugarcane to be acquired is calculated based on the estimated amount per milled area, based on estimate of their productivity where sugarcane plantations are located. The amount to be paid by the Company is determined at the end of each crop, according to price published by CONSECANA.

Moreover, the Company has exclusive contracts with Rumo Group, related to transportation services and sugar export services.

As of March 31, 2018, the volumes related to the purchase commitments and service agreements per crop are as follows:

	Cane (in tons)	Storage (in cubic meters)	Purchase of electric power (in MWh)	Transportation and sugar lifting services (in tons)(1)
2018/2019	32,449,000	1,553,000	201,104	2,800,000
2019/2020	27,503,000	1,695,000	217,194	3,000,000
2020/2021	22,880,000	1,632,000	90,000	3,000,000
2021/2022	18,671,000	1,632,000	-	3,000,000
As of the 2022/2023	65,601,000	1,632,000	-	15,000,000
Total	167,104,000	8,144,000	508,298	26,800,000
Total estimated payments (nominal value)	12,818,878	448,000	91,469	3,658,200

Contracts of partnership and land leasing

The Company and its subsidiaries have agricultural partnership agreements and land leases for plantations of sugarcane, which, in general, are closed in up to 20 years.

Payments for these obligations are calculated by means of the accumulated prince of ATR for 2017/2018 crop in the amount of R$ 0.5901/kg, disclosed by CONSECANA and the volume of sugarcane per hectare as defined in the contract.

The expected, non-cancellable, minimum payments on these contracts are as follows:

	Consolidate
Within one year	730,824
1-5 years	1,905,052
Over 5 years	894,975
Total	3,530,851

18. Equity

a) Capital and capital reserve

As of March 31, 2018 and 2017, capital totaled R$ 6,516,354. That caption does not include the balance of redeemable preferred shares - liability financial instruments in the amount of R$ 10,828 (R$ 60,008 in 2017) totaling R$ 6,505,526 (R$ 6,456,346 in 2017).

Capital is fully subscribed for and paid in and is divided as follows:

	Shareholders (shares in units)			
	Shell	CIP Cosan Investimentos e Participações S.A("CIP")	Cosan S.A. Indústria e Comércio ("Cosan S.A.")	Total
Common	3,621,641,599	3,621,641,599	-	7,243,283,198
Class-A preferred shares	-	-	1	1
Class B preferred shares	-	-	133,242,457	133,242,457
Class-D preferred shares	100,000	-	-	100,000
Total at March 31, 2018	3,621,741,599	3,621,641,599	133,242,458	7,376,625,656
Total at March 31, 2017	3,622,405,075	3,621,641,599	133,242,458	7,377,289,132

Redeemable preferred shares

Tax benefits resulting from NOL and GW recognized before the Raízen formation (Note 9.a.6), should be refund to the respective shareholders as Company use them as a decrease in balances of the taxes payable.

For the realization of these refunds, Class B preferred shares to Cosan and C and D classes to Shell with the purpose of compensating them through the payment of dividends in the amount of the tax benefit used by the Company.

At the Annual and Special Shareholders' Meeting held on July 31, 2017, RESA's shareholders approved the full redemption of Class C preferred shares, in the amount of R$ 3,531. As a result of these redemptions, 663,476 class C preferred shares, without reducing the CESA's capital, since the balance of the capital reserve account was partially used.

As of March 31, 2018, the balance of preferred shares (Class B and C) recognized in equity under Capital caption, totaling R$ 10,828 belongs to Cosan (R$ 60,008 in 2017), as Note 9.a.

Capital reserves

Capital reserve
Mostly consists of goodwill reserve arising from the portion of the issue price of the shares without par value that exceeded the amount allocated to the formation of the share capital. That reserve may only be used to increase capital, absorb losses, redeem, reimburse or purchase shares or to pay cumulative dividends to preferred shares.

During year ended March 31, 2017, the Company allocated remaining balance of redeemable preferred shares to holders of Class C shares, in the amount of R$ 3,531.

Goodwill special reserve
Share premium results from downstream mergers in the Company whose goodwill became deductible for income and social contribution tax purposes. Therefore, the Company recognized goodwill special reserve in equity as an effect of downstream mergers and as an offsetting entry to deferred tax assets that is equivalent to the 34% tax benefit resulting from the amortization of this goodwill.

b) Dividends

Bylaws of the Company assure shareholders a minimum mandatory dividend of 1% of net income calculated in the end of fiscal year, adjusted pursuant to article 202 of Corporation Law.

Legal reserve and dividend amounts for year ended March 31, 2018 and 2017 were determined as follows:

	2018	2017
Net income for the year	642,794	1,404,579
(-) Formation of legal reserve - 5%	(32,140)	(61,588)
(-) Effect of subsidiary tax incentives	(74,733)	(65,316)
Dividends to holders of Class B preferred shares	(10,355)	(28,422)
Dividends to holders of Class D preferred shares	(1,486)	(729)
Dividend distribution calculation basis	524,080	1,248,524
Minimum mandatory dividends for common shares - 1%	(5,241)	(12,485)
Redemption of C preferred shares	-	(3,531)
Total provisioned dividends	(17,082)	(45,167)

March 31, 2018

Company	Salaries	Determination year	Approval in Special Shareholders' Meeting and Annual and Special Shareholders' Meeting	Nature and type of share	Impact in equity	No impact in equity	Amounts paid	Recipient	Percentage	Payment date
RESA	Retained earnings	Mar-17	06/26/2017	Common	391,000	-	391,000	Shell / CIP	50% each	06/28/2017
RESA	Retained earnings	Mar-17	08/09/2017	Common	331,000	-	331,000	Shell / CIP	50% each	08/11/2017
RESA	Retained earnings	Mar-17	12/12/2017	Common	321,500		321,500	Shell / CIP	50% each	12/20/2017
RESA	Retained earnings	Mar-17	03/26/2018	Common	204,581	-	204,581	Shell / CIP	50% each	03/31/2018
RESA	Retained earnings	Mar-18	-	Preferred D	1,486		-	Shell	100%	-
RESA	Retained earnings	Mar-17	07/31/2017	Preferred D	597	729	1,326	Shell	100%	08/31/2017
RESA	Reversal of minimum mandatory dividends	Mar-17	07/31/2017	Common	(12,485)	-	-	Shell / CIP	50% each	-
RESA	Minimum compulsory dividends	Mar-18	-	Common	5,241	-	-	Shell / CIP	50% each	-
RESA	Reversal of dividends	Mar-17	07/31/2017	Preferred B	-	(2,061)	-	Cosan	100%	-
RESA	Retained earnings	Mar-18	01/29/2018	Preferred B	-	40,886	40,886	Cosan	100%	01/30/2018
RESA	Retained earnings	Mar-18	-	Preferred B	-	10,355	-	Cosan	100%	-
RESA	Retained earnings	Mar-17	07/31/2017	Preferred B	-	-	26,361	Cosan	100%	08/31/2017
RESA	Redemption of shares	Mar-17	07/31/2017	Preferred C	-	-	3,531	Shell	100%	08/31/2017
					1,242,920	49,909	1,320,185			

March 31, 2017

Company	Salaries	Determination year	Approval in Special Shareholders' Meeting and Annual and Special Shareholders' Meeting	Nature and type of share	Impact in equity	No impact in equity	Amounts paid	Recipient	Percentage	Payment date
RESA	Retained earnings	Mar-16	3/18/2016	Common	-	-	125,000	Shell / CIP	50% earch	4/1/2016
RESA	Minimum compulsory dividends	Mar-17	7/29/2016	Common	-	-	9,865	Shell / CIP	50% earch	9/28/2016
RESA	Retained earnings	Mar-17	7/29/2016	Preferred B	-	1,332	1,332	Cosan	100%	9/28/2016
RESA	Retained earnings	Mar-17	7/29/2016	Preferred C	-	7	7	Shell	100%	9/28/2016
RESA	Retained earnings	Mar-17	7/29/2016	Preferred D	1,081	-	1,081	Shell	100%	9/28/2016
RESA	Retained earnings	Mar-17	-	Preferred D	729	-	-	Shell	100%	8/31/2017
RESA	Minimum compulsory dividends	Mar-16	-	Common	12,485	-	-	Shell / CIP	50% earch	-
RESA	Retained earnings	Mar-16	11/11/2016	Common	223,000	-	223,000	Shell / CIP	50% earch	11/14/2016
RESA	Retained earnings	Mar-16	12/22/2016	Common	351,000	-	351,000	Shell / CIP	50% earch	12/23/2016
RESA	JCP	Mar-17	12/31/2016	Common	200,000	-	200,000	Shell / CIP	50% earch	3/24/2017
RESA	Retained earnings	Mar-16	3/22/2017	Common	65,000	-	65,000	Shell / CIP	50% earch	3/24/2017
					853.295	1.339	976.285			

c) Equity valuation adjustments

i) Effect of foreign currency translation – CTA

Corresponds to conversion differences to the actual accounting information of investees with a functional currency different from the Parent Company.

ii) Net income from derivatives - hedge accounting

This refers to changes in fair value resulting from hedging cash flows of export income from VHP sugar, exchange fluctuations of PEPs.

iii) Actuarial liabilities

It results from gains and losses and adjustment for experience and changes in actuarial assumptions on the defined benefit pension plan. This component is recognized in other comprehensive income and will not be reclassified to profit or loss in subsequent periods.

iv) Changes in equity valuation adjustments, net of taxes:

	2016	Comprehensive income	2017	Comprehensive income	2018
Effect of foreign currency translation - CTA	1,433	2,605	4,038	(3,765)	273
Actuarial losses arising from the defined benefit pension plan	(9,050)	(2,111)	(11,161)	(352)	(11,513)
Gain (loss) on derivative financial instruments -Hedge accounting	(486,379)	450,028	(36,351)	44,205	7,854
Total	(493,996)	450,522	(43,474)	40,088	(3,386)

d) Profit reserves

i) Legal reserve

As of March 31, 2018 and 2017, the Company allocated 5% of net income for the year to the legal reserve, in accordance with the by-laws and in compliance with corporation Law.

ii) Tax incentive reserve

			Effect			Impact on income (loss)	
Subsidiaries	**State**	**Tax benefit**	**2018**	**2017**	**Note**	**2018**	**2017**
Raízen Centroeste	State of Goiás	Goiás Industrial Development Program (1)	44,358	50,331	22	46,510	52,773
Raízen Caarapó	Mato Grosso do Sul	Agreement Term No. 331/2008 (2)	30,375	14,985	21	30,375	14,985
			74,733	65,316		76,885	67,758

(1) Refers to "Produzir" state incentive program with the State of Goiás, in the form of financing a portion of ICMS payment.

(2) Refers to the tax benefit in sugar industrialization transactions in said State, equivalent to 67% of the debt balance of the ICMS and the deemed Ethanol credit.

The entire amount referring to these benefits was allocated to Tax Incentive Reserve.

iii) Profit retention reserve

The remaining balance of Company's net income for the year, after the appropriations made to set up the legal reserve and to accrue dividends was recognized in such caption. Under Company's by-laws, up to 80% of the year's profit may be allocated to that reserve, to fund operations and to new investments and projects, which may not exceed the percentage of 80% of capital.

e) Interest of non-controlling shareholders

Corresponds to non-controlling shareholders' interest of 26.59% on equity of subsidiary Unimodal Ltda. and 15% on equity of subsidiary Biogás.

f) Earnings per share

Basic earnings per share is calculated by dividing profit attributable to company shareholders by the weighted average number of common shares issued during the fiscal year.

The table below presents income and shares data used to calculate basic and diluted income per share for the year ended March 31, 2018 and 2017 (in thousands, except for amounts per share):

Basic and diluted

	2018	2017
Numerator		
Net income for the year	642,794	1,404,579
Profit available for preferred shareholders	(8,515)	(29,151)
Profit available to common shareholders	634,279	1,375,428
Denominator:		
Weighted average of ordinary outstanding common shares (in thousands)	7,243,283	7,243,283
Basic and diluted earnings per common share (reais per share)	0.088	0.190

The Company does not have outstanding common shares that could cause dilution or debt convertible in common shares. Thus, basic and diluted earnings per share are equivalent.

19. Net operating revenue

	Parent company		Consolidated	
	2018	2017	2018	2017
Gross income from sale of products and services	7,433,195	6,398,882	15,844,028	12,900,645
Taxes and sales deductions	(438,955)	(283,852)	(1,091,648)	(719,953)
Net operating revenue	6,994,240	6,115,030	14,752,380	12,180,692

The net operating revenue is segregated between the following components:

	Parent company		Consolidated	
	2018	2017	2018	2017
Net revenue from sale of products and services	6,577,229	7,118,987	14,335,369	13,184,649
Gain (loss) on financial instruments designated as hedge accounting (Note 24.e)	374,637	(1,021,607)	374,637	(1,021,607)
Gains on commodity financial instruments not designated	42,374	17,650	42,374	17,650
Net operating revenue	6,994,240	6,115,030	14,752,380	12,180,692

20. Segment information

The Management of Raízen Energia defined ethanol, sugar and bioenergy ("EAB") as the only operating segment, based on the reports used by the Company's President and the Board of Directors, which is the chief operational and strategic decision-makers. Performance evaluation targets are defined and monitored considering the EAB segment as a whole.

The EAB segment covers the production and sale of ethanol and sugar generated from sugarcane processing, as well as the cogeneration of energy that is produced from the burning of the sugarcane bagasse.

Given that assets are also used for the production of sugar, ethanol and bioenergy, there is no separate disclosure of these assets.

The Company monitors net operating revenue from the sale of its products in domestic and foreign markets, as follows:

	Consolidated	
	2018	2017
Foreign market (1)	6,447,662	6,136,473
Domestic market	8,304,718	6,044,219
Total	14,752,380	12,180,692

(1) Including sales to Brazilian clients in the export-equivalent category.

The breakdown of net operating revenue by product is as follows:

	Consolidated	
	2018	2017
Ethanol	7,443,785	6,074,060
Sugar	5,435,876	5,240,209
Energy	952,196	517,685
Other goods and services	920,523	348,738
Total	14,752,380	12,180,692

The proportion of net operating revenue by geographic area is as follows:

	Consolidated	
	2018	**2017**
Brazil	57.46%	45.03%
Europa	3.33%	10.67%
Asia	30.63%	31.03%
North America	8.03%	12.09%
Central America	0.00%	0.37%
Other (1)	0.55%	0.81%
Total	100.00%	100.00%

(1) South America (except Brazil), Africa and Oceania.

During years ended March 31, 2018 and 2017, main EAB clients, which individually represented 5% or more of the Company's total income, are as follows:

	Consolidated	
Client	**2018**	**2017**
Raízen Combustíveis S.A.	17.04%	15.63%
Raízen and Wilmar Sugar	16.07%	0.00%
Petrobrás Distribuidora S.A.	6.68%	19.42%
Wilmar Sugar Pte Ltd	6.49%	3.71%
Ipiranga Produtos de Petróleo S.A.	5.38%	4.73%

21. Costs and expenses by nature

Reconciliation of costs and expenses by nature

Costs and expenses are shown in the income (loss) by function. The reconciliation of the results by nature for the years ended March 31, 2018 and 2017 is as follows:

a) Costs and expenses by nature:

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Raw material	(2,171,792)	(1,874,872)	(7,011,961)	(5,748,313)
Depreciation and amortization	(1,650,659)	(1,370,296)	(2,136,639)	(1,818,791)
Labor expenses	(923,191)	(792,652)	(1,256,378)	(1,113,343)
Cutting, loading and transportation (CCT)	(648,459)	(545,826)	(800,816)	(682,378)
Maintenance materials	(290,390)	(239,853)	(359,926)	(429,943)
Outsourced labor	(205,430)	(157,785)	(229,314)	(182,046)
Change in fair value of biological assets	190,884	565,581	272,564	652,984
Realization of fair value of biological assets	(564,493)	(292,589)	(639,996)	(348,363)
Rental and leases	(378,718)	(352,668)	(409,677)	(383,575)
Resale of energy	-	-	(345,337)	(61,593)
Other expenses (1)	(489,024)	(474,264)	(991,046)	(476,785)
	(7,131,272)	(5,535,224)	(13,908,526)	(10,592,146)

(1) It presents R$ 30,375 (R$ 14,985 in 2017) regarding the ICMS tax incentive (Note 18.d.ii).

b) Classified as:

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Cost of products sold and services provided	(6,008,608)	(4,607,586)	(12,474,167)	(9,372,051)
Selling expenses	(648,974)	(546,878)	(813,950)	(688,568)
General and administrative expenses	(473,690)	(380,760)	(620,409)	(531,527)
	(7,131,272)	(5,535,224)	(13,908,526)	(10,592,146)

22. Other operating income (expenses), net

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Net recognition of extemporaneous deferred tax assets, net (1)	43,236	10,219	55,045	6,737
Results from the sale of investments (Note 10.d.iii)	53,747	-	53,747	-
Income from investment grant – ICMS (Note 18.d.ii)	-	-	46,510	52,773
Reversal (formation) of estimated loss in investments and property, plant and equipment (Notes 10 and 11)	15,726	(151,875)	14,263	(156,200)
Income from sales of scrap and waste	9,830	9,158	12,123	11,341
Capital gain on dilution of ownership interest (Note 10.e)	-	14,312	-	14,697
Results from commercial operations (2)	(19,464)	(19,349)	(7,574)	(16,741)
Results from the sale of property, plant and equipment	(4,372)	5,425	(16,623)	(3,522)
Formation of provision for lawsuits, net	(42,725)	(34,249)	(51,804)	(37,692)
Other (3)	9,193	8,842	22,817	(1,604)
	65,171	(157,517)	128,504	(130,211)

(1) Refers mainly to the recovery of tax credits arising from the Company's activities, recognized in income (loss) for the year ended March 31, 2018 and 2017.

(2) Substantially refers to the result of the washout of certain business contracts, in the scope of the execution of the business strategy of the Company in the ordinary course of its businesses.

(3) As of March 31, 2018, substantially comprised of the reversal of provision of R$ 10,002 due to receipt of reimbursement of the insurance company on losses of assets, related to the fire occurred on October 20, 2016 in the subsidiary Raízen Centroeste.

23. Financial income (loss)

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Financial expenses				
Interest	(550,701)	(542,015)	(735,747)	(766,030)
Holding loss	(80,239)	(67,300)	(96,503)	(80,693)
PIS and COFINS on financial income	(15,186)	(16,828)	(26,913)	(29,804)
Other	(9,210)	(7,084)	(29,026)	(14,169)
	(655,336)	(633,227)	(888,189)	(890,696)
Fair value of financial instruments (liabilities) (Notes 9 and 14)	(20,253)	-	(20,253)	-
Less: amounts capitalized on qualifying assets (Note 11)	19,321	10,660	32,680	22,426
	(656,268)	(622,567)	(875,762)	(868,270)
Financial income				
Interest	200,480	229,499	380,717	337,432
Yields from financial investments	41,395	41,138	204,749	288,837
Monetary variation - assets	58,927	31,412	60,425	32,171
Other	268	1,051	278	6,907
	301,070	303,100	646,169	665,347
Changes in exchange rate, net(1)	(23,584)	(67,505)	(23,136)	(68,164)
Net effect of the derivatives(2)	60,042	763,665	89,588	736,068
	(318,740)	376,693	(163,141)	464,981

(1) Includes foreign exchange, net losses on assets and liabilities denominated in foreign currency; and

(2) Includes realized income (loss) and unrealized with futures, options, swaps and NDFs and other derivatives.

24. Financial instruments

a) Overview

The Company presents exposure to the following risks deriving from its operations, which are equalized and managed with the use of certain financial instruments:

- price risk
- foreign exchange rate risk
- interest rate risk
- credit risk
- liquidity risk

This note presents information on the Company's exposure to each one of the abovementioned risks, the Company's goals, policies and processes for the measurement and management of risk, and the Company's capital management.

b) Risk management framework

The Company has specific treasury and trading policies that set risk management guidelines. The Company has two main committees to monitor activities and ensure policy compliance: (i) A risk committee whose members gather weekly to analyze the behavior of commodity and foreign (specially sugar) exchange markets and decide on coverage positions and the strategy to fix the prices of imports and exports to reduce the negative effects of changes in prices and foreign exchange rate; as well as to follow-up the liquidity risks and counterparty (credit); (ii) Committee on ethanol, which meets on a monthly basis to evaluate risks related to trading of ethanol and adequacy to limits defined in risk policies.

The Company and its subsidiaries are exposed to market risks, and main ones are: (i) fluctuations in sugar and ethanol prices; (ii) fluctuations in foreign exchange rates; and, (iii) fluctuations in interest rates. The purchases of financial instruments for hedging purposes are made according to an analysis of the risk exposure that Management intends to cover.

As of March 31, 2018 and 2017, the fair values of transactions with derivative financial instruments for hedging and other purposes were determined according to observable data, such as prices quoted in active markets or discounted cash flows according to market curves and are presented below:

	Parent company				Consolidated			
	Notional		Fair value		Notional		Fair value	
	2018	2017	2018	2017	2018	2017	2018	2017
Price risk								
Commodity derivatives								
Futures and options contracts	2,265,203	2,018,131	87,568	68,984	1,616,943	1,997,655	92,393	84,459
	2,265,203	2,018,131	87,568	68,984	1,616,943	1,997,655	92,393	84,459
Foreign exchange rate risk								
Foreign exchange rate derivative								
Futures contracts	(67,307)	(298,622)	(1,613)	3,689	(67,307)	(298,622)	(1,613)	3,689
Forward contracts	3,441,898	3,922,885	(28,052)	67,593	3,441,898	3,922,885	(28,052)	67,593
Foreign exchange swap	(51,254)	(1,197,402)	120,876	74,758	(248,793)	(1,361,519)	91,934	34,993
	3,323,337	2,426,861	91,211	146,040	3,125,798	2,262,744	62,269	106,275
Interest rate risk								
Interest derivatives	(338,162)	(745,842)	61,140	14,810	(553,019)	(960,699)	90,066	23,418
	(338,162)	(745,842)	61,140	14,810	(553,019)	(960,699)	90,066	23,418
Total			239,919	229,834			244,728	214,152
Current assets			169,317	372,926			243,538	422,055
Non-current assets			213,614	151,717			242,541	160,325
Total assets			382,931	524,643			486,079	582,380
Current liabilities			(111,414)	(260,404)			(181,648)	(294,094)
Non-current liabilities			(31,598)	(34,405)			(59,703)	(74,134)
Total liabilities			(143,012)	(294,809)			(241,351)	(368,228)

c) Price risk

Results from the possibility of fluctuations in the market prices of the products sold by the Company and its subsidiaries, mainly raw sugar (sugar #11), refined sugar (sugar #5 or white sugar), heated oil and ethanol. These price fluctuations may cause substantial alterations in the Company's sales income. In order to mitigate such risk, the Company permanently monitors market, trying to be ahead of price movements. The table below shows the positions of derivative instruments to cover the risk of fluctuations in commodity prices, outstanding as of March 31, 2018:

								Consolidated
								Price risk: commodity derivatives open on March 31, 2018
Derivatives	**Purchased / Sold**	**Market**	**Contract**	**Maturity**	**Notional (units)**		**Notional (R$ thousand)**	**Fair value (R$ thousand)**
Future	Sold	NYSE LIFFE	Sugar#5	Apr/18–Feb/19	2,439	t	63,441	41
Future	Sold	ICE	Sugar#11	Apr/18–Feb/19	883,301	t	903,619	76,062
Options	Sold	ICE	Sugar#11	Jun/18–Sep/18	650	t	2,832	(164)
Accumulator	Sold	OTC	Sugar#11	Sep/18	-	t	-	9
Sub-total sugar future sold					886,390	t	969,892	75,948
Future	Purchased	NYSE LIFFE	Sugar#5	Apr/18–Feb/19	(2,185)	t	(56,682)	(30)
Future	Purchased	ICE	Sugar#11	Apr/18–Feb/19	(458,746)	t	(444,177)	(22,118)
Options	Purchased	ICE	Sugar#11	Jun/18–Sep/18	(497)	t	(807)	58,689
Sub-total sugar future bought					(461,428)	t	(501,666)	36,541
Subtotal sugar future					424,962	t	468,226	112,489
Future	Sold	B3	Ethanol	Apr 2018	1	m³	2	18
Future	Sold	OTC	Ethanol	Jun/18–Oct/18	215,000	m³	449,391	(19,006)
Future	Sold	CHGOETHNL	Ethanol	Apr/18-Dec/18	286,652	m³	435,914	(14,406)
Future	Sold	NYMEX	Ethanol	Apr/18–Dec/18	196,600	m³	308,517	16,863
Options	Sold	OTC	Ethanol	Jun/18–Sep/18	60,144	m³	199,908	(3,416)
Options	Sold	CHGOETHNL	Ethanol	Dec/18	3,180	m³	279	(222)
Sub-total ethanol future sold					761,577	m³	1,394,011	(20,169)
Future	Purchased	B3	Ethanol	Apr/18	(1)	m³	(2)	(18)
Future	Purchased	CHGOETHNL	Ethanol	Apr/18–Nov/18	(524,338)	m³	(743,335)	5,755
Future	Purchased	NYMEX	Ethanol	Apr/18–Dec/18	(174,500)	m³	(274,129)	(14,627)
Options	Purchased	CHGOETHNL	Ethanol	Apr/18–Dec/18	(32,913)	m³	(2,323)	1,281
Sub-total ethanol future bought					(731,752)	m³	(1,019,789)	(7,609)
Physical fixed	Sold	CHGOETHNL	Ethanol	Apr/18–Mar/19	555,194	m³	916,312	(7,015)
Sub-total physical fixed ethanol sold					555,194	m³	916,312	(7,015)
Physical fixed	Purchased	CHGOETHNL	Ethanol	Apr/18–Mar/19	(873,329)	m³	(1,292,027)	14,683
Sub-total physical fixed ethanol bought					(873,329)	m³	(1,292,027)	14,683
Sub-total ethanol future					(288,310)		(1,493)	(20,110)
Future	Sold	NYMEX	Gasoline	Jun/18–Oct/18	284,928	m³	1,150,210	14
Subtotal of future gas					284,928		1,150,210	14
Net exposure of goods derivatives as of March 31, 2018							1,616,943	92,393
Net exposure of goods derivatives as of March 31, 2017							1,997,655	84,459

d) Foreign exchange rate risk

Arises from the possibility of fluctuations in the exchange rates used by the Company for export revenues, imports, financing cash flows and other foreign currency assets and liabilities. The Company uses derivative transactions to manage cash flow risks resulting from export revenues denominated in US dollars, net of other cash flows also denominated in foreign currency. The table below shows the positions for derivatives used to cover outstanding foreign exchange rate risks:

					Consolidated		
					Price risk: exchange derivatives outstanding on March 31, 2018		
Derivatives	**Purchased / Sold**	**Market**	**Contract**	**Maturity**	**Notional (US$ thousand)**	**Notional (R$ thousand)**	**Fair value (R$ thousand)**
Future	Sold	B3	Trade dollar	Apr/18–May/18	525,000	1,744,995	7,503
Subtotal future sold					525,000	1,744,995	7,503
Future	Purchased	B3	Trade dollar	Apr/18–May/18	(545,250)	(1,812,302)	(9,116)
Subtotal future bought					(545,250)	(1,812,302)	(9,116)
Term	Purchased	OTC/Cetip	NDF	Apr/18–May/18	(278,850)	(926,842)	2,682
Term	Sold	OTC/Cetip	NDF	Apr/18–Nov/18	1,314,380	4,368,740	(30,734)
Subtotal term bought/sold					1,035,530	3,441,898	(28,052)
Foreign exchange swap	Purchased	Fixed dollar/OTC	Foreign exchange swap	Apr/20–Jan/27	(555,126)	(1,845,128)	108,934
Foreign exchange swap	Sold	Fixed dollar/OTC	Foreign exchange swap	Oct/21–Jan/27	480,274	1,596,335	(17,000)
Subtotal of swap					(74,852)	(248,793)	91,934
Net exposure of foreign exchange derivatives as of March 31, 2018					940,428	3,125,798	62,269
Net exposure of foreign exchange derivatives as of March 31, 2017					699,436	2,262,744	106,275

On March 31, 2018 and 2017, the summary of quantitative data on accounting exposure to foreign exchange risk of the Company is presented below:

	Consolidated	
		2018
	R$	US$ (in thousands)
Cash and cash equivalents (Note 3)	897,858	270,130
Restricted cash (Note 4)	15,418	4,639
Accounts receivable from abroad (Note 5)	176,330	53,051
Related party transactions (Note 9)	2,735,770	823,085
Suppliers (Note 13)	(1,098,093)	(330,373)
Loans and financing (Note 14)	(4,045,946)	(1,217,265)
Derivatives (Note 24.d) (*)	-	(940,428)
Net foreign exchange exposure	(1,318,663)	(1,337,161)
Derivatives settled in the month following the closing (***)		488,670
Net foreign exchange exposure, adjusted in March 2018 (***)		(848,491)
Net foreign exchange exposure, adjusted in March 2017 (***)		(816,687)

(*) Refers to the notional amount of foreign exchange derivative transactions.
(**) Settlement at PTAX on the last closing day of the month of such financial information.
(***) The net foreign exchange exposure, this will be substantially offset by probable future revenues of export products.

e) Hedge accounting effect

The Company formally designates its transactions subject to hedge accounting documenting: (i) the hedging relationship, (ii) the Company's risk management purpose and strategy when entering into the hedging instrument, (iii) the identification of the financial instrument, (iv) the covered object or transaction, (v) the nature of the risk to be covered, (vi) the description of the hedging relationship, (vii) the relation between the hedging instrument and the covered item, and (viii) the retrospective and prospective testing of the effectiveness of the hedging instrument.

As of March 31, 2018 and 2017, the impacts calculated under the Company's equity and the estimated realization in profit or loss are shown below:

			Years for realization			
Financial instruments	**Market**	**Risk**	**2018/19**	**Over 2018**	**2018**	**2017**
Future	OTC / ICE	Sugar#11	50,101	-	50,101	(18,891)
Future (1)	OTC	Ethanol	(19,112)	-	(19,112)	222
Options	OTC / ICE	Sugar#11	-	-	-	58,377
NDF	OTC	Foreign exchange	2,757	-	2,757	-
Swap	Debt	Foreign exchange	-	(5,702)	(5,702)	-
PPE	Debt	Foreign exchange	-	(16,147)	(16,147)	(94,787)
			33,746	(21,849)	11,897	(55,079)
(-) Deferred taxes			(11,472)	7,429	(4,043)	18,728
Effect in shareholders' equity at March 31, 2018			22,274	(14,420)	7,854	(36,351)

(1) On March 31, 2018, the Company started designating RBOB (NYMEX gasoline) futures and EUROBOB (Argus) benchmarks, both of which are the cash flow hedge instrument, with the purpose of hedging ethanol prices.

We show below the changes in the balances of other comprehensive income during the year:

	2018	**2017**
Balance at the beginning of the year	(36,351)	(486,379)
Gains/(losses) occurred during the year:		
Fair value on commodity futures designated as hedge accounting	445,304	(474,563)
Exchange-rate change on debt contracts designated as hedge accounting	(3,692)	134,814
Income (loss) from commodities recognized in net operating income (Note 19)	(454,022)	911,538
Income (loss) from debt contracts recognized in net operating income (Note 19)	79,385	110,069
Total movements occurred in the year	66,975	681,858
Effect of deferred taxes on equity valuation adjustment	(22,770)	(231,830)
	44,205	450,028
Balance at March 31, 2018	7,854	(36,351)

f) Interest rate risk

The Company monitors fluctuations in interest rates applied to certain debts, particularly those exposed to the Libor risk, and uses derivative instruments to mitigate those risks. The table below shows the positions for derivative financial instruments used to cover interest rate risk:

					Interest rate risk: Interest derivatives outstanding as of March 31, 2018		
Derivatives	**Purchased / Sold**	**Market**	**Contract**	**Maturity**	**Notional (US$ thou.)**	**Notional (R$ thousand)**	**Fair value (R$ thousand)**
Interest rate swap	Sold	OTC	Interest rate swap	Oct/20	121,199	400,927	(4,735)
Interest rate swap	Purchased	OTC	Interest rate swap	Oct/20 - Dec/24	(288,375)	(953.946)	94.801
Net exposure of interest rate derivatives in March 18					(167.176)	(553.019)	90,066
Net exposure of interest rate derivatives in March 17					(303,213)	(960,699)	23,418

g) Credit risk

A substantial part of the Company and its subsidiaries sales is made to a select group of highly qualified counterparties, such as distribution companies, fuel distribution companies and major supermarket chains.

The Group manages credit risk by following specific client acceptance standards, analyzing client credit standing and setting exposure limits per client, requiring, when applicable, letters of credit of top tier banks and taking security interest in assets as security for payment of the credit facilities granted to clients. Management considers that the credit risk is substantially covered by the estimated loss in allowance for doubtful accounts.

Individual risk limits are determined with basis on internal or external classifications in accordance with limits determined by Company's management. The use of credit limits is regularly monitored. No credit limit was exceeded during the year, and Management does not expect any loss from default by these counterparties in amounts higher than those already provided for.

The Company enters into commodity derivative agreements in futures markets and options at the New York Board of Trade - NYBOT, Chicago - CBOT and at the London International Financial Futures and Options Exchange - LIFFE, as well as in over-the-counter markets with selected counterparties. The Company enters into foreign exchange rate and commodity derivative agreements at B3 and over-the-counter agreements, mainly with the leading local and foreign banks considered by global credit risk rating agencies to have investment level ratings.

Guarantee margins – Derivative transactions in commodity exchanges (NYBOT, LIFFE and B3) require guarantee margins. The total margin of Consolidated deposited as of March 31, 2018 is R$ 40,446 (R$ 186,994 in 2017), of which R$ 25,028 (R$ 28,246 in 2017) in restricted financial investments and R$ 15,418 (R$ 158,748 in 2017) in derivative transaction margins.

The Company's over-the-counter derivative transactions do not require a guarantee margin.

The credit risk on cash and cash equivalents is mitigated by the conservative distribution of investment funds and CDBs (Note 3), which make up the caption. The distribution follows strict criteria for allocation and exposure to counterparties that are major national and international banks, mainly considered investment grade by international rating agencies.

h) Liquidity risk

Liquidity risk is the risk of the Company may encounter difficulties in performing the obligations associated with its financial liabilities that are settled with payments or with another financial asset. The Company'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 sullying the Company's reputation. As part of the liquidity management process, management prepares business plans and monitors their implementation, discussing positive and negative cash flow risks and assessing the availability of funds to support its operations, investments and refinancing needs.

The table below shows the financial liabilities according to their aging schedules:

	Consolidated				
	Up to 1 year	Up to 2 years	3–5 years	>5 years	Total
Loans and financing (1)	1,595,547	1,670,129	5,937,928	4,781,210	13,984,814
Suppliers (Note 13)	2,001,873	-	-	-	2,001,873
Derivative financial instruments	181,648	-	54,001	5,702	241,351
Related parties (1)	497,841	-	-	379,894	877,735
March 31, 2018	4,276,909	1,670,129	5,991,929	5,166,806	17,105,773
March 31, 2017	2,658,877	1,556,906	7,002,176	5,606,590	16,824,549

(1) Undiscounted contractual cash flows.

i) Fair value

Fair value of financial assets and liabilities is the value by which the instrument may be exchanged in a current transaction between parties that are willing to negotiate, and not in a forced sale or settlement. The methods and assumptions used to estimate the fair value are described below.

The fair value of cash and cash equivalents, accounts receivable, other financial assets, accounts payable, related parties and other short-term obligations are approximated to their accounting amount due to the short-term maturity of these instruments. Fair value of other long-term assets and liabilities does not significantly differ from their book values.

The fair value of loans and financing is close to the amounts recorded in the financial statements, due to the fact that these financial instruments are subject to variable interest rates (Note 14). The fair value of the tradable Senior Notes is based on price quotations on the date of financial statements. As of March 31, 2018, market value of Senior Notes maturing in 2027 (Note 14), is 101.23% of its face value (101.73% in 2017).

Derivatives are valued using valuation techniques with observable market data and refer, mainly, to swaps of interest rates, foreign exchange forward contracts, and forward commodity contracts. The valuation techniques applied often include pricing models and swap contracts, with present value calculations. The

models incorporate various data, including the credit quality of counterparties, foreign exchange spot, and forward rates, interest rate curves, and forward rate curves of the hedge object.

The categories of financial instruments are as follows:

		Consolidated			
		Book value		Fair value	
	Rating	2018	2017	2018	2017
Financial assets					
Cash and cash equivalents, except investments (Note 3)	Loans and receivables	969,570	481,635	969,570	481,635
Interest earnings bank deposits (Note 3)	Fair value through profit or loss	2,352,207	2,955,977	2,352,207	2,955,977
Restricted cash, except for restricted financial investment (Note 4)	Loans and receivables	15,418	158,748	15,418	158,748
Restricted financial investment (Note 4)	Fair value through profit or loss	75,691	75,452	75,691	75,452
Trade accounts receivable (Note 5)	Loans and receivables	602,365	371,930	602,365	371,930
Derivative financial instruments (2)	Fair value through profit or loss	486,079	582,380	486,079	582,380
Related party transactions (Note 9)	Loans and receivables	3,770,223	3,768,720	3,770,223	3,768,720
Other financial assets (Note 8)	Loans and receivables	910,812	1,233,868	910,812	1,233,868
		9,182,365	9,628,710	9,182,365	9,628,710
Financial liabilities					
Loans and financing (Note 14) (1)	Amortized cost	(10,549,422)	(10,318,691)	(10,549,829)	(10,346,096)
Loans and financing (Note 14)	Fair value through profit or loss	(230,174)	-	(230,174)	-
Derivative financial instruments (2)	Fair value through profit or loss	(241,351)	(368,228)	(241,351)	(368,228)
Suppliers (Note 13)	Amortized cost	(2,001,873)	(948,360)	(2,001,873)	(948,360)
Related party transactions (Note 9)	Amortized cost	(871,128)	(1,126,258)	(871,128)	(1,126,258)
		(13,893,948)	(12,761,537)	(13,894,355)	(12,788,942)

(1) Reported net of expenses incurred with the placement of the securities
(2) As of March 31, 2018, the caption includes derivatives designated as hedging instruments in the amount of R$ (11,897) (R$ 55,079 in 2017).

Fair value hierarchy

The Company uses the following hierarchy to determine and disclose the fair value of financial instruments using the valuation technique:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: other techniques for which all data that have a significant effect on fair value are observable, whether directly or indirectly; and,
- Level 3: techniques that use data that have a significant effect on fair value that are not based on observable market data.

Financial instruments are classified as follows:

				Consolidated
Financial instruments valued at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial investments (Note 3)	-	2,352,207	-	2,352,207
Restricted financial investments (Restricted cash) (Note 4)		75,691		75,691
Derivative financial instruments - assets	198,823	265,563	21,693	486,079
Loans and financing (Note 14)	-	(230,174)	-	(230,174)
Derivative financial instruments - Liabilities	(106,004)	(111,615)	(23,732)	(241,351)
March 31, 2018	92,819	2,351,672	(2,039)	2,442,452
March 31, 2017	74,897	3,081,981	13,251	3,170,129

As of March 31, 2018 and 2017, there were no transfers among such levels in order to determine the fair value of financial instruments.

j) Sensitivity analysis

We present below the sensitivity analysis of the fair value of financial instruments according to the types of risk considered relevant by the Company, pursuant to CVM Instruction No. 475 issued on March 17, 2008.

Assumptions for the sensitivity analysis

The Company has adopted three scenarios for the sensitivity analysis, one probable and two that may show the sundry effects in the fair value of the Company's financial instruments. The probable scenario was set according to the futures market curves of sugar, ethanol and the US dollar as of March 31, 2018, corresponding to balance of fair value of derivatives on the date. Possible and remote scenarios were set considering impacts of 25% and 50% on sugar and US dollar price curves, which were considered as a basis for the probable scenario.

Sensitivity table

i) Sensitivity on change in fair value of financial instruments.

		Impacts on income (*)				
						March 31, 2018
	Risk factor	Probable scenario	Remote scenario + (25%)	Balance of fair value	Remote scenario + (50%)	Balance of the fair value
Price risk						
Commodity derivatives						
Futures contracts						
Purchase and sale commitments	Sugar price increase	112,503	(182,031)	(69,528)	(364,062)	(251,559)
Purchase and sale commitments	Ethanol price increase	(20,110)	(77,932)	(98,042)	(155,864)	(175,974)
		92,393	(259,963)	(167,570)	(519,926)	(427,533)
Foreign exchange rate risk						
Foreign exchange rate derivatives						
Futures contracts:						
Purchase and sale commitments	Increase in foreign exchange rate R$/US$	(1,613)	99,970	98,357	199,940	198,327
Forward contracts:						
Purchase and sale commitments	Increase in foreign exchange rate R$/US$	(28,052)	(448,721)	(476,773)	(897,442)	(925,494)
Foreign exchange swaps:						
Purchase and sale commitments	Increase in foreign exchange rate R$/US$	91,934	25,826	117,760	51,652	143,586
		62,269	(322,925)	(260,656)	(645,850)	(583,581)
Interest rate risk						
Swap, Term and Futures contracts	Write-off in interest rate	90,066	(29,308)	60,758	(58,616)	31,450
		90,066	(29,308)	60,758	(58,616)	31,450
Total		244,728	(612,196)	(367,468)	(1,224,392)	(979,664)

(*) Result projected to occur within 12 months from March 31, 2018.

ii) Net foreign exchange exposure

The probable scenario considers the position as of March 31, 2018. The effects of the possible and remote scenarios that would be recognized in the consolidated statement of income as income or expenses on exchange-rate change are as follows:

		Effect of exchange-rate changes			
		Scenarios			
Net foreign exchange exposure March 31, 2018		**+25%**	**+50%**	**-25%**	**-50%**
Cash and cash equivalents (Note 3)	897,858	224,465	448,929	(224,465)	(448,929)
Restricted cash (Note 4)	15,418	3,855	7,709	(3,855)	(7,709)
Accounts receivable - Abroad (Note 5)	176,330	44,083	88,165	(44,083)	(88,165)
Related party transactions (Note 9)	2,735,770	683,943	1,367,885	(683,943)	(1,367,885)
Suppliers (Note 13)	(1,098,093)	(274,523)	(549,047)	274,523	549,047
Loans and financing (Note 14)	(4,045,946)	(1,011,487)	(2,022,973)	1,011,487	2,022,973
Impact on income (loss) for the year		(329,664)	(659,332)	329,664	659,332

iii) Interest rate sensibility

As at March 31, 2018, the probable scenario for the loans and financing considers a floating annual weighted average rate of 6.55% and the CDI interest of 8.40% accumulated in the last 12 months for the financial investments and restricted cash. In both cases, simulations were run considering the increase and reduction by 25% and 50%. The consolidated combined results of this sensitivity are as follows:

		March 31, 2018			
		Interest rate sensibility			
	Probable scenario	**25%**	**50%**	**-25%**	**-50%**
Financial investments	196,903	49,226	98,452	(49,226)	(98,452)
Restricted cash	6,369	1,592	3,185	(1,592)	(3,185)
Loans and financing	(525,627)	(131,407)	(262,814)	131,407	262,814
Additional impact on (loss) income for the year	(322,355)	(80,589)	(161,177)	80,589	161,177

k) Capital management

The Company's goal, when managing its capital structure, is to ensure that it will continue as a going concern and be able to finance investment opportunities, by keeping a healthy credit profile and offering an appropriate return to its shareholders.

The Company has relationships with large local and international rating agencies as show below:

Branch	**Scale**	**Rating**	**Outlook**	**Date**
Fitch	National	AAA (bra)	Stable	06/16/2017
	Project	BBB	Stable	06/16/2017
Moody's	National	Aaa.Br	Stable	04/10/2018
	Project	Ba1	Stable	04/10/2018
Standard & Poor's	National	brAAA	Stable	01/12/2018
	Project	BBB-	Stable	01/12/2018

The financial leverage ratios on March 31, 2018, and 2017 were calculated as follows:

	Consolidated	
	2018	**2017**
Third party capital		
Loans and financing (Note 14)	10,779,596	10,318,691
(-) Cash and cash equivalents (Note 3)	(3,321,777)	(3,437,612)
(-) Financial investments linked to financing (Note 4)	(50,663)	(47,206)
(-) National Treasury Certificates - CTN (Note 8)	(827,042)	(737,088)
(-) Foreign exchange and interest rate derivatives (Note 24.b)	(152,335)	(129,693)
	6,427,779	5,967,092
Own capital		
Equity		
Attributable to the parent company's shareholders	8,825,137	9,385,155
Non-controlling shareholders	(970)	(963)
	8,824,167	9,384,192
Total capital	15,251,946	15,351,284
Leverage ratio	42%	39%

25. Retirement plan and other benefits to employees

(a) Pension fund

Defined contribution and defined benefit

The Company sponsors the Plan Benefícios Raiz, administered by Raízprev – Private Pension Plan, which is a closed non-profit complementary Pension Plan Entity.

The Entity equipped with administrative, financial and equity autonomy, having as object the administration and implementation of benefit plans of security nature, as defined in the Regulations of Benefit Plans.

The Company has no legal or constructive obligations for further additional contributions if the plan has sufficient assets to pay all benefits or possible occurrence of a deficit.

During the year ended March 31, 2018, the contribution recognized as expense amounted to R$ 12,676 (R$ 12,652 in 2017).

(b) Profit sharing

The Company recognizes a liability and a profit sharing expense based on a methodology that considers pre-defined targets to employees. The Company recognizes a provision when it is contractually compelled or when there is a past practice that created non-formalized obligation.

26. Insurance

The Company and its subsidiaries have an insurance program and risk management that provides consistent coverage and protection for corporate assets and operations.

Contracted coverage is based on a thorough study of risks and losses and contracted insurance types are considered by Management as sufficient to cover possible claims that may arise, considering the nature of the activities of the Company and its subsidiaries. The main coverages as of March 31, 2018 are detailed as follows:

Insured property	Coverage	Amount of coverage
Operational risks	Fire, lightning, explosion and others	946,500
General liability	Third party complaints	250,000
		1,196,500

27. Corporate Internal reorganization and business combination

1) Transactions occurred during the year ended March 31, 2018

i) Acquisition of Santa Cândida and Paraíso mills – sugar and ethanol producing units of Tonon Group

On June 13, 2017, RESA submitted a binding proposal in the total amount of R$ 823.000 million with certain precedent conditions for the acquisition of the Santa Cândida and Paraíso mills, within the scope of the Court-Ordered Reorganization of the companies Tonon Bioenergia S.A., Tonon Holding S.A. and Tonon Luxembourg S.A., all under Court-Ordered Reorganization.

On June 16, 2017, the proposal presented by RESA for the acquisition of aforementioned mills, in the form of an Isolated Productive Unit – UPI ("UPI"), was considered the winner by the creditors of the recovered companies in a meeting of creditors held on the aforementioned date.

On September 7, 2017, RESA, in the capacity of buyer, and Tonon Bioenergia S.A., in the capacity of seller, entered into a contract for the purchase and sale of total shares of NK 006 Empreendimentos e Participações S.A. ("NK 006"), entity established for the specific purpose of receiving net assets linked to Santa Cândida and Paraíso mills, in the form of UPI ("UPI Tonon").

On August 7, 2017, the transaction was approved by Administrative Council for Economic Defense - CADE and the term has elapsed to the appeal or call-back as of October 24, 2017.

On September 8, 2017, RESA subscribed capital increase of UPI Tonon with cash payment, and became the single shareholder of NK 006 and consolidated acquired net assets in the ambit of said business combination.

The two mills belonging to UPI Tonon are located in São Paulo State in the municipalities of Bocaina and Brotas, region where Raízen already operates and, together, they have annual crushing capacity of approximately 5.5 million tons of sugarcane.

In accordance with IFRS 3/CPC 15 - Business combination, the preliminary fair value of the assets acquired and liabilities assumed on the acquisition date of UPI Tonon, as the measurement of goodwill expectation of future profitability recognized by RESA on acquisition date, determined up to March 31, 2018 is as follows:

Captions	Total
Biological asset (Note 7)	12,736
Other receivables	1
Property, plant and equipment (Note 11)	451,147
Salaries and wages payable	(10,382)
Financial lease	(27,691)
Fair value of net assets	425,811
(-) Proposal accepted in the scope of court-ordered	823,000
(-) Adjustments in acquisition price	12,948
(-) Total cost of acquisition (1)	835,948
Goodwill (Note 12)	410,137

(1) Of this amount, R$ 792,494 was settled up to March 31, 2018 and R$ 43,454 are outstanding in "Other obligations" (current and non-current) caption, and R$ 54,793 - principal and (R$ 2,349) of interest for the operation and (R$ 8,990) adjustment to present value. The balances should be settled by 2020.

Acquired assets	Valuation technique
Property, plant and equipment	Market comparison technique and cost technique: the valuation model considers the quoted market prices for similar items, when available, and the depreciated replacement cost, when appropriate. The depreciated replacement cost reflects adjustments of physical deterioration, as well as functional and economic obsolescence. In addition, the balance of property, plant and equipment is composed of the balance of sugarcane roots, which was adjusted to fair value considering the Group's assumptions and calculations. The fair value of sugarcane roots was calculated using the Income Approach method, based on the concept that the fair value of sugarcane roots is related to the present value of the net cash flows generated by the asset in the future. The fair value of property, plant and equipment at the acquisition date totaled approximately R$ 451,147, which represented an adjustment of approximately R$ 71,025.

The other assets acquired and liabilities assumed were evaluated and measured at fair value.

The Management completed the the allocation of the fair value of assets acquired and liabilities assumed, however in accordance with IFRS 3, Management has until 12 months after the date of the business combination to perform adjustments in such allocation.

Merger of UPI Tonon

At the Special Shareholders' Meeting of September 22, 2017, the merger of UPI Tonon by RESA was resolved and approved by means of appraisal report issued by an independent expert. Thus, the investment by RESA in this company was replaced by equity in the amount of R$ 372,161, leaving the capital unchanged, with the consequent extinction of UPI Tonon.

ii) Donation of ownership interest in Biogás

On February 19, 2018, through a shareholders' agreement, RESA transferred 15% of its ownership interest in Biogás to Geo Energética Participações S.A.

iii) Partial spin-off of Benálcool

On March 29, 2018, by means of the Private Instrument related to the 7th Amendment of Benálcool's articles of association, the partner RESA approved the partial spin-off of Benálcool, in the amount of R$ 331,000. Benálcool spun-off its interest in the subsidiary Raízen Trading, in the amount of R$ 286,355, and cash, in the amount of R$ 44,645. These amounts were deducted from Benálcool's capital increased from R$ 332,262 to R$ 1,262. Due to this movement, RESA became the direct parent company of Raízen Trading.

2) Transactions occurred during the year ended March 31, 2017

i) Downstream merger of Raízen Tarumã by Raízen Paraguaçu

On June 1, 2016, the downstream merger of Raízen Tarumã by Raízen Paraguaçu was approved. As a result of this merger, and considering that Tarumã held 99.9999% of the capital of Raízen Paraguaçu, there was a capital increase in that company through the issue of 247,433,845 new shares of R$ 247,434, net of the following amounts: (a) R$ 301,729 regarding the investment that Raízen Tarumã had in Raízen Paraguaçú; and (b) R$ 43,049 corresponding to the recurring effect of the tax incentive reserve recognized in the subsidiary Caarapó. Thus, the shares in the capital of Paraguaçu now belongs to Raízen Energia and its subsidiary Raízen Araraquara, in the proportion to their respective holdings.

Detailing of net assets contributed to Paraguaçu is as follows:

Accounts	Total
Cash and cash equivalents	262,626
Trade accounts receivable	119,741
Inventories	92,569
Related parties	61,324
Dividends receivable	5,813
Recoverable taxes	12,608
Judicial deposits	100,986
Investments	435,849
Property, plant and equipment	408,964
Intangible assets	17,707
Other receivables	34,282
Loans and financing	(881,276)
Suppliers	(43,443)
Payroll and related charges payable	(19,566)
Income and social contribution taxes payable	(13,590)
Taxes payable	(20,128)
Dividends payable	(1,228)
Related parties	(235,104)
Derivative financial instruments	(26,445)
Provision for legal disputes	(13,847)
Deferred income and social contribution tax	(3,649)
Tax incentive reserve	(43,049)
Other liabilities	(3,710)
	247,434

ii) Merger of Luxembourg by Raízen Fuels

a) Capital increase in Fuels made by Raízen Energia

On July 29, 2016, during a Special Shareholders' Meeting, the Company RESA made a capital contribution in Fuels, at the time RCSA's subsidiary, assigning 100% of its interest in Luxembourg, in the amount of R$ 4,555, equivalent to US$ 1,419,000, receiving an interest of 96.11% in Fuels investment, having now a direct control of Fuels, and net assets totaled R$ 146, equivalent to US$ 45,000. As a result of this transaction, the Company recognized Fuels' investment loss in the amount of R$ 38,000, equivalent to US$ 12,000, recorded in equity, under the caption Capital Reserve, since it is a capital transaction between shareholders. The aforementioned corporate restructuring was carried out under common control and, thus, recognized at book value.

The breakdown of the net assets of Fuels assumed by the Company is as follows:

Accounts	US$	R$
Cash and cash equivalents	3,232	10,398
Related party transactions (Note 9)	527,326	1,692,611
Recoverable taxes	28	90
Loans and financing (Note 14)	(530,541)	(1,702,931)
Exchange variation over contribution	-	(22)
	45	**146**

b) Acquisition of additional ownership interest

On September 15, 2016, the Company acquired the 45,000 shares that RCSA held from Fuels, in the amount of R$ 274,000 equivalent to US$ 84,000, and, as of this date, the Company holds a 100%-interest in Fuels.

c) Merger of Luxembourg by Raízen Fuels

On September 15, 2016, the merger of Luxembourg by Fuels was approved, whose net assets totaled US$ 1,741 thousand. In this way, Fuels' investment in this company was replaced by the equity, and capital remained unchanged, with the consequent termination of Luxembourg.

28. Supplementary information to the cash flow

a) Reconciliation of financing activities from cash flows

We present the reconciliation of financing activities of cash flows for the year ended March 31, 2018 as follows:

	Parent company			
(Assets) / Liabilities	Loans and financing	Related parties	Dividends payable	Total
Opening balance	4,605,285	1,087,373	45,167	5,737,825
Transactions with impact in FCF				
Funding of loans and financing - Third-parties	1,151,455	-	-	1,151,455
Amortizations of principal of loans and financing - third-parties	(719,780)	-	-	(719,780)
Payment of interest on loans and financing - third-parties	(376,542)	-	-	(376,542)
Payment of dividends	-	(40,886)	(1,279,299)	(1,320,185)
Financial investments linked to financing	-	(49,080)	-	(49,080)
Net asset management - intragroups	-	333,948	-	333,948
	55,133	243,982	(1,279,299)	(980,184)
Other changes not affecting the financing cash flow				
Net interest, inflation adjustments, and exchange-rate changes	421,482	149,178	-	570,660
Redemption and destination of exclusive dividends	-	(8,294)	(31,106)	(39,400)
Distribution of dividends	-	-	1,282,320	1,282,320
	421,482	140,884	1,251,214	1,813,580
Closing balance	5,081,900	1,472,239	17,082	6,571,221

	Consolidated				
(Assets) / Liabilities	Financial investments linked to financing	Loans and financing	Related parties	Dividends payable	Total
Opening balance	(47,206)	10,318,691	(2,739,754)	45,167	7,576,898
Transactions with impact in FCF					
Funding of loans and financing - Third-parties	-	1,339,614	-	-	1,339,614
Amortizations of principal of loans and financing - third-parties	-	(1,220,476)	-	-	(1,220,476)
Payment of interest on loans and financing - third-parties	-	(622,723)	-	-	(622,723)
Payment of dividends	-	-	(40,886)	(1,279,299)	(1,320,185)
Financial investments linked to financing	571	-	-	-	571
Net asset management - intragroups	-	-	563,736	-	563,736
	571	(503,585)	522,850	(1,279,299)	(1,259,463)
Other changes not affecting the financing cash flow					
Net interest, inflation adjustments, and exchange-rate changes	(4,028)	915,509	(238,627)	-	672,854
Fair value of liability financial instruments	-	20,253	-	-	20,253
Redemption and destination of exclusive dividends to preferred shares	-	-	(8,294)	(31,106)	(39,400)
Distribution of dividends	-	-	-	1,282,320	1,282,320
Other	-	28,728	-	-	28,728
	(4,028)	964,490	(246,921)	1,251,214	1,964,755
Closing balance	(50,663)	10,779,596	(2,463,825)	17,082	8,282,190

b) Min transactions not involving cash

	Parent company		Consolidated	
	2018	2017	2018	2017
Investment transactions not involving cash				
Depreciation of agricultural assets capitalized as biological assets (Note 7)	(20,205)	(12,434)	(23,296)	(14,925)
Accounts receivable - Group Ultra (Note 10.d.iii)	(6,430)	-	(6,430)	-
Depreciation of agricultural assets capitalized as property, plant and equipment (Note 11)	(56,607)	(39,360)	(64,789)	(45,291)
Tax credits on fixed assets, including adjustment to present value of property, plant and equipment.	8,247	(1,193)	8,326	(3,741)
Interest capitalized in fixed assets (Notes 11 and 23)	(19,321)	(10,660)	(32,680)	(22,426)
Other liabilities (Note 27.1.i)	(43,454)	-	(43,454)	-
AFAC (Note 10.d i)	(1,711)	-	(1,711)	-
Subscribed capital to be paid up (Note 10.e.i)	-	(75,738)	-	(75,738)
	(139,481)	(139,385)	(164,034)	(162,121)

29. Subsequent events

Rural credit

On April 18, 2018, RESA contracted a Rural Credit facility in the amount of R$ 350,000 for investments in sugarcane crops, such as soil preparation, planting and cultural treatments. Fixed interest of 6.05% p.a., with maturity as of April 2020, is levied on said contract.

Joint-venture with WX Energy

In May 8, 2018, the Group announced a partnership, through a joint-venture with the energy trading WX Energy, to act in a competitive manner in free market negotiations. This movement positions the Group in the electric sector, in line with the business expansion strategy for its consolidation as an integrated energy player. Upon completion of the operation, which is still subject to the fulfillment of previous conditions precedent to this type of transaction, Raízen will hold a majority stake in the joint venture.

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