São Martinho

Quarterly Information (ITR) at December 31, 2016 and review report on quarterly information

A free translation from Portuguese into English of Independent Auditor's Review Report on Quarterly Information prepared in Brazilian currency in accordance with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR)

Independent auditor's review report on quarterly information

The Shareholders, Board of Directors and Officers of

São Martinho S.A.
Pradópolis - SP

Introduction

We have reviewed the individual and consolidated interim accounting information contained in the Quarterly Information Form (ITR) of São Martinho S.A. for the quarter ended December 31, 2016, which comprise the balance sheet as of December 31, 2016, the related statements of operations and comprehensive income for the three and nine-month periods then ended and changes in shareholders' equity and cash flows for the nine-month period then ended, including explanatory notes.

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

Scope of review

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

Conclusion of individual and consolidated interim financial information

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

Emphasis of matter

Restatement of the corresponding figures

As mentioned in note 2.8, due to the change in accounting policy introduced by CPC 29 - Biological Assets and Agricultural Produce and CPC 27 - Fixed Assets, equivalent to IAS 41 - Agriculture and IAS 16 - Property, Plant and Equipment, respectively, the corresponding individual and consolidated balance sheet at March 31, 2016 and the interim financial information on the statements of income and comprehensive income for the three and nine month period ended December 31, 2015 and changes in shareholders' equity, cash flows and added value for the nine-month period ended December 31, 2015, presented for comparison purposes, were adjusted and are being restated as required by CPC 23 - Accounting Policies, Changes in Accounting Estimates and Errors) and CPC 26 (R1) - Presentation of Accounting statements. Our conclusion does not contain modifications related to this matter.

Other matters

Statements of value added

We also reviewed the individual and consolidated statements of value added for the nine-month period ended December 31, 2016, prepared under the responsibility of Company's management, whose presentation in the interim accounting information is required by the standards issued by the CVM applicable to preparation of Quarterly Information (ITR) and considered supplementary information under IFRS, whereby no statement of value added presentation is required. These statements were submitted to the same review procedures previously described and, based on our review, we are not aware of any fact that would make us believe that they were not prepared, in all material respects, in accordance with the overall individual and consolidated interim accounting information.

Campinas, February 8, 2017.

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

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

Contents

São Martinho

Balance sheet as at December 31, 2016 and March 31, 2016

In thousands of reais

		Company		Consolidated	
ASSETS	Note	December 31, 2016	March 31, 2016	December 31, 2016	March 31, 2016
			Restated		Restated
CURRENT ASSETS					
Cash and cash equivalents	5	228,730	266,343	230,412	266,659
Short-term investments	5	468,800	641,236	482,949	706,487
Trade accounts receivable	6	176,949	76,706	207,494	86,419
Derivative financial instruments	22	127,790	145,701	127,790	145,701
Inventories and advances to suppliers	7	706,481	222,629	693,590	229,250
Biological assets	11	433,531	470,241	433,531	470,241
Taxes recoverable	8	101,739	57,634	102,586	58,423
Income and social contribution taxes	19	-	113,757	-	113,758
Other assets		25,343	15,339	25,373	15,548
TOTAL CURRENT ASSETS		2,269,363	2,009,586	2,303,725	2,092,486
NONCURRENT ASSETS					
Financial investments	5	524	492	5,858	5,423
Inventories and advances to suppliers	7	67,489	62,309	67,489	62,309
Related parties	9	2,867	2,996	2,867	1,000
Derivative financial instruments	22	15,776	43,243	15,776	43,243
Trade accounts receivable	6	-	-	27,333	21,855
Receivables from Copersucar		9,488	6,324	9,488	6,324
Taxes recoverable	8	82,559	110,158	82,559	110,195
Income and social contribution taxes	19	124,672	-	124,672	-
Escrow deposits	21	25,385	27,570	29,019	30,300
Other assets		439	498	439	498
		329,199	253,590	365,500	281,147
Investments	10	2,374,476	2,329,787	593,645	513,233
Property and equipment	12	2,299,488	2,321,124	3,972,578	4,004,469
Intangible assets	13	394,876	397,352	473,745	489,557
		5,068,840	5,048,263	5,039,968	5,007,259
TOTAL NONCURRENT ASSETS		5,398,039	5,301,853	5,405,468	5,288,406
TOTAL ASSETS		7,667,402	7,311,439	7,709,193	7,380,892

		Company		Consolidated	
LIABILITIES AND EQUITY	Nota	December 31, 2016	March 31, 2016	December 31, 2016	March 31, 2016
			Restated		Restated
CURRENT LIABILITIES					
Borrowings	14	907,865	667,015	911,414	670,559
Derivative financial instruments	22	151,064	196,664	151,064	196,664
Trade accounts payable	15	207,027	119,128	185,882	113,907
Payables to Copersucar	16	10,623	21,875	10,623	21,875
Payroll and related charges		85,926	97,584	86,416	98,231
Taxes payable		11,147	12,049	13,103	15,570
Income and social contribution taxes	19	-	-	4,732	916
Dividends payable	17	1	53,164	1	53,164
Advances from customers		708	1,206	795	1,298
Acquisition of equity interest	9 e 30	12,030	17,937	12,030	17,937
Other liabilities		31,225	17,252	32,338	26,591
TOTAL CURRENT LIABILITIES		1,417,616	1,203,874	1,408,398	1,216,712
NONCURRENT LIABILITIES					
Borrowings	14	2,524,911	2,820,182	2,538,806	2,836,628
Derivative financial instruments	22	12,217	65,625	12,217	65,625
Payables to Copersucar	16	238,654	237,166	238,654	237,166
Tax payment in installments		14,691	15,419	14,691	15,419
Deferred income and social contribution taxes	19	301,069	192,538	334,535	230,173
Provision for contingencies	21	62,880	58,295	66,239	60,643
Acquisition of equity interest	9 e 30	61,750	61,750	61,750	61,750
Other liabilities		12,737	9,993	13,026	10,179
TOTAL NONCURRENT LIABILITIES		3,228,909	3,460,968	3,279,918	3,517,583
EQUITY	17				
Capital		1,064,972	931,340	1,064,972	931,340
Capital reserve		10,120	10,531	10,120	10,531
Treasury shares		(40,771)	(26,613)	(40,771)	(26,613)
Stock options granted		7,468	4,753	7,468	4,753
Equity adjustments		1,508,177	1,295,698	1,508,177	1,295,698
Income reserves		296,804	432,656	296,804	432,656
Retained earnings (accumulated losses)		174,107	(1,768)	174,107	(1,768)
TOTAL EQUITY		3,020,877	2,646,597	3,020,877	2,646,597
TOTAL LIABILITIES AND EQUITY		7,667,402	7,311,439	7,709,193	7,380,892

See accompanying notes.

São Martinho

Income statement

Three and nine month periods ended December 31, 2016 and 2015

In thousands of reais, except when indicated otherwise

	Note	Quarter	Nine-month period	Quarter	Nine-month period
				Restated	Restated
Revenues	25	586,794	1,686,550	664,284	1,526,499
Cost of sales	26	(469,738)	(1,320,668)	(514,420)	(1,198,760)
Gross profit		117,056	365,882	149,864	327,739
Operating income (expenses)					
Selling expenses	26	(19,001)	(72,378)	(30,797)	(69,581)
General and administrative expenses	26	(35,970)	(109,667)	(32,306)	(95,516)
Equity pickup	10	58,782	176,907	72,208	183,426
Other revenues, net		(82)	2,358	274	4,030
		3,729	(2,780)	9,379	22,359
Operating income		120,785	363,102	159,243	350,098
Financial income (expenses), net	27				
Financial income		22,406	75,477	18,281	65,467
Financial expenses		(83,400)	(232,339)	(76,157)	(208,590)
Monetary and exchange gains (losses), net		(6,926)	(1,179)	866	(95,503)
Derivatives		1,056	(44,526)	(21,393)	(6,019)
		(66,864)	(202,567)	(78,403)	(244,645)
Income before income and social contribution taxes		53,921	160,535	80,840	105,453
Income and social contribution taxes	19(b)				
Current		(5,236)	(5,236)	(23,551)	(11,168)
Deferred		7,159	9,127	21,886	40,545
Net Income for the period		55,844	164,426	79,175	134,830
Basic earnings per share (in reais)	28	0.1656	0.4869	0.2336	0.3979
Diluted earnings per share (in reais)	28	0.1651	0.4858	0.2332	0.3971

See accompanying notes.

Income statement

Three and nine month periods ended December 31, 2016 and 2015

In thousands of reais, except when indicated otherwise

					Consolidated
		December 31, 2016		December 31, 2015	
	Note	Quarter	Nine-month period	Quarter	Nine-month period
				Restated	Restated
Revenues	25	605,422	1,763,842	694,687	1,649,531
Cost of sales	26	(458,842)	(1,292,271)	(503,329)	(1,176,902)
Gross profit		146,580	471,571	191,358	472,629
Operating income (expenses)					
Selling expenses	26	(19,851)	(74,031)	(31,260)	(70,879)
General and administrative expenses	26	(37,343)	(116,708)	(33,505)	(99,388)
Equity pickup	10	31,327	77,666	30,923	40,616
Other revenues, net		(181)	2,478	274	4,200
		(26,048)	(110,595)	(33,568)	(125,451)
Operating income		120,532	360,976	157,790	347,178
Financial income (expenses), net	27				
Financial income		24,675	86,625	22,529	79,296
Financial expenses		(83,774)	(233,512)	(76,534)	(210,255)
Monetary and exchange gains (losses), net		(6,926)	(1,179)	865	(95,503)
Derivatives		1,056	(44,526)	(21,392)	(6,019)
		(64,969)	(192,592)	(74,532)	(232,481)
Income before income and social contribution taxes		55,563	168,384	83,258	114,697
Income and social contribution taxes	19(b)				
Current		(6,935)	(12,515)	(26,866)	(18,980)
Deferred		7,216	8,557	22,783	39,113
Net income for the period		55,844	164,426	79,175	134,830
Basic earnings per share (in reais)	28	0.1656	0.4869	0.2336	0.3979
Diluted earnings per share (in reais)	28	0.1651	0.4858	0.2332	0.3971

See accompanying notes.

Statement of comprehensive income
Three- and nine-month period ended December 31, 2016 and 2015
In thousands of reais

Company and Consolidated	December 31, 2016 Quarter	December 31, 2016 Nine-month period	December 31, 2015 Quarter	December 31, 2015 Nine-month period
			Restated	Restated
Net income for the period	55,844	164,426	79,175	134,830
Items that will be subsequently reclassified to P&L				
Changes for the period:				
Changes in fair value				
Commodity derivatives - Futures, options and forwards	68,019	(102,582)	(109,478)	(24,051)
Foreign exchange derivatives - Options/ NDFs	26,378	104,449	19,079	(140,520)
Exchange gains (losses) on borrowing agreements (Trade Finance)	393	157,007	23,393	(269,720)
Swap contracts	-	11	379	768
	94,790	158,885	(66,627)	(433,523)
Recognition in operating income				
Commodity derivatives - Futures, options and forwards	79,601	154,227	(103,040)	(205,648)
Foreign exchange derivatives - Options/ NDFs	(15,497)	(89,699)	76,611	147,662
Exchange gains (losses) on borrowing agreements (Trade Finance)	1,310	116,466	48,205	89,657
Swap contracts	(104)	-	-	-
	65,310	180,994	21,776	31,671
Write-off due to ineffectiveness				
Commodity derivatives - Futures, options and forwards	561	2,184	-	(4,704)
Foreign exchange derivatives - Options/ NDFs	5	(580)	(5,237)	16,110
Exchange gains (losses) on borrowing agreements (Trade Finance)	-	-	874	11,216
Swap contracts	104	104	-	-
	670	1,708	(4,363)	22,622
Total changes for the period				
Commodity derivatives - Futures, options and forwards	148,181	53,829	(212,518)	(234,403)
Foreign exchange derivatives - Options/ NDFs	10,886	14,170	90,453	23,252
Exchange gains (losses) on borrowing agreements (Trade Finance)	1,807	273,577	71,598	(168,847)
Swap contracts	(104)	11	379	768
Deferred taxes on the items above	(54,662)	(116,138)	16,732	128,938
	106,108	225,449	(33,356)	(250,292)
Comprehensive income for the quarter	161,952	389,875	45,819	(115,462)

See accompanying notes.

São Martinho

Statement of changes in equity for periods ended December 31, 2016 and 2015

In thousands of reais

						Equity adjustments			Income reserve					
						Deemed cost								
	Note	Capital	Capital reserve	Treasury shares	Options granted	Own	Of investees	Hedge accounting	Legal	Capital budget	Unearned income reserve	Tax incentive reserve	Retained earnings	Total
Balance at April 1, 2015 (restated)		812,992	9,119	(7,375)	5,079	213,472	1,505,044	(312,808)	46,230	251,984	92,348	-	(14,382)	2,601,703
Capital increase with reserves	17 (a)	118,348	-	-	-	-	-	-	-	(118,348)	-	-	-	-
Realization of surplus deemed cost	17 (c)	-	-	-	-	(11,944)	(4,200)	-	-	-	-	-	16,144	-
Capital decrease via assets in Vale do Mogi	10.3	-	-	-	-	17,457	(17,457)	-	-	-	-	-	-	-
Deferred tax set up														
(capital decrease in Vale do Mogi)		-	-	-	-	(5,935)	-	-	-	-	-	-	-	(5,935)
Adjustment of surplus deemed cost		-	-	-	-	6,186	(6,186)	-	-	-	-	-	-	-
Net gain (loss) on derivative transactions - hedge accounting	17 (c)	-	-	-	-	-	-	(250,292)	-	-	-	-	-	(250,292)
Acquisition of shares issued by the Company itself	17 (b)	-	-	(8,734)	-	-	-	-	-	-	-			(8,734)
Stock options granted	17 (f)	-	-	-	2,136	-	-	-	-	-	-	-	-	2,136
Stock options exercised	17 (f)	-	1,587	7,883	(2,304)	-	-	-	-	-	-	-	-	7,166
Net income for the period		-	-	-	-	-	-	-	-	-	-	-	134,830	134,830
At December 31, 2015 (restated)	17	931,340	10,706	(8,226)	4,911	219,236	1,477,201	(563,100)	46,230	133,636	92,348	-	136,592	2,480,874
Balance at April 1, 2016 (restated)		931,340	10,531	(26,613)	4,753	209,919	1,483,387	(397,608)	55,947	291,371	85,338	-	(1,768)	2,646,597
Capital increase with reserves	17 (a)	133,632	-	-	-	-	-	-	-	(133,632)	-	-	-	-
Realization of surplus deemed cost	17 (c)	-	-	-	-	(10,557)	(892)	-	-	-	-	-	11,449	-
Capital decrease via assets in Vale do Mogi	10.3	-	-	-	-	4,474	(4,474)	-	-	-	-	-	-	-
Deferred tax set up														
(capital decrease in Vale do Mogi)		-	-	-	-	(1,521)	-	-	-	-	-	-	-	(1,521)
Prior-year additional dividends		-	-	-	-	-	-	-	-	(2,220)	-	-	-	(2,220)
Setup of tax incentive reserve	17 (d)	-	-	-	-	-	-		-	(44,886)	-	44,886	-	-
Net gain (loss) on derivative transactions - hedge accounting	17 (c)	-	-	-	-	-	-	225,449	-	-	-	-	-	225,449
Acquisition of shares issued by the Company itself	17 (b)	-	-	(15,577)	-	-	-	-	-	-	-	-	-	(15,577)
Stock options granted	17 (f)	-	-	-	2,966	-	-	-	-	-	-	-	-	2,966
Stock options exercised	17 (f)	-	(411)	1,419	(251)	-	-	-	-	-	-	-	-	757
Net income for the period		-	-	-	-	-	-	-	-	-	-	-	164,426	164,426
At December 31, 2016	17	1,064,972	10,120	(40,771)	7,468	202,315	1,478,021	(172,159)	55,947	110,633	85,338	44,886	174,107	3,020,877

See accompanying notes.

Cash flow statement

Nine-month periods ended December 31, 2016 and 2015

In thousands of reais

		Company		Consolidated	
	Notes	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
			Restated		Restated
Cash flow from operating activities					
Net income for the period		164,426	134,830	164,426	134,830
Ajustments					
Depreciation and amortization	26	156,726	153,760	159,711	156,931
Harvested biological assets (depreciation)	26	269,072	254,005	269,072	254,005
Change in fair value of biological assets	11	7,809	(12,277)	7,809	(12,277)
Amortization of intangible assets		794	548	9,596	9,937
Equity pickup	10	(176,907)	(183,426)	(77,666)	(40,616)
Gain (loss) on investment and PP&E disposed of	12	969	1,433	969	1,433
Interest, monetary and exchange gains (losses), net		139,127	307,884	131,158	304,790
Derivative financial instruments		225,519	51,434	225,519	51,434
Setup of provision for contingencies, net	21.1	3,237	7,084	4,249	8,310
Income and social contribution taxes	19 (b)	(3,891)	(40,545)	3,958	(39,113)
Present value adjustment and other		4,940	4,177	3,156	2,715
		791,821	678,907	901,957	832,379
Changes in assets and liabilities					
Trade accounts receivable		(111,612)	(46,271)	(133,651)	(70,902)
Inventories		(303,679)	(332,137)	(280,853)	(308,616)
Taxes recoverable		(20,579)	(33,893)	(20,600)	(33,358)
Derivative financial instruments		(86,606)	(46,223)	(86,606)	(46,223)
Short-term investments		-	-	(58)	963
Other assets		(6,871)	(9,750)	(7,593)	(9,683)
Trade accounts payable		84,997	61,702	69,026	53,187
Salaries and social charges		(11,657)	3,729	(11,814)	3,800
Taxes payable		(6,913)	(4,090)	(7,609)	2,310
Payables to Copersucar		(19,975)	(26,833)	(19,975)	(26,833)
Taxes paid in installments		(1,010)	(1,411)	(1,010)	(1,411)
Provision for contingencies - settlements	21.1	(6,836)	(14,698)	(6,836)	(14,698)
Other liabilities		13,474	5,005	5,343	3,081
Cash from operating activities		314,554	234,037	399,721	383,996
Payment of interest on loans and financing	14	(153,903)	(157,510)	(154,847)	(158,610)
Income and social contribution taxes paid		-	-	(4,484)	(4,849)
Net cash from operating activities		160,651	76,527	240,390	220,537
Cash flow from investing activities					
Investment of funds	31	(13,256)	(13,681)	(13,256)	(13,681)
Additions to PPE and intangible assets		(181,733)	(119,011)	(182,315)	(121,671)
Additions to PPE (planting and cultivation)	11	(373,192)	(325,587)	(373,192)	(325,587)
Short-term investments	5	212,053	(269,319)	269,415	(306,407)
Proceeds from sale of property, plant and equipment	12	1,579	2,612	1,517	12,253
Future capital contribution		(1,867)	(10)	(1,867)	-
Dividends received		132,471	140,285	-	-
Net cash used in investing activities		(223,945)	(584,711)	(299,698)	(755,093)
Cash flow from financing activities					
Financing taken out from third parties	14	725,271	632,717	725,271	632,717
Financing repayment - third parties	14	(629,386)	(700,610)	(632,006)	(703,219)
Purchase of treasury shares	17 (b)	(15,577)	(8,734)	(15,577)	(8,734)
Disposal of treasury shares	17 (f)	757	7,166	757	7,166
Dividends paid		(55,384)	(67,938)	(55,384)	(67,938)
Net cash provided by (used in) financing activities		25,681	(137,399)	23,061	(140,008)
Net decrease in cash and cash equivalents		(37,613)	(645,583)	(36,247)	(674,564)
Cash and cash equivalents at beginning of period	5	266,343	989,690	266,659	1,020,112
Cash and cash equivalents at end of period	5	228,730	344,107	230,412	345,548
Additional information					
Balances in short-term investments	5	468,800	173,565	482,949	222,251
Total funds available	5	697,530	517,672	713,361	567,799

See accompanying notes.

Statement of value added
Nine-month periods ended December 31, 2016 and 2015
In thousands of reais

	Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
		Restated		Restated
Revenues				
Gross sales of goods and products	1,746,484	1,576,393	1,818,198	1,700,467
Revenue related to construction of own assets	424,047	345,709	424,047	345,709
Other revenues	3,436	2,709	3,639	2,880
	2,173,967	1,924,811	2,245,884	2,049,056
Bought-in inputs				
Cost of sales	(714,511)	(646,692)	(660,135)	(605,440)
Materials, energy, third-party services and other operating expenses	(389,179)	(293,801)	(405,368)	(308,343)
	(1,103,690)	(940,493)	(1,065,503)	(913,783)
Gross value added	1,070,277	984,318	1,180,381	1,135,273
Depreciation and amortization	(156,726)	(153,760)	(159,711)	(156,931)
Harvested biological assets (depreciation)	(269,072)	(254,005)	(269,072)	(254,005)
Net value added produced by the Company	644,479	576,553	751,598	724,337
Value added received in transfer				
Equity pickup	176,907	183,426	77,666	40,616
Financial income	587,792	688,305	598,940	702,136
Other	(513)	1,453	(596)	1,453
Total value added to be distributed	1,408,665	1,449,737	1,427,608	1,468,542
Payment of value added				
Personnel and charges				
Direct compensation	301,072	271,932	301,717	272,504
Benefits	75,592	73,588	75,725	73,718
Unemployment Compensation Fund (FGTS)	25,756	23,321	25,867	23,333
Management compensation	18,650	11,241	19,519	12,226
Taxes, charges and contributions				
Federal	37,350	38	53,132	15,104
State	1,542	486	1,748	731
Municipal	543	492	565	623
Creditors				
Interest	214,476	198,971	215,543	200,630
Leases	1,814	1,277	1,814	1,276
Exchange gains (losses)	414,076	443,649	414,076	443,649
Other	153,368	289,912	153,476	289,918
Retained profits for the period	164,426	134,830	164,426	134,830
Value added distributed	1,408,665	1,449,737	1,427,608	1,468,542

See accompanying notes.

1. Operations

São Martinho S.A. (“Company” or “Controller”) is a publicly-held entity with head office in the city of Pradópolis, state of São Paulo, listed at BM&FBOVESPA S.A. The Company and its subsidiaries and joint-controlled subsidiaries (together, the “Group”) are primarily engaged in production of sugarcane and sale of sugar, ethanol, and other byproducts; cogeneration of electricity; real estate development; agricultural activities; import and export of goods, products, raw material, and interest in other entities.

Approximately 70% of the sugarcane used to manufacture byproducts are from farms owned by the Company, shareholders, related parties and agricultural partners, and 30% from third-party suppliers. Sugar and ethanol businesses are subject to seasonal trends based on sugarcane growing cycle in Brazilian Center-South region. The annual harvest period in the Center-South of Brazil begins in December and ends in December, generating fluctuations in the Company's inventories. The provision of raw material may be impacted by adverse weather conditions. Sugarcane plantation requires a period of up to 18 months to mature, and harvesting usually begins between April to December, period when sugar and ethanol is produced, in addition to energy cogneration.

The Company is controlled by holding LJN Participações S.A. (“LJN”), with 55.96% interest in voting capital. LJN is owned by the following family holding companies: Luiz Ometto Participações S.A., João Ometto Participações S.A., and Nelson Ometto Participações Ltda.

Issue of this interim accounting information was approved by the Company’s Board of Directors on February 8, 2017.

2. Summary of significant accounting practices

2.1 Statement of compliance and basis for preparation

Company’s interim financial information comprises:

a) Individual and consolidated interim financial information
The individual interim financial statements were prepared in accordance with technical pronouncement CPC 21 (R1) and the consolidated interim financial statements were prepared in accordance with the international standard for financial reporting IAS 34 and

presented in a manner consistent with the standards issued By the Brazilian Securities and Exchange Commission (CVM).

The interim individual and consolidated accounting information were prepared based on historical cost, except for certain derivative financial instruments and biological assets measured at fair value.

The Company presents dividends received form its subsidiaries in investment activities of its cash flow as it considers it return on investments.

The significant accounting practices adopted by the Company are described in specific notes to the financial statements, related to the items presented, those applicable, in general, to different aspects of interim financial information, are as follows.

2.2 Basis of consolidation and investments in subsidiaries

Subsidiaries are all entities controlled by the Company, and are fully consolidated from the date on which the control is transferred to the Company. The consolidation is ceased from the date on which the Company no longer has the ownership control.

The consolidated balances in interim financial information for the period ended December 31, 2016 include the following subsidiaries:

In thousands of reais, except when indicated otherwise

Company	Interest held in capital (direct and indirect)	Main activities
Vale do Mogi Empreendimentos Imobiliários S/A (“Vale do Mogi”)	100%	Exploitation of land through lease and agricultural partnership, rental and sale of real estate.
São Martinho Energia S.A. (“SME”)	100%	Cogeneration of electricity.
Cia Bioenergética Santa Cruz 1 (“Bio”)	100%	Cogeneration of electricity.
São Martinho Inova S.A. (“SM Inova”)	100%	Interest held in companies
Landco Emprendimentos e Participações S.A. ("LandCo")	100%	Exploitation of land through lease and agricultural partnership, rental and sale of real estate.
SPE - Residencial Recanto das Paineiras Empreendimentos Imobiliários Ltda ("SPE Paineiras") – subsidiary of Vale do Mogi	100%	Merger and exploitation of real estate venture
SPE - Park Empresarial Iracemápolis Ltda ("SPE Park") – subsidiary of Vale do Mogi	100%	Merger and exploitation of real estate venture
SPE - Residencial Limeira Ltda ("SPE Limeira") – subsidiary of Vale do Mogi	100%	Merger and exploitation of real estate venture
SPE - Residencial Pradópolis Ltda ("SPE Pradópolis") - subsidiary of Vale do Mogi	100%	Merger and exploitation of real estate venture
SPE - Residencial Pradópolis II Ltda ("SPE Pradópolis II") - subsidiary of Vale do Mogi	100%	Merger and exploitation of real estate venture
São Martinho Logística e Participações S.A. ("SM Logística")	100%	Storage of products in general

The interest agreements where two or more parties have joint control are classified as joint ventures, according to rights on net assets of that entity and the obligations of the parties of these agreements. Joint control is the contractually agreed sharing of control of a business, which only exists when decisions on significant activities of the entities require unanimous agreement of the parties sharing control. These investments are recorded under equity pickup method.

Interim accounting information of joint ventures are prepared for the same presentation date as the Company's.

At December 31, 2016, the Company had the following jointly-controlled entities:

Company	Interest held in capital	Main activities
Jointly-controlled subsidiaries - direct:		
Nova Fronteira Bioenergia S.A. ("NF")	50.95%	Interest held in other entities in the sugar-energy industry.
Usina Santa Luiza S/A ("USL")	66.67%	Storage services.
Jointly-controlled subsidiaries - indirect:		
Usina Boa Vista S/A ("UBV") – subsidiary of NF	50.95%	Agribusiness activities: industrial processing of sugarcane (own and third party production), manufacturing of ethanol and its by-products cogeneration of electricity and agricultural production.

2.3 Functional and reporting currency

The interim financial information are presented in Brazilian reais, the currency of the economic environment where the Company operated ("functional currency").

2.4 Foreign currency translation

Transactions in foreign currency are translated into the Company's functional currency at the exchange rates in force at transaction date. Exchange gains and losses resulting from settlement of these transactions and translation of monetary assets and liabilities denominated in foreign currency are recognized in P&L for the year, except when deferred in equity as qualified cash flow hedge transactions.

2.5 Financial instruments

(i) Financial assets

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

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. These assets are recorded at fair value, and the transaction costs are posted to P&L.

b) Loans and receivables

These include cash and cash equivalents, trade accounts receivable and other receivables (“transactions with related parties”). Loans and receivables are measured at amortized cost value under the effective interest rate method, deducted of any impairment loss.

c) Impairment of financial assets

At every year-end, the Group evaluates whether there is any objective evidence of impairment of financial assets, based on one or more events occurred after initial recognition of assets (“impairment event”), with impact on future cash flows of financial assets that can be reliably estimated.

(ii) Financial liabilities

The Company’s financial liabilities include trade accounts payable, loans and financing, transactions with related parties and other accounts payable, that are classified as loans and financing. Following initial recognition, loans and financing are measured at amortized cost under the effective interest rate method. Gains and losses are recognized in the income statement when liabilities are derecognized, and through the amortization process by the effective interest rate method.

(iii) Derivative financial instruments

Derivatives are measured at fair value with variations posted to P&L, except when derivative is treated as hedge accounting.

By applying the accounting hedge methodology, the Company documents, at the beginning of the operation, the relation between hedge instruments and hedged items, the objectives of the risk management and the strategy for hedge realization.

Changes in fair value of derivatives recorded as effective cash flow hedge have their efficient component recorded in equity ("equity pickup”), and the inefficient component recorded in P&L for the year (“Financial income (expense)”). Accumulated amounts in equity are realized in income statement for the period when the hedged item affects the P&L, whose effects are allocated to P&L, under “Net income from sales”, in order to minimize undesirable variations of hedged item.

2.6 Business combination and goodwill

Business combinations are accounted for using the acquisition method.

Goodwill is initially measured at cost, for the amount exceeding (a) the compensation in exchange for the control the acquiree, (b) the amount of any non-controlling interest in the acquiree, and (c) the fair value of the interest previously held by acquirer in acquiree (if any) exceeding the amounts, at acquisition date, net of identifiable assets acquired and liabilities undertook, at fair value. If after revaluation the Group’s interest in fair value of net identifiable assets acquired exceeds (a), (b) and (c), above, the exceeding amount is immediately recognized in P&L as gain from advantageous purchase.

Goodwill corresponding to consolidated entities is presented in specific “Goodwill” account in consolidated balance sheet. In accordance with the equity method, goodwill for consolidated entities is included in “Investments in affiliates”.
In each business combination, the acquirer shall measure any non-controlling interests in the acquiree at fair value of these interests or a portion assignable to them in the fair value of net identifiable assets of the acquiree.

Acquisition costs incurred are accounted for as expenses.

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

In case the business combination is performed in stages, book value on acquisition date of the controlling interest previously held by the acquirer in the acquiree is re-measured at fair value on acquisition date through P&L.

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

2.7 Leases

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

2.8 New standards, interpretations and amendments adopted by the Company - restatement

Amendments to IAS 41 and IAS 16

The Company and its subsidiary adopted the amendments to IAS 41 and IAS 16, effective from April 1, 2016 and changed its base for determining the fair value of their biological assets and their presentation in the Group's financial statements.
As a result of adoption of this standard, the main changes for the Group are:

- bearer plants are now recorded at cost less accumulated depreciation and impairment instead of at fair value less costs to sell.
- bearer plants and related amortization are now classified under property, plant and equipment instead of under biological assets in noncurrent assets.

- Standing cane (crop under formation) is now assessed at fair value less costs to sell and classified under biological assets, in current assets, instead of under biological assets in noncurrent assets.

In accordance with CPC 23 - Accounting Policies, Changes in Estimates and Errors, the change in accounting policy was applied retrospectively.

As permitted under transitional rules, fair value of these plants on April 1, 2015 (opening balance) was considered to be its cost. The difference between prior fair value and book value was recognized in retained earnings in the transition.

Impacts from first-time adoption of referred to amendments on the balance sheet amounts at March 31, 2016, as well as on the income statement for the nine-month period ended December 31, 2015 are as follows:

In thousands of reais, except when indicated otherwise

			Balance sheet at March 31, 2016
Company	Disclosed	Impact from amendments to IAS 41 and IAS 16	(Restated)
CURRENT ASSETS			
Biological assets	-	470,241	470,241
Other current assets	1,539,345	-	1,539,345
NONCURRENT ASSETS			
Investments	2,326,505	3,282	2,329,787
Biological assets	1,072,806	(1,072,806)	-
Property, plant and equipment	1,726,210	594,914	2,321,124
Other noncurrent assets	650,942	-	650,942
TOTAL ASSETS	7,315,808	(4,369)	7,311,439
CURRENT LIABILITIES	1,203,874	-	1,203,874
NONCURRENT LIABILITIES			
Deferred income and social contribution taxes	195,139	(2,601)	192,538
Other noncurrent liabilities	3,268,430	-	3,268,430
EQUITY			
Capital	931,340	-	931,340
Capital reserve	10,531	-	10,531
Treasury shares	(26,613)	-	(26,613)
Options granted	4,753	-	4,753
Equity adjustments	1,295,698	-	1,295,698
Income reserve	432,656	-	432,656
Accumulated losses	-	(1,768)	(1,768)
TOTAL LIABILITIES AND EQUITY	7,315,808	(4,369)	7,311,439

In thousands of reais, except when indicated otherwise

			Balance sheet at March 31, 2016
Consolidated	Disclosed	Impact from amendments to IAS 41 and IAS 16	(Restated)
CURRENT ASSETS			
Biological assets	-	470,241	470,241
Other current assets	1,622,245	-	1,622,245
NONCURRENT ASSETS			
Investments	509,951	3,282	513,233
Biological assets	1,072,806	(1,072,806)	-
Property, plant and equipment	3,409,555	594,914	4,004,469
Other noncurrent assets	770,704	-	770,704
TOTAL ASSETS	7,385,261	(4,369)	7,380,892
CURRENT LIABILITIES	1,216,712	-	1,216,712
NONCURRENT LIABILITIES			
Deferred income and social contribution taxes	232,774	(2,601)	230,173
Other noncurrent liabilities	3,287,410	-	3,287,410
EQUITY			
Capital	931,340	-	931,340
Capital reserve	10,531	-	10,531
Treasury shares	(26,613)	-	(26,613)
Options granted	4,753	-	4,753
Equity adjustments	1,295,698	-	1,295,698
Income reserve	432,656	-	432,656
Accumulated losses	-	(1,768)	(1,768)
TOTAL LIABILITIES AND EQUITY	7,385,261	(4,369)	7,380,892

In thousands of reais, except when indicated otherwise

Income statement for the period ended December 31, 2015			
Company	Disclosed	Impact from amendments to IAS 41 and IAS 16	(Restated)
Revenues	1,526,499	-	1,526,499
Cost of sales	(1,213,818)	15,058	(1,198,760)
Gross profit	312,681	15,058	327,739
Operating income (expenses)			
Equity pickup	183,903	(477)	183,426
Other operating income and expenses	(161,067)	-	(161,067)
Operating income before financial income (expenses)	335,517	14,581	350,098
Financial income (expenses)	(244,645)	-	(244,645)
Income before income and social contribution taxes	90,872	14,581	105,453
Income and social contribution taxes			
Current	(11,168)	-	(11,168)
Deferred	45,665	(5,120)	40,545
Net income for the period	125,369	9,461	134,830

In thousands of reais, except when indicated otherwise

Income statement for the period ended December 31, 2015			
Consolidated	Disclosed	Impact from amendments to IAS 41 and IAS 16	(Restated)
Revenues	1,649,531	-	1,649,531
Cost of sales	(1,191,960)	15,058	(1,176,902)
Gross profit	457,571	15,058	472,629
Operating income (expenses)			
Equity pickup	41,093	(477)	40,616
Other operating income and expenses	(166,067)	-	(166,067)
Operating income before financial income (expenses)	332,597	14,581	347,178
Financial income (expenses)	(232,481)	-	(232,481)
Income before income and social contribution taxes	100,116	14,581	114,697
Income and social contribution taxes			
Current	(18,980)	-	(18,980)
Deferred	44,233	(5,120)	39,113
Net income for the period	125,369	9,461	134,830

Impacts on the statements of comprehensive income, of changes in equity and of value added derive from adjustment in net income for the period, and effects are not significant for presentation of reconciliation. The adjustments above had no effects on total operating, investing and financing activities in the cash flow statement for the period ended December 31, 2015.

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

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

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

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

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

- Amendments to the following Technical Pronouncements and Interpretations: CPC 03 (R2) and CPC 32, as a result of clarifications made by the IASB on liabilities arising from financing activities and on the recognition of deferred tax assets on unrealized losses that are applicable as from the 1st January 2017. The Company is evaluating the impact on its financial statements.

4. Significant accounting estimates and judgments

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

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

(a) Goodwill impairment

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

(b) Fair value of biological assets

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

(c) Income tax, social contribution and other taxes

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

(d) Fair value of derivatives and other financial instruments

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

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

(e) Provision for contingencies

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

In thousands of reais, except when indicated otherwise

5. Cash and cash equivalents and short-term investments

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

	Company			Consolidated		
	Yield (*)	December 31, 2016	March 31, 2016	Yield (*)	December 31, 2016	March 31, 2016
Cash and banks - in Brazil		576	224		1,993	291
Cash and banks - abroad (US dollar)		151,463	55,853		151,463	55,853
Short-term investments - in Brazil						
. CDB	100.70%	62,627	38,197	100.62%	62,678	38,197
. Debentures held under repurchase agreements	99.98%	14,064	172,069	100.31%	14,278	172,318
Total cash and cash equivalents		228,730	266,343		230,412	266,659
Short-term investments						
. Investment fund	100.17%	468,800	641,236	100.16%	482,949	706,487
. Other		524	492	100.00%	5,858	5,423
Total short-term investments		469,324	641,728		488,807	711,910
In noncurrent assets		524	492		5,858	5,423
Total funds available		697,530	907,579		713,361	973,146

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

6. Trade accounts receivable

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

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

In thousands of reais, except when indicated otherwise

	Company		Consolidated	
	December 31, 2016	March 31, 2016	December 31, 2016	March 31, 2016
Domestic market customers	65,097	32,880	122,975	64,448
Foreign market customers	111,852	43,826	111,852	43,826
	176,949	76,706	234,827	108,274
Current assets	176,949	76,706	207,494	86,419
Noncurrent assets	-	-	27,333	21,855

For the period ended December 31, 2016 and year ended March 31, 2016, management identified no need to record an allowance for doubtful accounts.

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

	December 31, 2016	March 31, 2016	December 31, 2016	March 31, 2016
Falling due:	176,875	76,675	234,662	108,190
Overdue and not provisioned:				
Above 31 days	74	31	165	84
	176,949	76,706	234,827	108,274

Out of the amount receivable, R$5,079 and R$4,070, Company and Consolidated, respectively (R$3,450 and R$3,275, Company and Consolidated, respectively, at March 31, 2016), refer to related parties, as detailed in Note 9.

In thousands of reais, except when indicated otherwise

7. Inventories and advances to suppliers

	Company		Consolidated	
	December 31, 2016	March 31, 2016	December 31, 2016	March 31, 2016
Current				
Finished products and work-in-process	581,765	65,957	562,479	65,957
Advances - purchase of product	-	25,671	-	25,671
Advances - purchases or sugarcane	37,440	47,953	37,440	47,953
Advances - purchases of inputs	31,586	31,041	31,586	31,041
Land subdivisions	-	-	6,395	6,621
Inputs, ancillary materials for maintenance and other	55,690	52,007	55,690	52,007
	706,481	222,629	693,590	229,250
Noncurrent				
Advances - purchases or sugarcane	67,489	62,309	67,489	62,309
	67,489	62,309	67,489	62,309
	773,970	284,938	761,079	291,559

8. Taxes recoverable

Breakdown of taxes recoverable is as follows:

In thousands of reais, except when indicated otherwise

	Company		Consolidated	
	December 31, 2016	March 31, 2016	December 31, 2016	March 31, 2016
Current				
PIS / COFINS	69,399	26,616	69,421	26,655
ICMS	31,552	30,248	32,377	30,997
Other	788	770	788	771
	101,739	57,634	102,586	58,423
Noncurrent				
PIS / COFINS	30,154	58,454	30,154	58,454
Reintegra	25,309	24,155	25,309	24,155
IOF on derivatives	7,526	7,027	7,526	7,027
ICMS	13,898	15,249	13,898	15,286
INSS	5,672	5,273	5,672	5,273
	82,559	110,158	82,559	110,195
	184,298	167,792	185,145	168,618

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

	December 31, 2016	
	Company	Consolidated
From 01/01/2018 to 12/31/2018	46,905	46,905
From 01/01/2019 to 12/31/2019	8,298	8,298
From 01/01/2020 to 12/31/2020	8,198	8,198
From 01/01/2021to 12/31/2021	8,058	8,058
From 01/01/2022 to 12/31/2022	4,600	4,600
From 01/01/2023 onwards	6,500	6,500
	82,559	82,559

9. Related parties

(a) Company and consolidated balances:

In thousands of reais, except when indicated otherwise

Company and Consolidated	December 31, 2016				March 31, 2016			
	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities
Consolidated in the current financial statements:								
Vale do Mogi Empreend. Imobiliários S/A	174	-	13,596	-	100	-	5,012	-
Cia Bioenergética Santa Cruz 1	3	-	78	-	45	-	395	-
São Martinho - Energia S.A.	826	1	-	-	24	-	-	-
São Martinho Inova S.A.	-	-	-	-	-	1,996	-	-
Landco Empreendimentos e Participações S.A.	-	-	8,588		-	-	-	-
Other	6	-	-	-	6	-	-	-
Not consolidated in the current and related financial statements:								
Luiz Ometto Participações S.A. (nota 30)	-	-	12,030	61,750	-	-	12,045	61,750
Usina Boa Vista S/A	3,822	-	22	-	3,097	-	-	-
Usina Santa Luiza S/A	59	2,866	-	-	76	1,000	-	-
Nova Fronteira Bioenergia S.A.	4	-	-	-	5	-	-	-
SMBJ Agroindustrial S/A	-	-	-	-	4	-	-	-
Agro Pecuária Boa Vista S/A	23	-	7	-	7	-	2,976	-
Other	162	-	134	-	86	-	105	-
Subtotal	5,079	2,867	34,455	61,750	3,450	2,996	20,533	61,750
Inventories - purchases of sugarcane								
From shareholders/related parties	2,221	-	799	-	1,633	-	708	-
TOTAL COMPANY	7,300	2,867	35,254	61,750	5,083	2,996	21,241	61,750
TOTAL CONSOLIDATED	6,291	2,866	12,992	61,750	4,908	1,000	15,834	61,750

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

(b) Company and Consolidated transactions for the period:

In thousands of reais, except when indicated otherwise

Company and Consolidated	December 31, 2016 Sales revenue	December 31, 2016 Reimbursed expenses/(purchases of products and services)	December 31, 2015 Sales revenue	December 31, 2015 Reimbursed expenses/(purchases of products and services)
Consolidated in the current financial statements:				
Vale do Mogi Empreend. Imobiliários S/A	-	(33,720)	-	(47,475)
Landco Empreendimentos e Participações S.A.	-	(23,772)	-	-
Cia Bioenergética Santa Cruz 1	3,185	(1,077)	3,831	(3,425)
São Martinho - Energia S.A.	3,668	215	5,601	214
Not consolidated in the current and related financial statements:				
Usina Boa Vista S/A	-	12,262	-	10,200
Agro Pecuária Boa Vista S/A	-	(22,703)	-	(18,480)
Shareholders and related parties - purchases of sugarcane	-	(12,036)	-	(10,408)
TOTAL COMPANY	6,853	(80,831)	9,432	(69,374)
TOTAL CONSOLIDATED	-	(22,477)	-	(18,688)

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

(c) Key management personnel compensation:

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

	Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Salaries, fees and bonus	20,008	11,687	21,312	12,897
Social security and social contributions	4,025	2,290	4,191	2,532
Other	785	708	893	836
	24,818	14,685	26,396	16,265

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

In thousands of reais, except when indicated otherwise

10. Investments

10.1 Subsidiaries, jointly-controlled subsidiaries and affiliates

Investments in other companies, Company and Consolidated, are as follows:

				Company				Consolidated			
	% - Equity interest (current)	Adjusted equity of the investee		Book value of investments		Equity pickup		Book value of investments		Equity pickup	
Company		December 31, 2016	March 31, 2016	December 31, 2016	March 31, 2016	December 31, 2016	March 31, 2016	December 31, 2016	March 31, 2016	December 31, 2016	March 31, 2016
			Restated		Restated		Restated		Restated		Restated
Classified in investment											
Vale do Mogi Empreend. Imobiliários S.A.	100.00%	1,038,696	1,673,486	1,038,696	1,673,486	37,048	47,046	-	-	-	-
São Martinho - Energia S.A.	100.00%	18,096	23,819	18,096	23,819	15,304	57,525	-	-	-	-
São Martinho Inova S/A	100.00%	22,998	20,089	22,998	20,089	914	13	-	-	-	-
Landco Empreendimentos e Participações S.A. (iii)	100.00%	617,288	-	617,288	-	13,186	-	-	-	-	-
São Martinho Logística e Participações S.A.	100.00%	3,104	3,190	3,104	3,190	(86)	(86)	-	-	-	-
Nova Fronteira Bioenergia S.A. (i)	50.95%	1,114,020	958,013	567,593	488,107	79,485	41,052	567,593	488,107	79,485	41,052
Companhia Bioenergética Santa Cruz 1	100.00%	104,838	119,230	104,838	119,230	33,800	38,331	-	-	-	-
CTC - Centro de Tecnologia Canavieira S.A. (i)	5.40%	445,012	430,841	-	-	-	-	24,189	23,260	925	19
Other		-		1,863	1,866	-	-	1,863	1,866	-	-
Total classified in investment		3,364,052	3,228,668	2,374,476	2,329,787	179,651	183,881	593,645	513,233	80,410	41,071
Classified in noncurrent liabilities											
SMA - Indústria Quimica S/A (i) e (ii)	50.00%	-	-	-	-	-	(109)	-	-	-	(109)
Usina Santa Luiza S.A. (i)	66.67%	(19,105)	(14,989)	(12,737)	(9,993)	(2,744)	(346)	(12,737)	(9,993)	(2,744)	(346)
Total classified in noncurrent liabilities		(19,105)	(14,989)	(12,737)	(9,993)	(2,744)	(455)	(12,737)	(9,993)	(2,744)	(455)
Closing balance		3,344,947	3,213,679	2,361,739	2,319,794	176,907	183,426	580,908	503,240	77,666	40,616

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

(i) Unconsolidated investees evaluated by the equity method in the consolidated interim financial information, since they have no direct influence over management;

In thousands of reais, except when indicated otherwise

(ii) Investment disposed of;

(iii) The Special General Meeting held on April 25, 2016, approved the split-off of subsidiary Vale do Mogi into LandCo. The portion spun off by LandCo refers to land amounting to R$53,176. LandCo is primarily engaged in the exploration and sale of products related to agriculture and in holding interest in other entities. This change is intended to address geographical organization according to the operating radius of the agribusiness units.

10.2 Supplementary information on Nova Fronteira Bioenergia S.A.

The balance sheet and income statement of the referred to subsidiary is summarized as follows:

BALANCE SHEET	December 31, 2016	March 31, 2016
		Restated
Current assets	756,986	594,399
Noncurrent assets	993,138	1,092,909
Total assets	1,750,124	1,687,308
Current liabilities	342,471	301,555
Noncurrent liabilities	293,635	427,740
Equity	1,114,018	958,013
Total liabilities	1,750,124	1,687,308

INCOME STATEMENT	December 31, 2016	December 31, 2015
		Restated
Net revenue	665,095	518,198
Cost of sales	(412,137)	(357,320)
Gross profit	252,958	160,878
Net operating expenses	(31,855)	(31,668)
Financial income (expenses)	(9,122)	(42,610)
Income and social contribution taxes	(55,976)	(6,028)
Net income for the year	156,005	80,572

In thousands of reais, except when indicated otherwise

Financial Informations	December 31, 2016	March 31, 2016
Cash and financial investments of current assets	326,244	260,620
Gross debt	537,447	624,269
Depreciation and amortization (including Harvested biological assets)	176,743	246,916

11. Biological assets

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

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

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

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

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

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

The following significant assumptions were used to determine fair value:

In thousands of reais, except when indicated otherwise

Company and consolidated	December 31, 2016	March 31, 2016
Total estimated harvest area (ha)	167,294	162,289
Expected productivity (ton/ha)	88.39	79.86
Quantity of ATR per ton of sugarcane (kg)	133.01	132.58
Projected average price of ATR (R$)	0.6791	0.5750

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

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

Company and consolidated	December 31, 2016	March 31, 2016
		Restated
Historical cost	458,097	392,045
Fair value	12,144	(40,884)
Biological assets at March 31	470,241	351,161
Changes:		
Increase resulting from cultivation	255,501	252,512
Transfers of PPE	116,015	159,363
Change in fair value	(13,473)	53,028
Reductions resulting from harvest	(394,753)	(345,823)
Closing balance of biological assets:	433,531	470,241
Represented by:		
Historical cost	434,860	458,097
Fair value	(1,329)	12,144
Closing balance of biological assets:	433,531	470,241

(a) Agricultural partnerships and lease agreements

In thousands of reais, except when indicated otherwise

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

The amounts to be disbursed in respect of these agreements are determined at the end of each crop by the price of a metric ton of sugarcane established by CONSECANA. At December 31 and March 31, 2016, the total estimated payments (nominal value) are as follows:

Company and Consolidated	December 31, 2016	March 31, 2016
Within 1 year	237,720	190,259
More than 1 year and less than 5 years	749,767	580,992
Above 5 years	635,562	488,104
	1,623,049	1,259,355

12. Property, plant and equipment

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

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

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

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

In thousands of reais, except when indicated otherwise

Company	Land	Buildings and outbuildings	Machinery and manufacturing facilities	Inter-crop maintenance	Vehicles	Agricultural machinery and farming implements	Other PPE	Construction in progress	Sugarcane plantation	Total
Balances at March 31, 2015 (restated)	125,162	196,845	769,655	125,434	161,126	238,181	15,695	44,733	557,352	2,234,183
Acquisition	-	16	1,196	137,147	17,330	25,899	1,352	88,086	196,925	467,951
Cost of sale	-	-	(81)	-	(396)	(3,679)	(1)	-	-	(4,157)
Transfers between accounts		22,540	55,354	-	1,213	2,250	994	(82,351)	-	-
Capital refund of Vale do Mogi	12,929	6,205	-	-	-	-	-	-	-	19,134
Transfer to biological assets	-	-	-	-	-	-	-	-	(159,363)	(159,363)
Depreciation	-	(6,445)	(49,816)	(131,933)	(12,825)	(32,402)	(3,203)	-	-	(236,624)
Balances at March 31, 2016 (restated)	138,091	219,161	776,308	130,648	166,448	230,249	14,837	50,468	594,914	2,321,124
Total cost	138,091	249,309	1,049,558	131,427	217,828	349,146	52,714	50,468	594,914	2,833,455
Accumulated depreciation	-	(30,148)	(273,250)	(779)	(51,380)	(118,897)	(37,877)	-	-	(512,331)
Net book value	138,091	219,161	776,308	130,648	166,448	230,249	14,837	50,468	594,914	2,321,124
Acquisition	13,942	-	899	58,307	11,807	23,431	915	72,492	142,953	324,746
Cost of sale	-	-	(3)	-	(749)	(1,789)	(7)	-	-	(2,548)
Transfers between groups	-	30,072	26,557	-	1,027	410	2,635	(60,701)	-	
Capital refund of Vale do Mogi	4,487	-	-	-	-	-	-	-	-	4,487
Transfer to biological assets	-	-	-	-	-	-	-	-	(116,015)	(116,015)
Depreciation	-	(6,174)	(51,308)	(131,040)	(12,219)	(29,189)	(2,376)	-	-	(232,306)
Balances at December 31, 2016	156,520	243,059	752,453	57,915	166,314	223,112	16,004	62,259	621,852	2,299,488
Total cost	156,520	279,381	1,077,000	57,915	229,258	367,700	55,839	62,259	621,852	2,907,724
Accumulated depreciation	-	(36,322)	(324,547)		(62,944)	(144,588)	(39,835)	-	-	(608,236)
Net book value	156,520	243,059	752,453	57,915	166,314	223,112	16,004	62,259	621,852	2,299,488
Net book values:										
Historical cost	16,361	180,352	526,157	57,915	136,587	170,102	16,004	62,259	621,852	1,787,589
Surplus	140,159	62,707	226,296	-	29,727	53,010	-	-	-	511,899
Average annual depreciation rates	-	3%	6%	100%	7%	9%	10%	-	14%	-

In thousands of reais, except when indicated otherwise

Consolidated	Land	Buildings and outbuildings	Machinery and manufacturing facilities	Inter-crop maintenance	Vehicles	Agricultural machinery and farming implements	Other PPE	Construction in progress	Sugarcane plantation	Total
Balances at March 31, 2015 (restated)	1,752,102	207,693	838,041	125,803	161,126	238,182	15,695	44,734	557,352	3,940,728
Acquisition	1,145	25	1,196	137,619	17,330	25,898	1,353	88,703	196,925	470,194
Cost of sale	(118)	-	(81)	-	(396)	(3,679)	(1)	-	-	(4,275)
Transfers between groups	-	22,540	55,354	-	1,213	2,250	994	(82,351)	-	-
Transfer to inventory	(2,785)	-	-	-	-	-	-	-	-	(2,785)
Transfer to biological assets	-	-	-	-	-	-	-	-	(159,363)	(159,363)
Depreciation	-	(6,838)	(52,460)	(132,302)	(12,825)	(32,402)	(3,203)	-	-	(240,030)
Balances at March 31, 2016 (restated)	1,750,344	223,420	842,050	131,120	166,448	230,249	14,838	51,086	594,914	4,004,469
Total cost	1,750,344	255,545	1,131,545	131,899	217,828	349,146	52,715	51,086	594,914	4,535,022
Accumulated depreciation	-	(32,125)	(289,495)	(779)	(51,380)	(118,897)	(37,877)	-	-	(530,553)
Net book value	1,750,344	223,420	842,050	131,120	166,448	230,249	14,838	51,086	594,914	4,004,469
Acquisition	13,942	-	899	58,479	11,807	23,431	917	72,900	142,953	325,328
Cost of sale	(167)	-	(3)	-	(749)	(1,789)	(7)		-	(2,715)
Transfers between groups	-	30,072	26,557	-	1,027	410	2,635	(60,701)	-	
Transfers to inventory for sales	(3,148)	-	-	-	-	-	-	-	-	(3,148)
Transfer to biological assets	-	-	-	-	-	-	-	-	(116,015)	(116,015)
Depreciation	-	(6,321)	(53,755)	(131,481)	(12,219)	(29,189)	(2,376)	-	-	(235,341)
Balances at December 31, 2016	1,760,971	247,171	815,748	58,118	166,314	223,112	16,007	63,285	621,852	3,972,578
Total cost	1,760,971	285,617	1,158,987	58,282	229,258	367,700	55,842	63,285	621,852	4,601,794
Accumulated depreciation	-	(38,446)	(343,239)	(164)	(62,944)	(144,588)	(39,835)	-	-	(629,216)
Net book value	1,760,971	247,171	815,748	58,118	166,314	223,112	16,007	63,285	621,852	3,972,578
Net book values:										
Historical cost	119,576	183,374	573,231	58,118	136,587	170,102	16,007	63,285	621,852	1,942,132
Surplus	1,641,395	63,797	242,517	-	29,727	53,010	-	-		2,030,446
Average annual depreciation rates	-	3%	6%	100%	7%	9%	10%	-	14%	

In thousands of reais, except when indicated otherwise

Under the terms of certain borrowing agreements of the Group, property, plant and equipment totaling R$867,126 were pledged as collateral, of which R$287,443 refers to rural properties (8,387 hectares of land).

Group capitalized financial charges amounting to R$2,081 for the period ended December 31, 2016 (December 31, 2015 – R$1,792).

13. Intangible assets

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

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

	Company		Consolidated	
	December 31, 2016	March 31, 2016	December 31, 2016	March 31, 2016
Goodwill on future profitability USL (i)	79,709	79,709	79,709	79,709
Goodwill on future profitability Mirtilo (i)	115,798	115,798	115,798	115,798
Goodwill on future profitability SC (i)	179,126	179,126	179,126	179,126
Software	25,364	22,927	25,364	22,927
Accumulated amortization	(17,398)	(14,796)	(17,398)	(14,796)
Rights on sugarcane contracts (ii)	10,987	11,781	10,987	11,781
Rights on electricity agreements (iii)	-	-	103,401	103,401
Rights on electricity agreements - amortization (iii)	-	-	(27,560)	(14,225)
Other assets	1,290	2,807	4,318	5,836
	394,876	397,352	473,745	489,557

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

In thousands of reais, except when indicated otherwise

Impairment of nonfinancial assets

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

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

At March 31, 2016, the Company tested noncurrent assets for impairment. The assessment was based on calculations of the value in use of each cash-generating unit. These calculations use cash flow projections, before calculation of income and social contribution taxes, based on financial budgets approved by management. The growth rate does not exceed the long-term average growth rate of the industry in which the CGU operates.

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

Main assumptions used by the Company are as follows:

	UGC	
	USM	USC
Taxa de crescimento médio da Receita Operacional Líquida	4,8%	4,7%
Taxa de crescimento nominal para perpetuidade	4,0%	4,0%
Taxa de desconto	9,9%	9,9%

14. Borrowings

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

In thousands of reais, except when indicated otherwise

Modalidade	Annual charges		Company		Consolidated	
	Rate	Index	December 31, 2016	March 31, 2016	December 31, 2016	March 31, 2016
In Local currency						
Export credit notes (NCE)	100.72%	CDI	519,172	586,526	519,172	586,526
Export credit notes	14.82%	Fixed rate	-	151,140	-	151,140
BNDES credit facilities	2.90%	TJLP	236,340	225,394	243,440	233,250
BNDES credit facilities	4.27%	Fixed rate	314,313	345,786	324,657	357,920
BNDES credit facilities	4.12%	SELIC	2,553	22	2,553	22
Rural credit	11.85%	Fixed rate	316,418	64,569	316,418	64,569
FINEP	4.00%	Fixed rate	95,925	62,777	95,925	62,777
Agribusiness Receivables Certificate (CRA) (a)	99.00%	CDI	361,494	-	361,494	-
Other			41,066	51,530	41,066	51,530
Total in local currency			1,887,281	1,487,744	1,904,725	1,507,734
In foreign currency						
Pre-export financing (PPE)	3.01%	Exchange loss	891,443	1,154,991	891,443	1,154,991
Export credit notes (NCE)	4.48%	Exchange loss	602,349	678,989	602,349	678,989
Advances on exchange contracts (ACC)	2.10%	Exchange loss	33,249	142,520	33,249	142,520
BNDES credit facilities	6.73%	Currency basket	18,454	22,953	18,454	22,953
Total in foreign currency			1,545,495	1,999,453	1,545,495	1,999,453
Total			3,432,776	3,487,197	3,450,220	3,507,187
Current			907,865	667,015	911,414	670,559
Noncurrent			2,524,911	2,820,182	2,538,806	2,836,628

(a) Agribusiness Receivables Certificate (CRA)

At the period ended September 30, 2016, the Company completed the public distribution of 350,245 Agribusiness Receivables Certificates (CRA) issued by Octante Securitizadora S.A. in the total amount of R$350,245, with final maturity of principal in 2019, interest paid on a semiannual basis and cost of 99% of the CDI. This fund was received by the Company on July 27, 2016. The amount stated is net of expenses with commissions for issue of debentures in the amount of R$8,710, which have been recognized in P&L on a monthly basis up to the maturity of transaction.

In the same period, the Company took out R$26,325 under Rural Credit at a fixed rate of 12.75% p.a.

Changes in borrowings for the period are as follows:

In thousands of reais, except when indicated otherwise

Changes in Debt	Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Prior balance	3,487,197	3,216,662	3,507,187	3,240,079
Financing taken out	725,271	632,717	725,271	632,717
Amortization of principal	(629,386)	(700,610)	(632,006)	(703,219)
Amortization of interest	(153,903)	(157,510)	(154,847)	(158,610)
Monetary restatement	169,768	156,133	170,786	157,261
Foreign exchange gain (loss)	(166,171)	393,887	(166,171)	393,887
	3,432,776	3,541,279	3,450,220	3,562,115

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

In addition, some transactions in domestic currency are pegged to swap agreements for US dollar, exposed to foreign exchange fluctuations.

Transactions pegged to swap agreements are as follows:

	Company		Consolidated	
	December 31, 2016	March 31, 2016	December 31, 2016	March 31, 2016
Foreign currency transactions pegged to swap for local currency	271,823	399,831	271,823	399,831
Local currency transactions	1,827,707	1,365,038	1,845,151	1,385,028
Total in local currency	2,099,530	1,764,869	2,116,974	1,784,859
Local currency transactions pegged to swap for foreign currency	59,574	122,706	59,574	122,706
Foreign currency transactions	1,273,672	1,599,622	1,273,672	1,599,622
Total in foreign currency	1,333,246	1,722,328	1,333,246	1,722,328
TOTAL	3,432,776	3,487,197	3,450,220	3,507,187

For agreements in foreign currency, R$58,417 of Pre-Export Financing (PPE) and R$37,713 of NCEs are pegged to LIBOR swaps to a fixed rate.

Of the agreements in domestic currency, R$158,148 of Bank Credit Notes (Free Rural Facility) are pegged to swap agreements with pre-fixed rate aligned with CDI rate.

At December 31, 2016, out of the total debt of the Company, R$2,086,248 are pledged as collateral (encumbered) for the transactions above.

In thousands of reais, except when indicated otherwise

Noncurrent borrowings mature as follows:

	Company	Consolidated
From 01/01/2018 to 12/31/2018	1,004,172	1,007,670
From 01/01/2019 to 12/31/2019	962,183	965,681
From 01/01/2020 to 12/31/2020	318,168	321,666
From 01/01/2021 to 12/31/2021	113,971	115,882
From 01/01/2022 to 12/31/2022	57,490	58,607
From 01/01/2023 to 02/28/2030	68,927	69,300
	2,524,911	2,538,806

Covenants

Of the borrowing agreements, R$959,128 have covenants where annually are required, additionally, were complied with by the Company for the period ended December 31, 2016.

15. Trade accounts payable

	Company		Consolidated	
	December 31, 2016	March 31, 2016	December 31, 2016	March 31, 2016
Sugarcane	148,425	64,322	126,241	59,311
Materials, services and other	58,602	54,806	59,641	54,596
	207,027	119,128	185,882	113,907

Out of the total trade accounts payable, R$23,224 and R$962 Company and Consolidated, respectively (R$9,196 and R$3,789, Company and Consolidated, respectively, at March 31, 2016), refer to related parties, as detailed in Note 9.

16. Payables to Copersucar

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

In thousands of reais, except when indicated otherwise

Company and Consolidated	December 31, 2016	March 31, 2016
REFIS - Copersucar - Restated by reference to SELIC	103,538	105,028
Exchange Bill (LC) - Restated by reference to SELIC	86,569	83,591
Exchange Bill (LC) - Transfer of funds without incurring losses	48,547	48,547
Expenses with tax proceedings (i)	10,623	21,875
Total	249,277	259,041
Current Liabilities	10,623	21,875
Noncurrent liabilities	238,654	237,166

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

(i) Copersucar has been served delinquency notices with respect to State VAT (ICMS) on fuel and industrial ethanol sales made up to December 31, 2008. Copersucar legal advisors assess the outcome in these lawsuits as a risk of possible loss. Copersucar understands that it has strong arguments to successfully defend the fines imposed by the State Tax Authorities over these delinquency notices.

In thousands of reais, except when indicated otherwise

17. Equity

(a) Capital

At December 31, 2016, capital amounted to R$ 1,064,972 (R$931,340 at March 31, 2016) and is represented by 339,987,621 common registered shares, with no par value.

On December 9, 2016, the Special General Meeting approved the Company's issue procedures, so that for each common share, two new common shares were issued and granted to their respective holder, who then holds three shares, with the same rights and advantages of the previous ones, without any change in capital, divided into 339,987,621 shares.

In this meeting, shareholders approved change in limit of authorized capital, determined considering the number of shares, to adjust it to the proportion mentioned in item above, from 124,000,000 common shares to 372,000,000 common shares.

At the Special General Meeting held on July 29, 2016, shareholders approved capital increase by R$133,632 with capital investment reserve, without issue of new shares.

(b) Treasury shares

Changes in treasury shares for the period ended December 31, 2016 are as follows:

	Number	Average acquisition price (*)	Total amount
Treasury shares at March 31, 2016	614,486	43.31	26,613
Acquisition of shares	319,768	47.07	15,577
Exercise of options	(50,993)	44.08	(1,419)
Share split	1,823,712	-	-
Treasury shares at December 31, 2016	2,706,973	15.06	40,771

(*) including additional acquisition costs - in reais

(c) Equity adjustments

- *Deemed cost*

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

- Hedge accounting fair value

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

(d) Unrealized income

Legal reserve

Legal reserve is annually set up with allocation of 5% of net income for the year, capped at 20% of capital. The purpose of the legal reserve is to protect the entity's capital, and it can only be used to offset losses and increase capital.

Capital investment reserve

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

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

Unearned income reserve

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

Tax incentive reserve

At the Annual General Meeting held on July 29, 2016, the shareholders approved the setting up of the tax incentive reserve - effect from tax incentives of subsidiary UBV, received through its investment in subsidiary NF. The amount recorded arises from the tax incentive program with Goiás State as investment grant for expansion or modernization, with a reduction in payment of ICMS levied on sale of hydrous ethanol named “Goiás Industrial Development Program - Produzir”

(e) Dividends

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

(f) Stock option plan

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

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

Balances of stock option plans issued and the changes in outstanding stock options for the quarter ended December 31, 2016 are as follows:

In thousands of reais, except when indicated otherwise

Plan	4th Plan	5th Plan	6th Plan	7th Plan	8th Plan	Total
Plan issue date	12/17/2012	12/16/2013	12/15/2014	12/14/2015	12/12/2016	
Deadline for exercise (i)	2019	2020	2021	2022	2023	
Fair value of options (R$) (ii)	2.29 - 2.62	2.82 - 3.15	3.80 - 4.20	5.55 - 6.21	5.91 - 6.53	
Options granted (ii)	1,175,178	1,142,436	1,014,264	767,700	779,934	4,879,512
Options exercised (ii)	(844,790)	(361,047)	-	-	-	(1,205,837)
Outstanding stock options	330,388	781,389	1,014,264	767,700	779,934	3,673,675
Strike price (ii)	8.37	9.13	12.04	15.87	17.70	

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

(ii) Data related to the 4th, 5th, 6th and 7th plans were adjusted to reflect the share split mentioned in note 17 (a).

In the period ended December 31, 2016, 22,398 stock options were exercised in the amount of R$518.

The fair value attributed to these options was determined based on the Black & Scholes pricing model. The Company recognized a stock option expense for the period of R$1,977 (R$1,731 at December 31, 2015).

(g) Capital reserve

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

18. Profit sharing program

The Company manages, as part of its policy, a profit sharing program based on operating and financial targets previously agreed upon with its employees. The amount of profit sharing for the periods ended December 31, 2016 and 2015, recorded as operating costs or expenses in P&L, amounted to R$18,973 and R$17,539, in Company and consolidated, respectively.

In thousands of reais, except when indicated otherwise

19. Income and social contribution taxes

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

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

(a) Income and social contribution tax balances are as follows:

	Company		Consolidated	
	December 31, 2016	March 31, 2016	December 31, 2016	March 31, 2016
In current assets - IRPJ and CSLL tax loss carryforward	-	113,757	-	113,758
In noncurrent assets - IRPJ and CSLL tax loss carryforward	124,672	-	124,672	-
In current liabilities - Current debts				
. Income and social contribution taxes payable	-	-	4,732	916

(b) Deferred income and social contribution taxes

		Quarter		
Company	September 30, 2016	Recognized in P&L	Recognized in equity	December 31, 2016
. Derivative financial instruments	166,817	(4,083)	(54,662)	108,072
. Employees' profit sharing and bonus	5,956	2,928	-	8,884
. Income and social contribution tax losses	86,270	(9,935)	-	76,335
. Provision for contingencies	20,249	602	-	20,851
. Provision for other obligations	6,668	-	-	6,668
. Other assets	2,738	3,967	-	6,705
Total income and social contribution tax assets	288,698	(6,521)	(54,662)	227,515
. Present value adjustment	(1,662)	175	-	(1,487)
. Divestiture with deferred taxation	(24,395)	-	-	(24,395)
. Tax benefit on merged goodwill	(85,318)	(7,591)	-	(92,909)
. Accelerated depreciation incentive	(177,094)	7,379	-	(169,715)
. Securitized financing	(18,157)	556	-	(17,601)
. Surplus of PPE (Deemed cost)	(179,664)	3,085	-	(176,579)
. Other liabilities	352	44	-	396
. Biological assets and agricultural product (change in fair value)	(5,778)	5,797	-	19
. Foreign exchange gain (loss)	(50,548)	4,235	-	(46,313)
Total income and social contribution tax liabilities	(542,264)	13,680	-	(528,584)
Deferred income and social contribution taxes	(253,566)	7,159	(54,662)	(301,069)

In thousands of reais, except when indicated otherwise

Consolidated	September 30, 2016	Quarter Recognized in P&L	Recognized in equity	Consolidation adjustment – Rights on electricity	December 31, 2016
. Derivative financial instruments	166,817	(4,083)	(54,662)	-	108,072
. Employees' profit sharing and bonus	5,956	2,928	-	-	8,884
. Income and social contribution tax losses	86,270	(9,935)	-	-	76,335
. Provision for contingencies	20,249	602	-	-	20,851
. Provision for other obligations	6,668	-	-	-	6,668
. Other assets	2,738	3,967	-	-	6,705
Total income and social contribution tax assets	288,698	(6,521)	(54,662)	-	227,515
. Present value adjustment	(1,662)	175	-	-	(1,487)
. Divestiture with deferred taxation	(24,395)	-	-	-	(24,395)
. Tax benefit on merged goodwill	(85,318)	(7,591)	-	-	(92,909)
. Accelerated depreciation incentive	(177,094)	7,379	-	-	(169,715)
. Securitized financing	(18,157)	556	-	-	(17,601)
. Surplus of PPE (Deemed cost)	(184,153)	3,122	-	-	(181,031)
. Other liabilities	(342)	64	-	-	(278)
. Biological assets and agricultural product (change in fair value)	(5,778)	5,797	-	-	19
. Intangible assets	(27,764)		-	625	(27,139)
. Gain due to change in equity interest - CTC	(1,201)	-	-	-	(1,201)
. Foreign exchange gain (loss)	(50,548)	4,235	-	-	(46,313)
Total income and social contribution tax liabilities	(576,412)	13,737	-	625	(562,050)
Deferred income and social contribution taxes	(287,714)	7,216	(54,662)	625	(334,535)

Company	March 31, 2016	Nine-month period Recognized in P&L	Recognized in equity	December 31, 2016
. Derivative financial instruments	230,298	(6,087)	(116,138)	108,073
. Employees' profit sharing and bonus	507	9,013	-	9,520
. Income and social contribution tax losses	68,623	(19,624)	-	48,999
. Provision for contingencies	19,231	1,621	-	20,852
. Provision for other obligations	6,668	-	-	6,668
. Other assets	1,947	5,043	-	6,990
Total income and social contribution tax assets	327,274	(10,034)	(116,138)	201,102
. Present value adjustment	(2,298)	811	-	(1,487)
. Divestiture with deferred taxation	(24,394)	-	-	(24,394)
. Tax benefit on merged goodwill	(70,138)	(22,770)	-	(92,908)
. Accelerated depreciation incentive	(173,280)	21,300	-	(151,980)
. Securitized financing	(18,524)	924	-	(17,600)
. Surplus of PPE (Deemed cost)	(183,839)	8,779	(1,520)	(176,580)
. Other liabilities	(519)	629	-	110
. Biological assets and agricultural product (change in fair value)	(2,636)	2,655	-	19
. Foreign exchange gain (loss)	(44,184)	6,833	-	(37,351)
Total income and social contribution tax liabilities	(519,812)	19,161	(1,520)	(502,171)
Deferred income and social contribution taxes	(192,538)	9,127	(117,658)	(301,069)

In thousands of reais, except when indicated otherwise

Consolidated	March 31, 2016	Nine-month period Recognized in P&L	Recognized in equity	Consolidation adjustment – Rights on electricity agreements	December 31, 2016
. Derivative financial instruments	230,298	(6,087)	(116,138)	-	108,073
. Employees' profit sharing and bonus	507	9,013	-	-	9,520
. Income and social contribution tax losses	68,623	(19,624)	-	-	48,999
. Provision for contingencies	19,231	1,621	-	-	20,852
. Provision for other obligations	6,668	-	-	-	6,668
. Other assets	1,947	5,043	-	-	6,990
Total income and social contribution tax assets	327,274	(10,034)	(116,138)	-	201,102
. Present value adjustment	(2,298)	811	-	-	(1,487)
. Divestiture with deferred taxation	(24,394)	-	-	-	(24,394)
. Tax benefit on merged goodwill	(70,138)	(22,770)	-	-	(92,908)
. Accelerated depreciation incentive	(173,280)	21,300	-	-	(151,980)
. Securitized financing	(18,524)	924	-	-	(17,600)
. Surplus of PPE (Deemed cost)	(188,395)	9,009	(1,520)	-	(180,906)
. Other liabilities	(519)	(171)	-	-	(690)
. Biological assets and agricultural product (change in fair value)	(2,636)	2,655	-	-	19
. Intangible assets	(31,878)	-	-	4,739	(27,139)
. Gain due to change in equity interest - CTC	(1,201)	-	-	-	(1,201)
. Foreign exchange gain (loss)	(44,184)	6,833	-	-	(37,351)
Total income and social contribution tax liabilities	(557,447)	18,591	(1,520)	4,739	(535,637)
Deferred income and social contribution taxes	(230,173)	8,557	(117,658)	4,739	(334,535)

Deferred tax assets and liabilities are presented net in the balance sheet, by company, when there is a legally enforceable right and the intention to offset them on the calculation of current taxes and when related to the same tax authority.
The Company recognizes deferred tax assets based on projection of taxable profit in subsequent years. This projection is revised on an annual basis and within ten years.

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

In thousands of reais, except when indicated otherwise

(c) Reconciliation of income and social contribution taxes

				Company
	December 31, 2016	December 31, 2016	December 31, 2015	December 31, 2015
	Quarter	Nine-month period	Quarter	Nine-month period
Pretax income	53,921	160,535	80,840	105,453
Income and social contribution taxes at nominal rates (34%)	(18,333)	(54,582)	(27,486)	(35,854)
Adjustments for calculation of effective tax rate:				
. Equity pickup	19,986	60,148	24,551	62,365
. Other permanent exclusions/(additions), net	3	(2,227)	794	2,623
. Other	22	294	126	38
. Tax incentives	245	258	350	205
Income and social contribution tax expenses	1,923	3,891	(1,665)	29,377
Current income and social contribution taxes	(5,236)	(5,236)	(23,551)	(11,168)
Deferred income and social contribution taxes	7,159	9,127	21,886	40,545
Income and social contribution tax effective rate	-3.6%	-2.4%	2.1%	-27.9%

				Consolidated
	December 31, 2016	December 31, 2016	December 31, 2015	December 31, 2015
	Quarter	Nine-month period	Quarter	Nine-month period
Pretax income	55,563	168,384	83,258	114,697
Income and social contribution taxes at nominal rates (34%)	(18,891)	(57,251)	(28,308)	(38,997)
Adjustments for calculation of effective tax rate:				
. Equity pickup	10,651	26,406	10,514	13,809
. Other permanent exclusions/(additions), net	3	(2,227)	793	2,621
. Adjustment to the calculation of subsidiary whose taxable profit is computed as a p	8,231	29,155	12,498	42,870
. Income in inventories	19	(594)	(57)	(412)
. Other	23	295	126	38
. Tax incentives	245	258	351	204
Income and social contribution tax expenses	281	(3,958)	(4,083)	20,133
Current income and social contribution taxes	(6,935)	(12,515)	(26,866)	(18,980)
Deferred income and social contribution taxes	7,216	8,557	22,783	39,113
Income and social contribution tax effective rate	-0.5%	2.4%	4.9%	-17.6%

20. Commitments

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

<u>Riparian forests and land for legal reserve</u>

The Group has uncultivated areas covered by preserved native vegetation in the process of regeneration or enrichment intended to ensure the ecological balance of the environment. Such areas, under current environmental law, correspond to riparian forests and areas destined to the so-called “legal reserve”. These legal reserve areas are strictly observed and preserved upon sugarcane plantation.

The Company has all areas already compliant with the Environmental Rural Registry (CAR), pursuant to the schedule set by the Ministry of Environment in prevailing legislation, and also in the process of complying with further obligations in accordance with the deadlines set by law, and is not therefore in default of that commitment. Amounts to be invested to comply with these obligations, the manner in which they will be fulfilled, and the time required for their performance are not currently measurable. Investments in preservation areas, when made, are recorded in the Group’s property, plant and equipment.

Ethanol supply agreement

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

Sureties granted

In addition, the Company is the guarantor of borrowings contracted by UBV totaling R$138,610.

Electricity supply

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

Purchase of inputs

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

In thousands of reais, except when indicated otherwise

21. Provision for contingencies

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

21.1 Probable losses

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

						Company
	March 31, 2016	Additions	Reversals	Use	Restatements	December 31, 2016
Tax	10,651	2,384	(1,320)	(1)	486	12,200
Civil and environmental	3,468	717	(826)	(278)	186	3,267
Labor	44,176	13,235	(10,953)	(6,557)	7,512	47,413
Total	58,295	16,336	(13,099)	(6,836)	8,184	62,880
Escrow deposits	27,570	4,523	-	(8,078)	1,370	25,385

						Consolidated
	March 31, 2016	Additions	Reversals	Use	Restatements	December 31, 2016
Tax	12,999	2,384	(1,320)	(1)	485	14,547
Civil and environmental	3,468	717	(826)	(278)	186	3,267
Labor	44,176	14,247	(10,953)	(6,557)	7,512	48,425
Total	60,643	17,348	(13,099)	(6,836)	8,183	66,239
Escrow deposits	30,300	5,533	-	(8,184)	1,370	29,019

Judicial deposits are monetarily restated and reported in noncurrent assets.

The nature of the main lawsuits at December 31, 2016 included in the provisions above is as follows (Company and consolidated):

In thousands of reais, except when indicated otherwise

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

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

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

21.2 Possible losses

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

Tax proceedings:

Consolidated						Stage
Nature		Number of proceedings	Administrative	Trial court Trial court	Higher court	Total
(i)	Social security contribution	14	189,088	-	15,449	204,537
(ii)	Calculation of IRPJ/CSLL	5	314,166	-	-	314,166
(iii)	Offset of federal taxes	25	8,797	-	-	8,797
(iv)	Other tax proceedings	41	15,381	2,546	3,698	21,625
		85	527,432	2,546	19,147	549,125

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

In thousands of reais, except when indicated otherwise

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

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

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

Civil and environmental proceedings:

Consolidated		Stage			
Nature	Number of proceedings	Administrative	Trial court	Higher court	Total
Environmental	37	1,528	4,525	351	6,404
Civil					
Indemnities	18	-	10,736	450	11,186
Review of contracts	7	-	5,542	1,756	7,298
Other civil proceedings	13	15	108	893	1,016
Labor					
Tax assessment notice	17	-	-	-	-
	92	1,543	20,911	3,450	25,904

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

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

22. Derivative financial instruments and risk management

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

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

22.1 Market risks

(a) Currency risk

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

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

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

The table below summarizes foreign currency-denominated assets and liabilities (in US dollars - US$), recorded in the consolidated balance sheet at December 31, 2016:

In thousands of reais, except when indicated otherwise

Consolidated	R$	Thousands of US$ equivalent
Current and noncurrent Assets		
Cash and cash equivalents (banks - demand deposits)	151,463	46,474
Trade accounts receivable	111,852	34,320
Derivative financial instruments	143,566	44,051
Total assets	406,881	124,845
Current and noncurrent liabilities:		
Loans and financing	1,545,495	474,296
Derivative financial instruments	163,281	50,109
Total liabilities	1,708,776	524,405
Subtotal assets (liabilities)	(1,301,895)	(399,560)
(-) Borrowings linked to exports – ACC and PPE	1,527,041	468,633
Net exposure - assets	225,146	69,073

These assets and liabilities were restated and recorded in the quarterly information at December 31, 2016 at the exchange rate in effect on that date, of R$3.2462 per US$1.00 for assets and R$3.2456 per US$1.00 for liabilities.

(b) Commodity price volatility risk

The Company is exposed to the risk of changes in commodity price of manufactured products such as sugar and ethanol. At December 31, 2016, the prices of 332,041 tons of sugar had been determined with commercial partners for delivery in 16/17 crop, priced at an average of 18.48 ¢/lb (US dollar cents per pound weight).

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

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

In thousands of reais, except when indicated otherwise

(d) Market risk sensitivity analysis

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

Consolidated	Risk factor	Impacts on P&L		
		Possible scenarios – 5%	Possible scenarios – 25%	Possible scenarios – 50%
Cash and cash equivalents	Decrease in exchange rate – R$/US$	7,574	37,872	75,743
Trade accounts receivable	Decrease in exchange rate – R$/US$	5,594	27,968	55,937
Loans and financing	Increase in exchange rate – R$/US$	(14,039)	(70,193)	(140,386)
Derivative financial instruments				
Non-Deliverable Forwards (NDF)	Increase in future price of commodities	(913)	(4,563)	(9,125)
Future price (sugar and ethanol)	Increase in future price of commodities	(8)	(38)	(77)
Swap contracts (a)	Decrease in exchange rate - R$/US - and increase in interest curve	(97)	(507)	(1,190)
Net exposure		(1,888)	(9,461)	(19,099)

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

(e) Derivative financial instruments

The Company opted for hedge accounting to recognize part of its derivative financial instruments. Instruments elected were sugar, ethanol and foreign currency (US dollar) derivatives, which cover sales of the 2016/2017 and 2017/2018 crops, and were designated as cash flow hedge of highly probable forecast transactions (future sales).

In addition, the Company elected to use nonderivative financial instruments - debts - in foreign currency (US dollar), which cover foreign currency risks of crops from 2016/2017 to 2020/2021.

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

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

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

The balances of assets and liabilities at December 31 and March 31, 2016 relating to transactions with derivative financial instruments, as well as their maturities, are as follows:

In thousands of reais, except when indicated otherwise

Company and Consolidated	Contracted amount/volume	Average price/rate	Notional value - R$	Fair value - R$
	December 31, 2016			
In current assets - Gain				
Margin deposit				23,999
Merchandise futures contracts - Sugar #11 – Commodities Exchange				
. Sale commitment	152,001	20.75	202,338	14,413
. Purchase commitment	186,597	18.46	220,978	14,040
Merchandise futures contracts - Ethanol				
. Purchase commitment	2,010	1,960.90	31,768	-
Merchandise forward contracts - Sugar #11				
. Sale commitment	16,511	19.63	20,793	338
Non-Deliverable Forward (NDF) – Dollar - OTC				
. Sale commitment	301,793	3.6058	1,088,205	62,590
Merchandise options contracts - Sugar #11 – Commodities Exchange				
. Bidding position in call options	5,080	19.75	6,436	383
. Bidding position in put options	87,634	18.26	102,657	9,012
Swap contracts – interest - OTC				3,015
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN CURRENT ASSETS				127,790
In noncurrent assets - Gain				
Non-Deliverable Forward (NDF) – Dollar - OTC				
. Sale commitment	10,024	3.7025	37,114	1,230
Swap contracts - interest - OTC				14,546
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN NONCURRENT ASSETS				15,776

In thousands of reais, except when indicated otherwise

Company and Consolidated	December 31, 2016			
	Contracted amount/volume	Average price/rate	Notional value - R$	Fair value - R$
In current liabilities - Loss				
Merchandise futures contracts - Sugar #11 – Commodities Exchange				
. Sale commitment	170,188	16.79	183,313	30,133
. Purchase commitment	119,132	22.31	170,507	23,957
Merchandise forward contracts - Sugar #11				
. Sale commitment	169,477	18.33	199,291	8,612
Non-Deliverable Forward (NDF) - Dollar - OTC				
. Sale commitment	19,721	3.3237	65,547	455
. Purchase commitment	425	3.4485	1,466	8
Merchandise options contracts - Sugar #11 – Commodities Exchange				
. Written position in call options	92,562	19.74	117,218	12,133
Swap contracts – interest - OTC				75,766
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN CURRENT LIABILITIES				151,064
In noncurrent liabilities - Loss				
Merchandise futures contracts - Sugar #11 – Commodities Exchange				
. Sale commitment	27,992	18.0600	32,431	1,054
Swap contracts – interest - OTC				11,163
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN NONCURRENT LIABILITIES				12,217

In thousands of reais, except when indicated otherwise

Company and Consolidated	March 31, 2016 Contracted amount/volume	Average price/rate	Notional value - R$	Fair value - R$
In current assets - Gain				
Margin deposit				72,395
Merchandise futures contracts - Sugar #11 – Commodities Exchange				
. Sale commitment	36,171	16.06	45,593	1,979
. Purchase commitment	366,489	14.56	418,731	24,520
Merchandise forward contracts - Sugar #11				
. Sale commitment	45,722	16.17	58,024	1,512
Non-Deliverable Forward (NDF) - Dollar - OTC				
. Sale commitment	88,550	4.1422	366,797	31,162
Merchandise options contracts - Sugar #11 – Commodities Exchange				
. Bidding position in call options	76,204	14.25	85,199	9,034
. Bidding position in put options	200,669	12.84	202,135	2,391
Swap contracts – interest - OTC				2,708
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN CURRENT ASSETS				145,701
In noncurrent assets - Gain				
Swap contracts - interest - OTC				43,243
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN NONCURRENT ASSETS				43,243

Company and Consolidated	March 31, 2016 Contracted amount/volume	Average price/rate	Notional value - R$	Fair value - R$
In current liabilities - Loss				
Merchandise futures contracts - Sugar #11 – Commodities Exchange				
. Sale commitment	569,495	13.46	601,696	91,706
. Purchase commitment	134,068	16.01	168,399	6,089
Non-Deliverable Forward (NDF) - Dollar - OTC				
. Sale commitment	14,080	3.7822	53,254	805
Merchandise options contracts - Sugar #11 - Commodities Exchange				
. Written position in call options	259,549	14.15	288,049	36,905
. Written position in put options	15,241	13.00	15,545	12
Swap contracts - interest - OTC				61,147
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN CURRENT LIABILITIES				196,664
In noncurrent liabilities - Loss				
Swap contracts – interest - OTC				65,625
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN NONCURRENT LIABILITIES				65,625

In thousands of reais, except when indicated otherwise

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

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

(f) Estimated realization

At December 31, 2016, impacts reported in the Company's equity and estimated realization in P&L are as follows:

Company and Consolidated	2016/2017 Crop	2017/2018 Crop	2018/2019 Crop	2019/2020 Crop	2020/2021 Crop	TOTAL
Derivative financial instruments:						
Commodity derivatives - Futures, options and forward contracts	(7,503)	(24,961)	(1,054)	-	-	(33,518)
Foreign exchange derivatives - Options / NDF	12,250	32,862	-	-	-	45,112
Exchange gains (losses) on borrowing agreements (Trade Finance)	(2,852)	(136,550)	(68,488)	(40,908)	6,890	(241,908)
Swap contracts	-	(30,536)	-	-	-	(30,536)
	1,895	(159,185)	(69,542)	(40,908)	6,890	(260,850)
Deferred taxes on the items above	(644)	54,123	23,644	13,909	(2,341)	88,691
	1,251	(105,062)	(45,898)	(26,999)	4,549	(172,159)

22.2 Credit risk

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

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

In thousands of reais, except when indicated otherwise

22.3 Liquidity risk

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

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

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

Company	Within 1 year	From 1 to 2 years	From 2 to 5 years	Above 5 years	Total
At December 31, 2016					
Loans and financing	907,865	1,004,172	1,394,322	126,417	3,432,776
Derivative financial instruments	151,064	12,217	-	-	163,281
Trade accounts payable	207,027	-	-	-	207,027
Acquisition of equity interest	12,030	23,240	34,860	3,650	73,780
Other liabilities	31,225	-	-	12,737	43,962
	1,309,211	1,039,629	1,429,182	142,804	3,920,826
At March 31, 2016					
Loans and financing	667,015	1,028,493	1,639,133	152,556	3,487,197
Derivative financial instruments	196,664	65,625	-	-	262,289
Trade accounts payable	119,128	-	-	-	119,128
Acquisition of equity interest	17,937	23,240	34,860	3,650	79,687
Other liabilities	17,252	-	-	9,993	27,245
	1,017,996	1,117,358	1,673,993	166,199	3,975,546

In thousands of reais, except when indicated otherwise

Consolidated	Within 1 year	From 1 to 2 years	From 2 to 5 years	Above 5 years	Total
At December 31, 2016					
Loans and financing	911,414	1,007,670	1,403,229	127,907	3,450,220
Derivative financial instruments	151,064	12,217	-	-	163,281
Trade accounts payable	185,882	-	-	-	185,882
Acquisition of equity interest	12,030	23,240	34,860	3,650	73,780
Other liabilities	32,338	289	-	12,737	45,364
	1,292,728	1,043,416	1,438,089	144,294	3,918,527
At March 31, 2016					
Loans and financing	670,559	1,031,979	1,649,591	155,058	3,507,187
Derivative financial instruments	196,664	-	-	-	196,664
Trade accounts payable	113,907	-	-	-	113,907
Acquisition of equity interest	17,937	23,240	34,860	3,650	79,687
Other liabilities	26,591	-	-	10,179	36,770
	1,025,658	1,055,219	1,684,451	168,887	3,934,215

22.4 Capital management

The Group objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain an optimal target capital structure to reduce the cost of capital. In order to maintain or adjust its capital structure, the Group, under the Brazilian Corporation Law, may revise the policy for payment of dividends, return capital to shareholders, issue new shares, or sell assets to reduce its indebtedness, for example.

23. Financial instrument classification and fair value

23.1 Classification

Financial assets and liabilities are classified as follows:

In thousands of reais, except when indicated otherwise

			Company
	Classification	December 31, 2016	March 31, 2016
Financial assets			
Cash and cash equivalents	Loans and receivables	228,730	266,343
Short-term investments	Fair value through profit or loss	469,324	641,728
Trade accounts receivable	Loans and receivables	176,949	76,706
Derivative financial instruments	Fair value through profit or loss	143,566	188,944
Transactions with related parties	Loans and receivables	2,867	2,996
Other assets, except for prepayments	Loans and receivables	4,902	4,517
		1,026,338	1,181,234
Financial Liabilities			
Loans and financing	Liabilities at amortized cost	3,432,776	3,487,197
Derivative financial instruments	Fair value through profit or loss	163,281	262,289
Trade accounts payable	Other financial liabilities	207,027	119,128
Acquisition of ownership interests	Other financial liabilities	73,780	79,687
Other liabilities	Other financial liabilities	43,962	27,245
		3,920,826	3,975,546

			Consolidated
	Classification	December 31, 2016	March 31, 2016
Financial assets			
Cash and cash equivalents	Loans and receivables	230,412	266,659
Short-term investments	Fair value through profit or loss	488,807	711,910
Trade accounts receivable	Loans and receivables	234,827	108,274
Derivative financial instruments	Fair value through profit or loss	143,566	188,944
Other assets, except for prepayments	Loans and receivables	4,932	4,515
		1,102,544	1,280,302
Financial Liabilities			
Loans and financing	Liabilities at amortized cost	3,450,220	3,507,187
Derivative financial instruments	Fair value through profit or loss	163,281	262,289
Trade accounts payable	Other financial liabilities	185,882	113,907
Acquisition of ownership interests	Other financial liabilities	73,780	79,687
Other liabilities	Other financial liabilities	45,364	36,770
		3,918,527	3,999,840

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

In thousands of reais, except when indicated otherwise

23.2 Fair value

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

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

For the period ended December 31, 2016, there is no reclassification of assets and liabilities at fair value from or to Level 1, 2 or 3.

	December 31, 2016			March 31, 2016		
As per balance sheet	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Short-term investments	-	488,807	-	-	711,910	-
Margin deposit	-	23,999	-	-	72,395	-
Derivative financial instruments	37,848	81,719	-	37,924	78,625	-
Biological assets	-	-	433,531	-	-	470,241
	37,848	594,525	433,531	37,924	862,930	470,241
Liabilities - Derivative financial instruments	67,277	96,004	-	134,712	127,577	-

Futures and Options in the ICE

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

Foreign exchange options

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

Forward contracts

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

Other financial assets and liabilities

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

24. Segment reporting (consolidated)

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

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

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

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

In thousands of reais, except when indicated otherwise

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

Consolidated P&L by segment

	Sugar	Ethanol	Electricity	Real estate ventures	Other products	Not by segment	Total
December 31, 2016							
Net revenue	1,016,593	598,120	91,595	20,969	45,365	(8,800)	1,763,842
Cost of sales	(717,300)	(500,138)	(22,716)	(3,374)	(29,898)	(11,035)	(1,284,461)
Change in market value of biological asset	(3,275)	(1,251)	-	-	-	(3,284)	(7,810)
Gross profit	296,018	96,731	68,879	17,595	15,467	(23,119)	471,571
Gross margin	29.12%	16.17%	75.20%	83.91%	34.09%	-	26.74%
Selling expenses	(62,896)	(9,049)	(1,990)	-	(96)	-	(74,031)
Other operating expenses	-	-	-	-	-	(36,564)	(36,564)
Operating income/(loss)	233,122	87,682	66,889	17,595	15,371	(59,683)	360,976
Operating margin	22.93%	14.66%	73.03%	83.91%	33.88%	-	20.47%
Other income and expenses not by segment	-	-	-	-	-	(196,550)	(196,550)
Net income for the period	-	-	-	-	-	-	164,426

	Sugar	Ethanol	Electricity	Real estate ventures	Other products	Not by segment	Total
December 31, 2015 (Restated)							
Net revenue	776,884	671,391	144,891	22,877	42,877	(9,389)	1,649,531
Cost of sales	(594,737)	(499,993)	(47,751)	-	(35,314)	(11,384)	(1,189,179)
Change in market value of biological asset	(21,042)	(10,444)	-	-	-	43,763	12,277
Gross profit	161,105	160,954	97,140	22,877	7,563	22,990	472,629
Gross margin	20.74%	23.97%	67.04%	100.00%	17.64%	-	28.65%
Selling expenses	(50,592)	(18,614)	(1,605)	-	(68)	-	(70,879)
Other operating expenses	-	-	-	-	-	(54,572)	(54,572)
Operating income	110,513	142,340	95,535	22,877	7,495	(31,582)	347,178
Operating margin	14.23%	21.20%	65.94%	100.00%	17.48%	-	21.05%
Other income and expenses not by segment	-	-	-	-	-	(212,348)	(212,348)
Net income for the period	-	-	-	-	-	-	134,830

In thousands of reais, except when indicated otherwise

Consolidated operating assets by segment

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

						December 31, 2016
	Sugar	Ethanol	Electricity	Real estate ventures	Not by segment	Total
Trade accounts receivable	132,825	23,576	28,635	41,695	8,096	234,827
Inventories	442,524	296,961	-	6,396	15,198	761,079
Biological assets	282,974	150,557	-	-	-	433,531
Property, plant and equipment	2,514,567	1,337,880	107,608	-	12,523	3,972,578
Intangible assets	234,333	163,573	75,839	-	-	473,745
Total assets allocated	3,607,223	1,972,547	212,082	48,091	35,817	5,875,760
Other unallocated assets	-	-	-	-	1,833,433	1,833,433
Total	3,607,223	1,972,547	212,082	48,091	1,869,250	7,709,193

						March 31, 2016 (restated)
	Sugar	Ethanol	Electricity	Real estate ventures	Not by segment	Total
Trade accounts receivable	45,796	15,178	5,798	26,911	14,591	108,274
Inventories	151,887	118,600	-	6,622	14,450	291,559
Biological assets	282,710	187,531	-	-	-	470,241
Property, plant and equipment	2,338,079	1,548,967	106,482	-	10,941	4,004,469
Intangible assets	235,399	164,982	89,176	-	-	489,557
Total assets allocated	3,053,871	2,035,258	201,456	33,533	39,982	5,364,100
Other unallocated assets	-	-	-	-	2,016,792	2,016,792
Total	3,053,871	2,035,258	201,456	33,533	2,056,774	7,380,892

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

25. Revenues

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

(i) Sales of products and services

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

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

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

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

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

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

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

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

In thousands of reais, except when indicated otherwise

	Company				Consolidated			
	December 31, 2016		December 31, 2015		December 31, 2016		December 31, 2015	
	Quarter	Nine-month period	Quarter	Nine-month period	Quarter	Nine-month period	Quarter	Nine-month period
Gross sales revenue								
Domestic market	299,040	774,929	316,813	660,960	320,381	867,599	351,606	800,572
Foreign market	375,780	1,153,655	398,604	950,899	375,780	1,153,655	398,604	950,899
Gain/loss on derivatives	(65,311)	(180,994)	(21,776)	(31,671)	(65,311)	(180,994)	(21,776)	(31,671)
	609,509	1,747,590	693,641	1,580,188	630,850	1,840,260	728,434	1,719,800
Amortization of electric power supply agreement (i)	-	-	-	-	(1,193)	(8,802)	(2,410)	(9,389)
	609,509	1,747,590	693,641	1,580,188	629,657	1,831,458	726,024	1,710,411
Taxes, contributions and deductions on sales	(22,715)	(61,040)	(29,357)	(53,689)	(24,235)	(67,616)	(31,337)	(60,880)
	586,794	1,686,550	664,284	1,526,499	605,422	1,763,842	694,687	1,649,531

(i) Amortization of Bio's agreements for electricity supply, described in Note 13.

26. Costs and expenses by nature

Reconciliation of expenses by nature is as follows:

	Company				Consolidated			
	December 31, 2016		December 31, 2015		December 31, 2016		December 31, 2015	
	Quarter	Nine-month period	Quarter	Nine-month period	Quarter	Nine-month period	Quarter	Nine-month period
			Restated	Restated			Restated	Restated
Raw material and consumer and in-use materials	197,790	562,180	205,347	479,769	184,027	523,446	190,422	448,706
Personnel expenses	81,936	251,781	98,898	243,307	81,557	252,987	99,604	245,444
Depreciation and amortization (including biological assets harvested)	150,821	425,798	176,497	407,765	151,634	428,783	177,347	410,936
Third-party services	30,805	97,688	40,973	94,134	31,311	98,535	40,982	93,768
Maintenance services and parts	20,689	63,760	26,921	61,272	20,753	64,014	26,970	61,445
Litigation	2,100	3,293	2,316	6,477	2,107	3,301	2,316	6,473
Change in fair value of biological assets	17,049	7,809	(9,698)	(12,277)	17,049	7,809	(9,698)	(12,277)
Materials for resale	19,886	52,919	24,603	43,768	21,745	59,288	25,392	46,447
Cost of land sold	-	-	-		132	3,374	3,092	6,581
Other expenses	3,633	37,485	11,666	39,642	5,721	41,473	11,667	39,646
	524,709	1,502,713	577,523	1,363,857	516,036	1,483,010	568,094	1,347,169
Classified as:								
Cost of sales	469,738	1,320,668	514,420	1,198,760	458,842	1,292,271	503,329	1,176,902
Selling expenses	19,001	72,378	30,797	69,581	19,851	74,031	31,260	70,879
General and administrative expenses	35,970	109,667	32,306	95,516	37,343	116,708	33,505	99,388
	524,709	1,502,713	577,523	1,363,857	516,036	1,483,010	568,094	1,347,169

In thousands of reais, except when indicated otherwise

27. Financial income (expenses)

	Company				Consolidated			
	December 31, 2016		December 31, 2015		December 31, 2016		December 31, 2015	
	Quarter	Nine-month period	Quarter	Nine-month period	Quarter	Nine-month period	Quarter	Nine-month period
Financial income								
Interest income	26,846	79,366	18,038	63,496	29,009	88,385	20,939	73,132
Bank surety commission	393	1,597	577	2,616	393	1,597	577	2,616
PIS/COFINS on financial income	(5,131)	(7,700)	(883)	(1,685)	(5,137)	(7,779)	(931)	(1,800)
Other revenue	298	2,214	549	1,040	410	4,422	1,944	5,348
	22,406	75,477	18,281	65,467	24,675	86,625	22,529	79,296
Financial expenses								
Present value adjustment	(514)	(2,385)	(547)	(2,459)	(514)	(2,385)	(547)	(2,459)
Interest on loans and financing	(61,631)	(164,323)	(47,932)	(150,315)	(61,956)	(165,339)	(48,305)	(151,443)
Interest on payment in installment - Copersucar	(3,852)	(12,248)	(3,541)	(7,852)	(3,852)	(12,248)	(3,541)	(7,852)
Interest paid and accrued	(12,170)	(34,697)	(13,979)	(36,491)	(12,218)	(34,748)	(13,979)	(37,020)
Bank surety commission	(910)	(1,656)	(1,331)	1,556	(910)	(1,656)	(1,331)	1,556
ICMS - Copersucar	(1,528)	(4,389)	-	-	(1,528)	(4,389)	-	-
Monetary restatement of contingencies	(1,268)	(8,184)	(7,814)	(9,635)	(1,268)	(8,183)	(7,814)	(9,636)
Other expenses	(1,527)	(4,457)	(1,013)	(3,394)	(1,528)	(4,564)	(1,017)	(3,401)
	(83,400)	(232,339)	(76,157)	(208,590)	(83,774)	(233,512)	(76,534)	(210,255)
Monetary and exchange gains (losses), net								
Cash and cash equivalents	(3,210)	(14,744)	(9,732)	63,072	(3,210)	(14,744)	(9,732)	63,072
Customers and suppliers	1,562	(3,733)	(3,524)	7,813	1,562	(3,733)	(3,524)	7,813
Loans and financing	(5,278)	17,298	14,122	(166,388)	(5,278)	17,298	14,121	(166,388)
	(6,926)	(1,179)	866	(95,503)	(6,926)	(1,179)	865	(95,503)
Derivatives - not designated for hedge accounting								
Gain (loss) on sugarcane transactions	2,289	4,531	(22,177)	(38,408)	2,289	4,531	(22,177)	(38,408)
Gain (loss) on ethanol transactions	(41)	(41)	-	(6)	(41)	(41)	-	(6)
Income from foreign exchange transactions	5,872	22,441	5,819	(14,064)	5,872	22,441	5,819	(14,064)
Gain (loss) on swap	(6,812)	(59,780)	(3,460)	43,106	(6,812)	(59,780)	(3,460)	43,106
Cost of commodities exchange transactions	(562)	(2,074)	(557)	(1,517)	(562)	(2,074)	(557)	(1,517)
Foreign exchange gain (loss), net	310	(9,603)	(1,018)	4,870	310	(9,603)	(1,017)	4,870
	1,056	(44,526)	(21,393)	(6,019)	1,056	(44,526)	(21,392)	(6,019)
Financial income (expenses)	(66,864)	(202,567)	(78,403)	(244,645)	(64,969)	(192,592)	(74,532)	(232,481)

28. Earnings per share

	December 31, 2016		December 31, 2015	
	Quarter	Nine-month period	Quarter	Nine-month period
			Restated	Restated
Income for the period attributed to Company shareholders	55,844	164,426	79,175	134,830
Weighted average number of common shares for the period - in thousand	337,255	337,725	338,979	338,889
Basic earnings per share (in reais)	0.1656	0.4869	0.2336	0.3979

	December 31, 2016		December 31, 2015	
	Quarter	Nine-month period	Quarter	Nine-month period
			Restated	Restated
Income for the period used to determine diluted earnings per sha	55,844	164,426	79,175	134,830
Weighted average number of common shares for diluted earnings per share - in thousands (i)	338,331	338,497	339,468	339,498
Diluted earnings per share (in Reais)	0.1651	0.4858	0.2332	0.3971

(i) Weighted average includes potentially dilutive call options.

The weighted average amounts of the common shares used in calculating basic and diluted earnings per share for the quarter and nine-month period ended December 31, 2015 were adjusted to reflect the share split that occurred on December 9, 2016, as mentioned in note 17 (a).

29. Insurance coverage

The Group maintains a standard safety, training and quality program in its units, which aims, among other things, to reduce the risk of accidents. Furthermore, it maintains insurance contracts at amounts considered sufficient to cover significant losses, if any, on its assets and liabilities. Insured amounts at December 31, 2016 are as follows:

Company and Consolidated Covered perils	Maximum coverage (i)
Civil liability	2,176,385
Loss of profits	2,346,000
Fire, lightning and explosion of any nature	1,515,000
Other insurance coverage	1,830,002
Electric damages	1,229,967
Theft or larceny	266,933
Natural phenomena, vehicle or aircraft crash, etc.	144,000

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

In thousands of reais, except when indicated otherwise

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

30. Acquisition and divestiture - payables and receivables

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

	Payables					Receivables				
	Balance at March 31, 2016	Monetary restatement	Amortization (principal)	Amortization (interest)	Balance at December 31, 2016	Balance at March 31, 2016	Monetary restatement	Amortization (interest)	Balance at December 31, 2016	Net balance
Santa Cruz – acquisition of equity interest - 56.05%	(251,124)	(24,865)	-	24,914	(251,075)	-	-	-	-	(251,075)
Agro Pecuária Boa Vista - divestiture	-	-	-	-	-	177,329	17,559	(17,593)	177,295	177,295
Total with related party LOP	(251,124)	(24,865)	-	24,914	(251,075)	177,329	17,559	(17,593)	177,295	(73,780)
Santa Cruz – 3.9%	(5,893)	(42)	5,935	-	-	-	-	-	-	-
	(257,017)	(24,907)	5,935	24,914	(251,075)	177,329	17,559	(17,593)	177,295	(73,780)
									Current Liabilities	(12,030)
									Noncurrent liabilities	(61,750)
										(73,780)

31. Subsequent events

On December 15, 2016, the Company and Pbio executed an agreement for merger of NF into the Company.

In view of this transaction, Pbio and other minority shareholders will proportionally receive new Company’s registered common shares with no par value to replace the NF shares. The Company will issue 24,023,708 shares, of which 24,000,000 will be allocated to PBIO and 23,708 to NF's minority shareholders.

On January 12, 2017, CADE approved, with no limitations, the merger of NF into the Company, according to decision published on the Federal Official Gazette (DOU) of said date.

On January 30, 2017, the Company's Board of Directors approved the merger of NF, which will be submitted for approval to the shareholders of the Company and NF, meeting at an extraordinary general meeting on February 23, 2017.

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