



Quarterly information (ITR)

September 30, 2016

with independent auditor's 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)**

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## **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 September 30, 2016, which comprise the balance sheet as of September 30, 2016, the related statements of operations and comprehensive income for the three and six-month periods then ended and changes in shareholders' equity and cash flows for the six-month period then ended, including explanatory notes.

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

### **Scope of review**

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

### **Conclusion of individual and consolidated interim financial information**

Based on our review, nothing has come to our attention that causes us to believe that the individual and consolidated interim accounting information included in the quarterly information referred to above is not fairly presented, in all material respects,

in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of the Quarterly Information (ITR), and presented consistently with the standards issued by the Brazilian Securities and Exchange Commission (CVM).

### **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 six month period ended September 30, 2016 and changes in shareholders' equity, cash flows and added value for the six-month period ended September 30, 2016, 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 six-month period ended September 30, 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, November 9, 2016.

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

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

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## Balance sheet at September 30 and March 31, 2016

(In thousands of reais)

ASSETS	Note	Company		Consolidated		LIABILITIES AND EQUITY	Note	Company		Consolidated	
		September 30, 2016	March 31, 2016	September 30, 2016	March 31, 2016			September 30, 2016	March 31, 2016	September 30, 2016	March 31, 2016
			(Restated)		(Restated)				(Restated)		(Restated)
CURRENT ASSETS						CURRENT LIABILITIES					
Cash and cash equivalents	5	197,543	266,343	212,833	266,659	Borrowings	14	922,446	667,015	925,990	670,559
Short-term Investments	5	527,894	641,236	571,848	706,487	Derivative financial instruments	22	191,758	196,664	191,758	196,664
Trade accounts receivable	6	81,375	76,706	108,331	86,419	Trade accounts payable	15	252,702	119,128	237,236	113,907
Derivative financial instruments	22	106,528	145,701	106,528	145,701	Payables to Copersucar	16	10,623	21,875	10,623	21,875
Inventories and advances to suppliers	7	791,231	222,629	777,847	229,250	Payroll and related charges		111,260	97,584	111,616	98,231
Biological assets	11	398,803	470,241	398,803	470,241	Taxes payable		12,722	12,049	16,883	15,570
Taxes recoverable	8	68,162	57,634	68,994	58,423	Income and social contribution taxes	19	-	-	6,192	916
Income and social contribution taxes		123,674	113,757	123,674	113,758	Dividends payable	17	1	53,164	1	53,164
Other assets		13,873	15,339	13,879	15,548	Advances from customers		9,889	1,206	9,981	1,298
TOTAL CURRENT ASSETS		2,309,083	2,009,586	2,382,737	2,092,486	Acquisition of equity interest	9 and 30	12,045	17,937	12,045	17,937
NONCURRENT LIABILITIES						Other liabilities		16,907	17,252	18,016	26,591
Short-term investments	5	516	492	5,735	5,423	TOTAL CURRENT LIABILITIES		1,540,353	1,203,874	1,540,341	1,216,712
Inventories and advances to suppliers	7	48,844	62,309	48,844	62,309	NONCURRENT LIABILITIES					
Related parties	9	2,601	2,996	2,600	1,000	Borrowings	14	2,482,139	2,820,182	2,496,886	2,836,628
Derivative financial instruments	22	17,858	43,243	17,858	43,243	Derivative financial instruments	22	12,297	65,625	12,297	65,625
Trade accounts receivable	6	-	-	26,610	21,855	Payables to Copersucar	16	237,970	237,166	237,970	237,166
Receivables from Copersucar		9,488	6,324	9,488	6,324	Tax payment in installments		14,924	15,419	14,924	15,419
Taxes recoverable	8	119,280	110,158	119,280	110,195	Deferred income and social contribution taxes	19	253,566	192,538	287,714	230,173
Judicial deposits	21	26,763	27,570	30,164	30,300	Provision for contingencies	21	61,107	58,295	64,127	60,643
Other assets		439	498	439	498	Acquisition of equity interest	9 and 30	61,750	61,750	61,750	61,750
		225,789	253,590	261,018	281,147	Other liabilities		11,472	9,993	11,757	10,179
						TOTAL NONCURRENT LIABILITIES		3,135,225	3,460,968	3,187,425	3,517,583
						EQUITY					
Investments	10	2,372,182	2,329,787	561,053	513,233	Capital	17	1,064,972	931,340	1,064,972	931,340
Property, plant and equipment	12	2,230,521	2,321,124	3,904,279	4,004,469	Capital reserve		10,237	10,531	10,237	10,531
Intangible assets	13	395,699	397,352	476,375	489,557	Treasury shares		(41,202)	(26,613)	(41,202)	(26,613)
		4,998,402	5,048,263	4,941,707	5,007,259	Stock options granted		6,555	4,753	6,555	4,753
						Equity adjustments		1,406,280	1,295,698	1,406,280	1,295,698
TOTAL NONCURRENT ASSETS		5,224,191	5,301,853	5,202,725	5,288,406	Income reserves		296,804	432,656	296,804	432,656
						Retained earnings (accumulated losses)		114,050	(1,768)	114,050	(1,768)
						TOTAL EQUITY		2,857,696	2,646,597	2,857,696	2,646,597
TOTAL ASSETS		7,533,274	7,311,439	7,585,462	7,380,892	TOTAL LIABILITIES AND EQUITY		7,533,274	7,311,439	7,585,462	7,380,892

See accompanying notes.

**Income statement**
**Periods ended September 30, 2016 and 2015**

(In thousands of reais, unless otherwise stated)

Company					
	Note	September 30, 2016		September 30, 2015	
		Quarter	Six-month period	Quarter	Six-month period
Revenues	25	567,916	1,099,756	(Restated) 545,342	(Restated) 862,215
Cost of sales	26	(443,688)	(850,930)	(410,373)	(684,340)
Gross profit		124,228	248,826	134,969	177,875
Operating income (expenses)					
Selling expenses	26	(27,725)	(53,377)	(26,287)	(38,784)
General and administrative expenses	26	(36,266)	(73,697)	(35,070)	(63,210)
Equity pickup	10	66,455	118,125	42,661	111,218
Other revenues, net		1,802	2,440	2,613	3,756
		4,266	(6,509)	(16,083)	12,980
Operating income		128,494	242,317	118,886	190,855
Financial income (expenses), net	27				
Financial income		25,041	53,071	18,904	47,186
Financial expenses		(79,393)	(148,939)	(64,978)	(132,433)
Monetary and exchange gains (losses), net		(4,984)	5,747	(102,599)	(96,369)
Derivatives		1,008	(45,582)	42,546	15,374
		(58,328)	(135,703)	(106,127)	(166,242)
Income before income and social contribution taxes		70,166	106,614	12,759	24,613
Income and social contribution taxes	19(b)				
Current		-	-	2,015	12,383
Deferred		(1,253)	1,968	9,433	18,659
Net Income for the period		68,913	108,582	24,207	55,655
Earnings per share (in reais)	28	0.6125	0.9646	0.2142	0.4927
Diluted earnings per share (in reais)	28	0.6109	0.9619	0.2139	0.4918

See accompanying notes.

**Income statement**
**Periods ended September 30, 2016 and 2015**

(In thousands of reais, unless otherwise stated)

Consolidated					
	Note	September 30, 2016		September 30, 2015	
		Quarter	Six-month period	Quarter	Six-month period
Revenues	25	603,674	1,158,420	(Restated) 587,664	(Restated) 954,844
Cost of sales	26	(435,662)	(833,429)	(404,491)	(673,573)
Gross profit		168,012	324,991	183,173	281,271
Operating income (expenses)					
Selling expenses	26	(28,024)	(54,180)	(26,756)	(39,619)
General and administrative expenses	26	(41,010)	(79,365)	(36,561)	(65,883)
Equity pickup	10	27,097	46,339	(2,600)	9,693
Other revenues, net		2,070	2,659	2,777	3,926
		(39,867)	(84,547)	(63,140)	(91,883)
Operating income		128,145	240,444	120,033	189,388
Financial income (expenses), net	27				
Financial income		29,102	61,950	23,577	56,767
Financial expenses		(79,734)	(149,739)	(65,442)	(133,721)
Monetary and exchange gains (losses), net		(4,984)	5,747	(102,598)	(96,368)
Derivatives		1,009	(45,581)	42,545	15,373
		(54,607)	(127,623)	(101,918)	(157,949)
Income before income and social contribution taxes		73,538	112,821	18,115	31,439
Income and social contribution taxes	19(b)				
Current		(2,954)	(5,580)	(399)	7,886
Deferred		(1,671)	1,341	6,491	16,330
Net income for the period		68,913	108,582	24,207	55,655
Earnings per share (in reais)	28	0.6125	0.9646	0.2142	0.4927
Diluted earnings per share (in reais)	28	0.6109	0.9619	0.2139	0.4918

See accompanying notes.

**Statement of comprehensive income**  
**Periods ended September 30, 2016 and 2015**  
(In thousands of reais)

Company and consolidated	September 30, 2016		September 30, 2015	
	Quarter	Six-month period	Quarter (Restated)	Six-month period (Restated)
Net income for the period	68,913	108,582	24,207	55,655
Items that will be subsequently reclassified to P&L				
Changes for the period:				
Changes in fair value				
Commodity derivatives - Futures, options and forwards	(65,605)	(170,601)	83,782	85,427
Foreign exchange derivatives - Options/ NDFs	8,338	78,070	(192,293)	(159,599)
Exchange gains (losses) on borrowing agreements (Trade Finance)	(13,652)	156,613	(347,511)	(293,114)
Swap contracts	-	11	82	389
	(70,919)	64,093	(455,940)	(366,897)
Recognition in operating income				
Commodity derivatives - Futures, options and forwards	52,501	74,625	(75,061)	(102,608)
Foreign exchange derivatives - Options/ NDFs	(43,733)	(74,202)	60,906	71,050
Exchange gains (losses) on borrowing agreements (Trade Finance)	50,861	115,156	20,224	41,452
Swap contracts	104	104	-	-
	59,733	115,683	6,069	9,894
Write-off due to ineffectiveness				
Commodity derivatives - Futures, options and forwards	803	1,623	(5,598)	(4,704)
Foreign exchange derivatives - Options/ NDFs	-	(585)	18,655	21,347
Exchange gains (losses) on borrowing agreements (Trade Finance)	-	-	639	10,342
	803	1,038	13,696	26,985
Total changes for the period				
Commodity derivatives - Futures, options and forwards	(12,301)	(94,353)	3,123	(21,885)
Foreign exchange derivatives - Options/ NDFs	(35,395)	3,283	(112,732)	(67,202)
Exchange gains (losses) on borrowing agreements (Trade Finance)	37,209	271,769	(326,648)	(241,320)
Swap contracts	104	115	82	389
Deferred taxes on the items above	3,532	(61,475)	148,300	112,206
	(6,851)	119,339	(287,875)	(217,812)
Comprehensive income for the quarter	62,062	227,921	(263,668)	(162,157)

See accompanying notes.

**Statement of changes in equity**  
**Periods ended September 30, 2016 and 2015**  
(In thousands of reais)

					Equity adjustments									
					Deemed cost			Income reserve						
Note	Capital	Capital reserve	Treasury shares	Options granted	Own	Of investees		Legal	Capital reserve	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)	-	-	-	-	(7,362)	(3,806)	-	-	-	-	-	11,168	-
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)	-	-	-	-	-	-	(217,812)	-	-	-	-	-	(217,812)
Stock options granted	17 (f)	-	-	-	1,731	-	-	-	-	-	-	-	-	1,731
Stock options exercised	17 (f)	-	-	1,487	(522)	-	-	-	-	-	-	-	765	1,730
Net income for the period		-	-	-	-	-	-	-	-	-	-	-	55,655	55,655
At September 30, 2015 (restated)	17	931,340	9,119	(5,888)	6,288	223,818	1,477,595	(530,620)	46,230	133,636	92,348	-	53,206	2,437,072
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)	-	-	-	-	(6,548)	(688)	-	-	-	-	-	7,236	-
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)	-	-	-	-	-	-	119,339	-	-	-	-	-	119,339
Acquisition of shares issued by the Company itself	17 (b)	-	-	(15,577)	-	-	-	-	-	-	-	-	-	(15,577)
Stock options granted	17 (f)	-	-	-	1,977	-	-	-	-	-	-	-	-	1,977
Stock options exercised	17 (f)	-	(294)	988	(175)	-	-	-	-	-	-	-	-	519
Net income for the period		-	-	-	-	-	-	-	-	-	-	-	108,582	108,582
At September 30, 2016	17	1,064,972	10,237	(41,202)	6,555	206,324	1,478,225	(278,269)	55,947	110,633	85,338	44,886	114,050	2,857,696

See accompanying notes.

## Cash flow statement

Periods ended September 30, 2016 and 2015

(In thousands of reais)

	Notas	Company		Consolidated	
		September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
		(Restated)		(Restated)	
Cash flow from operating activities					
Net income for the period		108,582	55,655	108,582	55,655
Adjustments					
Depreciation and amortization	26	98,323	88,591	100,494	90,912
Harvested biological assets (depreciation)	26	176,654	142,677	176,654	142,677
Change in fair value of biological assets	11	(9,240)	(2,579)	(9,240)	(2,579)
Amortization of intangible assets		794	548	8,403	7,526
Equity pickup	10	(118,125)	(111,218)	(46,339)	(9,693)
Gain (loss) on investment and PP&E disposed of	12	(14)	1,993	(14)	1,993
Interest, monetary and exchange gains (losses), net		80,461	258,406	74,071	256,642
Derivative financial instruments		161,264	35,492	161,264	35,492
Setup of provision for contingencies, net	21.1	1,193	4,613	1,865	5,342
Income and social contribution taxes	19 (b)	(1,968)	(18,659)	4,239	(16,330)
Present value adjustment and other		3,577	3,369	2,390	2,281
		501,501	458,888	582,369	569,918
Changes in assets and liabilities					
Trade accounts receivable		(16,423)	(32,365)	(35,320)	(59,507)
Inventories		(346,065)	(378,915)	(322,842)	(361,258)
Taxes recoverable		(24,943)	(51,228)	(24,949)	(50,681)
Derivative financial instruments		(124,210)	77,622	(124,210)	77,622
Short-term Investments		-	-	(56)	920
Other assets		3,525	(9,732)	3,061	(9,170)
Trade accounts payable		133,167	84,140	122,922	79,890
Salaries and social charges		13,676	20,305	13,385	20,251
Taxes payable		142	(2,770)	2,220	(206)
Payables to Copersucar		(16,918)	(19,779)	(16,918)	(19,779)
Taxes paid in installments		(686)	(821)	(686)	(821)
Provision for contingencies - settlements	21.1	(5,296)	(10,019)	(5,296)	(10,019)
Other liabilities		8,338	1,522	206	760
Cash from operating activities		125,808	136,848	193,886	237,920
Payment of interest on loans and financing	14	(101,424)	(102,066)	(102,069)	(102,814)
Income and social contribution taxes paid		-	-	(1,893)	(785)
Net cash from operating activities		24,384	34,782	89,924	134,321
Cash flow from investing activities					
Investment of funds	31	(10,888)	(10,856)	(10,888)	(10,856)
Additions to PPE and intangible assets		(67,693)	(63,675)	(68,022)	(63,864)
Additions to PPE (planting and cultivation)	11	(240,495)	(210,212)	(240,495)	(210,212)
Short-term investments	5	138,367	(173,565)	164,645	(222,251)
Proceeds from sale of property, plant and equipment	12	594	1,422	543	11,111
Future capital contribution		(1,600)	(10)	(1,600)	-
Dividends received		74,719	37,192	-	-
Net cash used in investing activities		(106,996)	(419,704)	(155,817)	(496,072)
Cash flow from financing activities					
Financing taken out from third parties	14	645,810	581,540	645,810	581,540
Financing repayment - third parties	14	(561,555)	(579,006)	(563,300)	(580,745)
Purchase of treasury shares	17 (b)	(15,577)	-	(15,577)	-
Disposal of treasury shares	17 (f)	518	1,730	518	1,730
Dividends paid		(55,384)	(67,938)	(55,384)	(67,938)
Net cash provided by (used in) financing activities		13,812	(63,674)	12,067	(65,413)
Net decrease in cash and cash equivalents		(68,800)	(448,596)	(53,826)	(427,164)
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	197,543	541,094	212,833	592,948
Additional information					
Balances in short-term investments	5	527,894	173,565	571,848	222,251
Total funds available	5	725,437	714,659	784,681	815,199

See accompanying notes

**Statement of value added**
**Periods ended September 30, 2016 and 2015**

(In thousands of reais)

	Company		Consolidated	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	(Restated)		(Restated)	
Revenues				
Gross sales of goods and products	1,137,318	885,104	1,186,448	976,250
Revenue related to construction of own assets	229,260	229,239	229,260	229,239
Other Revenues	3,302	1,278	3,602	1,449
	1,369,880	1,115,621	1,419,310	1,206,938
Bought-in inputs				
Cost of sales	(476,947)	(393,987)	(435,393)	(367,339)
Materials, energy, third-party services and other operating expenses	(209,194)	(158,726)	(220,382)	(169,221)
	(686,141)	(552,713)	(655,775)	(536,560)
Gross value added	683,739	562,908	763,535	670,378
Depreciation and amortization	(98,323)	(88,591)	(100,494)	(90,912)
Harvested biological assets (depreciation)	(176,654)	(142,677)	(176,654)	(142,677)
Net value added produced by the Company	408,762	331,640	486,387	436,789
Value added received in transfer				
Equity pickup	118,125	111,218	46,339	9,693
Financial income	421,060	476,470	429,939	486,051
Other	(398)	2,544	(480)	2,542
Total value added to be distributed	947,549	921,872	962,185	935,075
Payment of value added				
Personnel and charges				
Direct compensation	180,203	170,359	180,669	170,747
Benefits	47,695	43,585	47,788	43,671
Unemployment Compensation Fund (FGTS)	17,717	14,537	17,826	14,545
Management compensation	14,296	7,801	14,906	8,458
Taxes, charges and contributions				
Federal	22,854	(14,767)	35,275	(4,251)
State	763	466	880	621
Municipal	388	383	409	490
Creditors				
Interest	136,294	132,557	136,988	133,842
Leases	1,201	834	1,201	833
Exchange gains (losses)	298,060	358,872	298,060	358,872
Other	119,496	151,590	119,601	151,592
Retained profits for the period	108,582	55,655	108,582	55,655
Value added distributed	947,549	921,872	962,185	935,075

See accompanying notes.



## Notes to quarterly information

**September 30, 2016**

(In thousands of reais, unless otherwise stated)

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### 1. Operations

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

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

The Company is a subsidiary of the holding company LJM Participações S.A. (“LJM”), which holds controlling interest of 55.96% in its voting capital. In turn, the owners of LJM are the following family holding companies: Luiz Ometto Participações S.A., João Ometto Participações S.A. and Nelson Ometto Participações Ltda.

Issue of this quarterly information was approved by the Company’s Board of Directors on November 9, 2016.

## **2. Summary of significant accounting practices**

### **2.1 Statement of compliance and basis of preparation**

Company's interim financial information comprises:

a) Individual and consolidated interim financial information

The Company's individual and consolidated interim financial information was prepared in accordance with accounting practices adopted in Brazil, which comprise the provisions of the Brazilian Corporation Law provided for in Law No. 6404/76, amended by Laws No. 11638/07 and No. 11941/09, and accounting pronouncements, interpretations and guidance issued by the Brazilian Financial Accounting Standards Board - FASB ("CPC"), approved by the Brazilian Securities and Exchange Commission ("CVM"), and also based on International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), implemented in Brazil by the Brazilian FASB ("CPC") and CPC accounting interpretations ("ICPC") and guidance ("OCPC") approved by the Brazilian SEC ("CVM").

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

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

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

## Notes to quarterly information

**September 30, 2016**

(In thousands of reais, unless otherwise stated)

### 2.2 Basis of consolidation and investments in subsidiaries

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

Consolidated balances in the interim financial information for the period ended September 30, 2016 includes the following subsidiaries:

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 Empreendimentos 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

**Notes to quarterly information****September 30, 2016**

(In thousands of reais, unless otherwise stated)

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

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

At September 30, 2016, the Company had the following jointly-controlled entities:

Company	Interest held in capital	Main activities
<b>Jointly-controlled subsidiaries - direct:</b>		
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.
<b>Jointly-controlled subsidiaries - indirect:</b>		
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 is presented in Brazilian reais, which is the currency of the economic environment in which the Company operates ("the functional currency").

**2.4 Foreign currency translation**

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

**2.5 Financial instruments****(i) Financial assets**

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

**a) Financial assets at fair value through profit or loss**

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

**b) Loans and receivables**

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

**c) Impairment of financial assets**

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

**(ii) Financial liabilities**

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

**(iii) Derivative financial instruments**

Derivatives are measured at fair value, with gains and losses recognized in P&L, unless hedge accounting is applied.

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

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

**2.6 Business combinations and goodwill**

Business combinations are accounted for under the acquisition method.

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

Goodwill corresponding to consolidated entities is recorded under specific “Goodwill” account in the consolidated balance sheet. Under the equity method, goodwill for consolidated entities is included in “Investments in affiliates”.

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

Acquisition costs incurred are accounted for as expenses.

**Notes to quarterly information****September 30, 2016**(In thousands of reais, unless otherwise stated)

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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 remeasured 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 adopted the amendments to IAS 41 and IAS 16, effective from April 1, 2016 and changed its base for determining the fair value of its 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.

**Notes to quarterly information****September 30, 2016**(In thousands of reais, unless otherwise stated)

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- 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 six-month period ended September 30, 2015 are as follows:

**Notes to quarterly information**
**September 30, 2016**

(In thousands of reais, unless otherwise stated)

Balance sheet at March 31, 2016			
Company	Disclosed	Impact from amendments to IAS 41 and IAS 16	(Restated)
<b>CURRENT ASSETS</b>			
Biological assets	-	470,241	470,241
Other current assets	1,539,345	-	1,539,345
<b>NONCURRENT ASSETS</b>			
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
<b>TOTAL ASSETS</b>	<b>7,315,808</b>	<b>(4,369)</b>	<b>7,311,439</b>
<b>CURRENT LIABILITIES</b>	<b>1,203,874</b>	<b>-</b>	<b>1,203,874</b>
<b>NONCURRENT LIABILITIES</b>			
Deferred income and social contribution taxes	195,139	(2,601)	192,538
Other noncurrent liabilities	3,268,430	-	3,268,430
<b>EQUITY</b>			
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)
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>7,315,808</b>	<b>(4,369)</b>	<b>7,311,439</b>

**Notes to quarterly information**
**September 30, 2016**

(In thousands of reais, unless otherwise stated)

Balance sheet at March 31, 2016			
Consolidated	Disclosed	Impact from amendments to IAS 41 and IAS 16	(Restated)
<b>CURRENT ASSETS</b>			
Biological assets	-	470,241	470,241
Other current assets	1,622,245	-	1,622,245
<b>NONCURRENT ASSETS</b>			
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
<b>TOTAL ASSETS</b>	<b>7,385,261</b>	<b>(4,369)</b>	<b>7,380,892</b>
<b>CURRENT LIABILITIES</b>	<b>1,216,712</b>	<b>-</b>	<b>1,216,712</b>
<b>NONCURRENT LIABILITIES</b>			
Deferred income and social contribution taxes	232,774	(2,601)	230,173
Other noncurrent liabilities	3,287,410	-	3,287,410
<b>EQUITY</b>			
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)
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>7,385,261</b>	<b>(4,369)</b>	<b>7,380,892</b>

**Notes to quarterly information**
**September 30, 2016**

(In thousands of reais, unless otherwise stated)

Income Statement for the six-month period ended September 30, 2015			
Company	Disclosed	Impact from amendments to IAS 41 and IAS 16	(Restated)
Revenues	862,215	-	862,215
Cost of sales	(694,378)	10,038	(684,340)
Gross profit	167,837	10,038	177,875
Operating income (expenses)			
Equity pickup	111,536	(318)	111,218
Other operating income and expenses	(98,238)	-	(98,238)
Operating income before financial income (expenses)	181,135	9,720	190,855
Financial income (expenses)	(166,242)	-	(166,242)
Income before income and social contribution taxes	14,893	9,720	24,613
Income and social contribution taxes			
Current	12,383	-	12,383
Deferred	22,073	(3,414)	18,659
Net income for the period	49,349	6,306	55,655

**Notes to quarterly information**
**September 30, 2016**

(In thousands of reais, unless otherwise stated)

Income Statement for the six-month period ended September 30, 2015			
Consolidated	Disclosed	Impact from amendments to IAS 41 and IAS 16	(Restated)
Revenues	954,844	-	954,844
Cost of sales	(683,611)	10,038	(673,573)
Gross profit	271,233	10,038	281,271
Operating income (expenses)			
Equity pickup	10,011	(318)	9,693
Other operating income and expenses	(101,576)	-	(101,576)
Operating income before financial income (expenses)	179,668	9,720	189,388
Financial income (expenses)	(157,949)	-	(157,949)
Income before income and social contribution taxes	21,719	9,720	31,439
Income and social contribution taxes			
Current	7,886	-	7,886
Deferred	19,744	(3,414)	16,330
Net income for the period	49,349	6,306	55,655

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 September 30, 2015.

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

The pronouncements and interpretations issued by IASB, 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:

**Notes to quarterly information****September 30, 2016**(In thousands of reais, unless otherwise stated)

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- IFRS 9 - 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) the standard divides all financial assets that are currently in the scope of IAS 39 into two classifications: amortized cost and fair value; (iii) the IAS 39 categories of available for sale and held to maturity were eliminated; and (iv) the IAS 39 concept of embedded derivatives was extinguished by the concepts of this new standard. This standard will become effective on January 1, 2018. The Company is assessing the impact on its financial statements.
- IFRS 15 - 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.

**4. Significant accounting estimates and judgments**

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

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

**(a) Impairment of goodwill**

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

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

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

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

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

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

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

**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.

**Notes to quarterly information**
**September 30, 2016**

(In thousands of reais, unless otherwise stated)

	Company			Consolidated		
	Yield (*)	September 30, 2016	March 31, 2016	Yield (*)	September 30, 2016	March 31, 2016
Cash and banks - in Brazil		569	224		1,766	291
Cash and banks - abroad (US dollar)		108,297	55,853		108,297	55,853
Short-term investments - in Brazil						
. CDB	100.63%	70,832	38,197	100.63%	70,832	38,197
. Debentures held under repurchase agreements	99.77%	17,845	172,069	98.60%	31,938	172,318
Total cash and cash equivalents		197,543	266,343		212,833	266,659
Short-term investments						
. Investment fund	99.42%	527,894	641,236	99.42%	571,848	706,487
. Other		516	492	100.00%	5,735	5,423
Total short-term investments		528,410	641,728		577,583	711,910
In noncurrent assets		516	492		5,735	5,423
Total funds available		725,437	907,579		784,681	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:

	Company		Consolidated	
	September 30, 2016	March 31, 2016	September 30, 2016	March 31, 2016
Domestic market customers	48,732	32,880	102,298	64,448
Foreign market customers	32,643	43,826	32,643	43,826
	81,375	76,706	134,941	108,274
Current assets	81,375	76,706	108,331	86,419
Noncurrent assets	-	-	26,610	21,855

For the period ended September 30, 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:

**Notes to quarterly information**
**September 30, 2016**

(In thousands of reais, unless otherwise stated)

	Company		Consolidated	
	September 30, 2016	March 31, 2016	September 30, 2016	March 31, 2016
Falling due:	81,344	76,675	134,910	108,190
Overdue and not provisioned:				
Above 31 days	31	31	31	84
	<u>81,375</u>	<u>76,706</u>	<u>134,941</u>	<u>108,274</u>

Out of the amount receivable, R\$4,149 and R\$2,843, 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.

**7. Inventories and advances to suppliers**

	Company		Consolidated	
	September 30, 2016	March 31, 2016	September 30, 2016	March 31, 2016
Current				
Finished products and work-in-process	675,686	65,957	655,774	65,957
Advances - purchase of product	-	25,671	-	25,671
Advances - purchases or sugarcane	50,370	47,953	50,370	47,953
Advances - purchases of inputs	20,277	31,041	20,277	31,041
Land subdivisions	-	-	6,528	6,621
Inputs, ancillary materials for maintenance and other	44,898	52,007	44,898	52,007
	<u>791,231</u>	<u>222,629</u>	<u>777,847</u>	<u>229,250</u>
Noncurrent				
Advances - purchases or sugarcane	48,844	62,309	48,844	62,309
	<u>48,844</u>	<u>62,309</u>	<u>48,844</u>	<u>62,309</u>
	<u>840,075</u>	<u>284,938</u>	<u>826,691</u>	<u>291,559</u>

**Notes to quarterly information**
**September 30, 2016**

(In thousands of reais, unless otherwise stated)

**8. Taxes recoverable**

Breakdown of taxes recoverable is as follows:

	Company		Consolidated	
	September 30, 2016	March 31, 2016	September 30, 2016	March 31, 2016
Current				
PIS / COFINS	30,304	26,616	30,322	26,655
ICMS	37,075	30,248	37,889	30,997
Other	783	770	783	771
	68,162	57,634	68,994	58,423
Noncurrent				
PIS / COFINS	67,501	58,454	67,501	58,454
Reintegra	24,933	24,155	24,933	24,155
IOF on derivatives	7,365	7,027	7,365	7,027
ICMS	13,936	15,249	13,936	15,286
INSS	5,545	5,273	5,545	5,273
	119,280	110,158	119,280	110,195
	187,442	167,792	188,274	168,618

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

	September 30, 2016	
	Company	Consolidated
From 10/01/2017 to 09/30/2018	83,282	83,282
From 10/01/2018 to 09/30/2019	9,138	9,138
From 10/01/2019 to 09/30/2020	8,938	8,938
From 10/01/2020 to 09/30/2021	8,322	8,322
From 10/01/2021 to 09/30/2022	4,800	4,800
From 10/01/2022 onwards	4,800	4,800
	119,280	119,280

**Notes to quarterly information**
**September 30, 2016**

(In thousands of reais, unless otherwise stated)

**9. Related parties**
**(a) Company and consolidated balances:**

Company and consolidated	September 30, 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	129	-	8,510	-	100	-	5,012	-
Cia Bioenergética Santa Cruz 1	540	-	500	-	45	-	395	-
São Martinho - Energia S.A.	631	1	-	-	24	-	-	-
São Martinho Inova S.A.	-	-	-	-	-	1,996	-	-
Landco Empreendimentos e Participações S.A.	-	-	6,978	-	-	-	-	-
Other	6	-	-	-	6	-	-	-
Not consolidated in the current and related financial statements:								
Luiz Ometto Participações S.A. (Note 30)	-	-	12,045	61,750	-	-	12,045	61,750
Usina Boa Vista S/A	2,638	-	-	-	3,097	-	-	-
Usina Santa Luiza S/A	60	2,600	-	-	76	1,000	-	-
Nova Fronteira Bioenergia S.A.	4	-	-	-	5	-	-	-
SMBJ Agroindustrial S/A	-	-	-	-	4	-	-	-
Agro Pecuária Boa Vista S/A	17	-	7	-	7	-	2,976	-
Other	124	-	119	-	86	-	105	-
Subtotal	4,149	2,601	28,159	61,750	3,450	2,996	20,533	61,750
Inventories - purchases of sugarcane								
From shareholders/related parties	2,260	-	2,677	-	1,633	-	708	-
TOTAL - COMPANY	6,409	2,601	30,836	61,750	5,083	2,996	21,241	61,750
TOTAL - CONSOLIDATED	5,103	2,600	14,848	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.

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(In thousands of reais, unless otherwise stated)

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

Company and consolidated	September 30, 2016		September 30, 2015	
	Sales revenue	Reimbursed expenses/(purchases of products and services)	Sales revenue	Reimbursed expenses/(purchases of products and services)
Consolidated in the current financial statements:				
Vale do Mogi Empreend. Imobiliários S/A	-	(25,474)	-	(29,923)
Landco Empreendimentos e Participações S.A.	-	(19,410)	-	-
Cia Bioenergética Santa Cruz 1	2,314	(816)	2,755	(955)
São Martinho - Energia S.A.	2,837	-	3,742	140
Not consolidated in the current and related financial statements:				
Usina Boa Vista S/A	-	7,350	-	6,787
Agro Pecuária Boa Vista S/A	-	(14,708)	-	(12,323)
Shareholders and related parties				
- purchases of sugarcane	-	(8,584)	-	(6,753)
TOTAL - COMPANY	5,151	(61,642)	6,497	(43,027)
TOTAL - CONSOLIDATED	-	(15,942)	-	(12,289)

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	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Salaries, fees and bonus	15,348	8,460	16,262	9,353
Social security and social contributions	3,090	1,685	3,273	1,864
Other	505	468	575	552
	18,943	10,613	20,110	11,769

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).

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**September 30, 2016**

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### 10. Investments

#### 10.1 Subsidiaries, jointly-controlled subsidiaries and affiliates

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

Company	% - Equity interest (current)	Adjusted equity of the investee		Company				Consolidated			
		September 30, 2016		Book value of investments		Equity pickup		Book value of investments		Equity pickup	
		September 30, 2016	March 31, 2016	September 30, 2016	March 31, 2016	September 30, 2016	September 30, 2015	September 30, 2016	March 31, 2016	September 30, 2016	September 30, 2015
			(Restated)		(Restated)		(Restated)		(Restated)		(Restated)
<b>Classified in investment</b>											
Vale do Mogi Empreend. Imobiliários S.A.	100.00%	1,034,472	1,673,486	1,034,472	1,673,486	27,424	31,706	-	-	-	-
São Martinho - Energia S.A.	100.00%	15,000	23,819	15,000	23,819	8,708	41,070	-	-	-	-
São Martinho Inova S/A	100.00%	22,567	20,089	22,567	20,089	482	180	-	-	-	-
Landco Empreendimentos e Participações S.A. (iii)	100.00%	625,058	-	625,058	-	7,757	-	-	-	-	-
São Martinho Logística e Participações S.A.	100.00%	3,131	3,190	3,131	3,190	(60)	(59)	-	-	-	-
Nova Fronteira Bioenergia S.A. (i)	50.95%	1,050,905	958,013	535,435	488,107	47,328	9,492	535,435	488,107	47,328	9,492
Companhia Bioenergética Santa Cruz 1	100.00%	134,655	119,230	134,655	119,230	27,965	28,813	-	-	-	-
CTC - Centro de Tecnologia Canavieira S.A. (i)	5.40%	439,942	430,841	-	-	-	-	23,754	23,260	490	185
Other		-	-	1,864	1,866	-	-	1,864	1,866	-	-
<b>Total classified in investment</b>		<b>3,325,730</b>	<b>3,228,668</b>	<b>2,372,182</b>	<b>2,329,787</b>	<b>119,604</b>	<b>111,202</b>	<b>561,053</b>	<b>513,233</b>	<b>47,818</b>	<b>9,677</b>
<b>Classified in noncurrent liabilities</b>											
SMA - Indústria Química S/A (i) and (ii)	50.00%	-	-	-	-	-	(97)	-	-	-	(97)
Usina Santa Luiza S.A. (i)	66.67%	(17,208)	(14,989)	(11,472)	(9,993)	(1,479)	113	(11,472)	(9,993)	(1,479)	113
<b>Total classified in noncurrent liabilities</b>		<b>(17,208)</b>	<b>(14,989)</b>	<b>(11,472)</b>	<b>(9,993)</b>	<b>(1,479)</b>	<b>16</b>	<b>(11,472)</b>	<b>(9,993)</b>	<b>(1,479)</b>	<b>16</b>
<b>Closing balance</b>		<b>3,308,522</b>	<b>3,213,679</b>	<b>2,360,710</b>	<b>2,319,794</b>	<b>118,125</b>	<b>111,218</b>	<b>549,581</b>	<b>503,240</b>	<b>46,339</b>	<b>9,693</b>

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;

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(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:

<b>BALANCE SHEET</b>	<b>September 30, 2016</b>	<b>March 31, 2016</b> (Restated)
Current assets	704,731	594,399
Noncurrent assets	1,013,972	1,092,909
Total assets	<u>1,718,703</u>	<u>1,687,308</u>
Current liabilities	371,252	301,555
Noncurrent liabilities	296,547	427,740
Equity	1,050,904	958,013
Total liabilities	<u>1,718,703</u>	<u>1,687,308</u>
<b>INCOME STATEMENT</b>	<b>September 30, 2016</b>	<b>September 30, 2015</b> (Restated)
Net revenue	407,018	307,484
Cost of sales	(251,951)	(227,522)
Gross profit	<u>155,067</u>	<u>79,962</u>
Net operating expenses	(22,149)	(20,817)
Financial income (expenses)	(6,083)	(39,871)
Income and social contribution taxes	(33,944)	(644)
Net income for the year	<u>92,891</u>	<u>18,630</u>

**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:

Company and consolidated	September 30,	March 31, 2016
	2016	
Total estimated harvest area (ha)	166,803	162,289
Expected productivity (ton/ha)	85.45	79.86
Quantity of ATR per ton of sugarcane (kg)	132.76	132.58
Projected average price of ATR (R\$)	0.7101	0.5750

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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	September 30, 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	167,078	252,512
Transfers of PPE	77,665	159,363
Change in fair value	1,865	53,028
Reductions resulting from harvest	(318,046)	(345,823)
Closing balance of biological assets:	398,803	470,241
Represented by:		
Historical cost	384,794	458,097
Fair value	14,009	12,144
Closing balance of biological assets:	398,803	470,241

**(a) Agricultural partnerships and lease agreements**

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

The amounts to be disbursed in respect of these agreements are determined at the end of each crop by the price of a metric ton of sugarcane established by CONSECANA. At September 30 and March 31, 2016, the total estimated payments (nominal value) are as follows:

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Company and consolidated	September 30, 2016	March 31, 2016
Within 1 year	219,291	190,259
More than 1 year and less than 5 years	718,934	580,992
Above 5 years	666,023	488,104
	<u>1,604,248</u>	<u>1,259,355</u>

**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.

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(In thousands of reais, unless otherwise stated)

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	-	766	391	4,761	8,534	708	36,688	89,631	155,421
Cost of sale	-	-	(2)	-	(178)	(393)	(7)	-	-	(580)
Transfers between groups	-	29,362	25,926	-	981	309	1,745	(58,323)	-	-
Capital refund of Vale do Mogi	4,487	-	-	-	-	-	-	-	-	4,487
Transfer to biological assets	-	-	-	-	-	-	-	-	(77,665)	(77,665)
Depreciation	-	(4,339)	(38,786)	(98,123)	(8,709)	(20,705)	(1,604)	-	-	(172,266)
Balances at September 30, 2016	156,520	244,184	764,212	32,916	163,303	217,994	15,679	28,833	606,880	2,230,521
Total cost	156,520	278,671	1,076,238	131,818	223,205	356,324	54,742	28,833	606,880	2,913,231
Accumulated depreciation	-	(34,487)	(312,026)	(98,902)	(59,902)	(138,330)	(39,063)	-	-	(682,710)
Net book value	156,520	244,184	764,212	32,916	163,303	217,994	15,679	28,833	606,880	2,230,521
Net book values:										
Historical cost	16,362	180,797	533,648	32,916	133,042	161,577	15,679	28,833	606,880	1,709,734
Surplus	140,158	63,387	230,564	-	30,261	56,417	-	-	-	520,787
Average annual depreciation rates	-	3%	6%	100%	7%	10%	10%	-	16%	-

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(In thousands of reais, unless otherwise stated)

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 to sell	(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	-	766	391	4,761	8,534	708	37,017	89,631	155,750
Cost to sell	(70)	-	(2)	-	(178)	(393)	(7)	-	-	(650)
Transfers between groups	-	29,362	25,926	-	981	309	1,745	(58,323)	-	-
Transfers to inventory for sales	(3,148)	-	-	-	-	-	-	-	-	(3,148)
Transfer to biological assets	-	-	-	-	-	-	-	-	(77,665)	(77,665)
Depreciation	-	(4,443)	(40,576)	(98,440)	(8,709)	(20,705)	(1,604)	-	-	(174,477)
Balances at September 30, 2016	1,761,068	248,339	828,164	33,071	163,303	217,994	15,680	29,780	606,880	3,904,279
Total cost	1,761,068	284,907	1,158,225	132,290	223,205	356,324	54,743	29,780	606,880	4,607,422
Accumulated depreciation	-	(36,568)	(330,061)	(99,219)	(59,902)	(138,330)	(39,063)	-	-	(703,143)
Net book value	1,761,068	248,339	828,164	33,071	163,303	217,994	15,680	29,780	606,880	3,904,279
Net book values:										
Historical cost	119,583	183,853	581,246	33,071	133,042	161,577	15,680	29,780	606,880	1,864,712
Surplus	1,641,485	64,486	246,918	-	30,261	56,417	-	-	-	2,039,567
Average annual depreciation rates	-	3%	6%	100%	7%	10%	10%	-	16%	-

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Under the terms of certain borrowing agreements of the Group, property, plant and equipment totaling R\$882,985 (consolidated) were pledged as collateral, of which R\$299,580 refers to rural properties (8,700 hectares of land).

The Group capitalized financial charges amounting to R\$1,574 for the period ended September 30, 2016 (R\$1,430 for September 30, 2015).

**13. Intangible assets**

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

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

	Company		Consolidated	
	September 30, 2016	March 31, 2016	September 30, 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 SC (i)	179,126	179,126	179,126	179,126
Software	25,297	22,927	25,297	22,927
Accumulated amortization	(16,508)	(14,796)	(16,508)	(14,796)
Rights on sugarcane contracts (iii)	10,987	11,781	10,987	11,781
Rights on electricity agreements (iii)	-	-	103,401	103,401
Rights on electricity agreements - amortization (iii)	-	-	(25,752)	(14,225)
Other assets	1,290	2,807	4,317	5,836
	<u>395,699</u>	<u>397,352</u>	<u>476,375</u>	<u>489,557</u>

(i) Goodwill related to business combination of prior years of company 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.

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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
Average growth rate of Net Operating Revenue	4.8%	4.7%
Nominal growth rate for perpetuity	4.0%	4.0%
Discount rate	9.9%	9.9%

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**14. Borrowings**

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

Type	Annual charges		Company		Consolidated	
	Rate	Index	September 30, 2016	March 31, 2016	September 30, 2016	March 31, 2016
<b>In local currency</b>						
Export credit notes	101.89%	CDI	522,979	586,526	522,979	586,526
Export credit notes	14.82%	Fixed	-	151,140	-	151,140
BNDES credit facilities	2.82%	TJLP	218,871	225,394	226,223	233,250
BNDES credit facilities	4.26%	Fixed	328,987	345,786	339,926	357,920
BNDES credit facilities	4.22%	SELIC	967	22	967	22
Rural credit	11.60%	Fixed	320,708	64,569	320,708	64,569
FINEP	4.00%	Fixed	62,770	62,777	62,770	62,777
Agribusiness Receivables Certificate (CRA) (a)	99.00%	CDI	350,001	-	350,001	-
Other			41,560	51,530	41,560	51,530
<b>Total in local currency</b>			<b>1,846,843</b>	<b>1,487,744</b>	<b>1,865,134</b>	<b>1,507,734</b>
<b>In foreign currency</b>						
Pre-export financing (PPE)	2.59%	Exchange variation	896,680	1,154,991	896,680	1,154,991
Export credit notes (NCE)	4.43%	Exchange variation	609,109	678,989	609,109	678,989
Advances on exchange contracts (ACC)	2.10%	Exchange variation	32,943	142,520	32,943	142,520
BNDES credit facilities	6.73%	Currency basket	19,010	22,953	19,010	22,953
<b>Total in foreign currency</b>			<b>1,557,742</b>	<b>1,999,453</b>	<b>1,557,742</b>	<b>1,999,453</b>
<b>TOTAL</b>			<b>3,404,585</b>	<b>3,487,197</b>	<b>3,422,876</b>	<b>3,507,187</b>
Current			922,446	667,015	925,990	670,559
Noncurrent			2,482,139	2,820,182	2,496,886	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.

**Notes to quarterly information**
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(In thousands of reais, unless otherwise stated)

In the same period, the Company took out R\$241,780 under Rural Credit at a fixed rate of 12.75% p.a.

Changes in borrowings for the period are as follows:

Changes in debt	Company		Consolidated	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Prior balance	3,487,197	3,216,662	3,507,187	3,240,079
Financing taken out	645,810	581,540	645,810	581,540
Amortization of principal	(561,555)	(579,006)	(563,300)	(580,745)
Interest amortization	(101,424)	(102,066)	(102,069)	(102,814)
Monetary restatement	108,274	107,360	108,965	108,114
Exchange gains (losses)	(173,717)	432,701	(173,717)	432,701
	<u>3,404,585</u>	<u>3,657,191</u>	<u>3,422,876</u>	<u>3,678,875</u>

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	
	September 30, 2016	March 31, 2016	September 30, 2016	March 31, 2016
Foreign currency transactions pegged to swap for local currency	269,282	399,831	269,282	399,831
Local currency transactions	1,789,140	1,365,038	1,807,431	1,385,028
Total in local currency	<u>2,058,422</u>	<u>1,764,869</u>	<u>2,076,713</u>	<u>1,784,859</u>
Local currency transactions pegged to swap for foreign currency	57,703	122,706	57,703	122,706
Foreign currency transactions	1,288,460	1,599,622	1,288,460	1,599,622
Total in foreign currency	<u>1,346,163</u>	<u>1,722,328</u>	<u>1,346,163</u>	<u>1,722,328</u>
TOTAL	<u>3,404,585</u>	<u>3,487,197</u>	<u>3,422,876</u>	<u>3,507,187</u>

For agreements in foreign currency, R\$61,939 of Pre-Export Financing (PPE) and R\$43,488 of NCEs are pegged to LIBOR swaps to a fixed rate.

At September 30, 2016, out of the total debt of the Company, R\$2,089,988 are pledged as collateral (encumbered) for the transactions above.

**Notes to quarterly information**
**September 30, 2016**

(In thousands of reais, unless otherwise stated)

Noncurrent borrowings mature as follows:

	Company	Consolidated
From 10/01/2017 to 09/30/2018	741,140	744,634
From 10/01/2018 to 09/30/2019	949,557	953,051
From 10/01/2019 to 09/30/2020	555,966	559,460
From 10/01/2020 to 09/30/2021	109,102	111,604
From 10/01/2021 to 09/30/2022	54,252	55,365
From 10/01/2022 to 02/28/2030	72,122	72,772
	<u>2,482,139</u>	<u>2,496,886</u>

**Covenants**

Some borrowing agreements provide for certain covenants annually required, which were fulfilled by the Company at the quarter ended September 30, 2016.

**15. Trade accounts payable**

	Company		Consolidated	
	September 30, 2016	March 31, 2016	September 30, 2016	March 31, 2016
Sugarcane	180,344	64,322	164,857	59,311
Materials, services and other	72,358	54,806	72,379	54,596
	<u>252,702</u>	<u>119,128</u>	<u>237,236</u>	<u>113,907</u>

Out of the total trade accounts payable, R\$16,114 and R\$126 Company and Consolidated, respectively (R\$8,488 and R\$3,081, Company and Consolidated, respectively, at March 31, 2016), refer to related parties, as detailed in Note 9.

**Notes to quarterly information**
**September 30, 2016**

(In thousands of reais, unless otherwise stated)

**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.

Company and consolidated	September 30, 2016	March 31, 2016
REFIS - Copersucar - Restated by reference to SELIC	103,812	105,028
Exchange Bill (LC) - Restated by reference to SELIC	85,611	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	248,593	259,041
Current liabilities	10,623	21,875
Noncurrent liabilities	237,970	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.

**Notes to quarterly information**
**September 30, 2016**

(In thousands of reais, unless otherwise stated)

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**17. Equity**
**(a) Capital**

At September 30, 2016, capital amounted to R\$ 1,064,972 (R\$931,340 at March 31, 2016) and is represented by 113,329,207 common registered shares, with no par value.

The Company is authorized to increase capital up to 124,000,000 (one hundred and twenty-four million) of common shares, irrespective of a corporate restructuring, as resolved by the Board of Directors, which is in charge of setting issue conditions, including price and term of payment.

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 September 30, 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	(22,398)	44.08	(988)
Treasury shares at September 30, 2016	911,856	45.18	41,202

(\*) 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".

**Notes to quarterly information****September 30, 2016**(In thousands of reais, unless otherwise stated)

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- **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

**Notes to quarterly information**
**September 30, 2016**

(In thousands of reais, unless otherwise stated)

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 14, 2015, the 7<sup>th</sup> 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 September 30, 2016 are as follows:

Plan	4th Plan	5th Plan	6th Plan	7th Plan	Total
Plan issue date	17/12/2012	16/12/2013	15/12/2014	14/12/2015	
Deadline for exercise (*)	2019	2020	2021	2022	
Fair value of options (R\$)	6,86 - 7,86	8,47 - 9,46	11,39 - 12,59	16,65 - 18,63	
Options granted	391,726	380,812	338,088	255,900	1,366,526
Options exercised	(272,065)	(120,349)	-	-	(392,414)
Outstanding stock options	119,661	260,463	338,088	255,900	974,112
Strike price	25.11	27.40	36.11	47.60	

(\*) 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.

In the period ended September 30, 2016, 22,398 stock options were exercised in the amount of R\$518.

**Notes to quarterly information****September 30, 2016**(In thousands of reais, unless otherwise stated)

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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 September 30, 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 September 30, 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.

**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:**

**Notes to quarterly information**
**September 30, 2016**

(In thousands of reais, unless otherwise stated)

	Company		Consolidated	
	September 30, 2016	March 31, 2016	September 30, 2016	March 31, 2016
Current assets - Prepayments				
. Income and social contribution taxes to be offset	123,674	113,757	123,674	113,758
In current liabilities - Current debts				
. Income and social contribution taxes payable	-	-	6,192	916

**(b) Deferred income and social contribution taxes**

Company	June 30, 2016	Quarter		September 30, 2016
		Recognized in P&L	Recognized in equity	
. Derivative financial instruments	173,622	(10,337)	3,532	166,817
. Employee's profit sharing and bonus	3,834	2,122	-	5,956
. Income and social contribution tax losses	65,292	20,978	-	86,270
. Provision for contingencies	19,526	723	-	20,249
. Provision for other liabilities	6,668	-	-	6,668
. Other assets	2,026	712	-	2,738
Total income and social contribution tax assets	270,968	14,198	3,532	288,698
. Present value adjustment	(1,988)	326	-	(1,662)
. Divestiture with deferred taxation	(24,394)	(1)	-	(24,395)
. Tax benefit on merged goodwill	(77,728)	(7,590)	-	(85,318)
. Accelerated tax-incentive depreciation	(175,387)	(1,707)	-	(177,094)
. Securitized financing	(18,660)	503	-	(18,157)
. Surplus of PPE (Deemed cost)	(182,701)	3,037	-	(179,664)
. Other liabilities	23	329	-	352
. Biological assets and agricultural product (change in fair value)	(5,337)	(441)	-	(5,778)
. Exchange gains (losses)	(40,641)	(9,907)	-	(50,548)
Total income and social contribution tax liabilities	(526,813)	(15,451)	-	(542,264)
Deferred income and social contribution taxes	(255,845)	(1,253)	3,532	(253,566)

**Notes to quarterly information**
**September 30, 2016**

(In thousands of reais, unless otherwise stated)

		Quarter			September 30, 2016
		Recognized in P&L	Recognized in equity	Consolidation adjustment – Rights on electricity agreements	
Consolidated	June 30, 2016				
. Derivative financial instruments	173,622	(10,337)	3,532	-	166,817
. Employees' profit sharing and bonus	3,834	2,122	-	-	5,956
. Income and social contribution tax losses	65,292	20,978	-	-	86,270
. Provision for contingencies	19,526	723	-	-	20,249
. Provision for other obligations	6,668	-	-	-	6,668
. Other assets	2,026	712	-	-	2,738
Total income and social contribution tax assets	270,968	14,198	3,532	-	288,698
. Present value adjustment	(1,988)	326	-	-	(1,662)
. Divestiture with deferred taxation	(24,394)	(1)	-	-	(24,395)
. Tax benefit on merged goodwill	(77,728)	(7,590)	-	-	(85,318)
. Accelerated tax-incentive depreciation	(175,387)	(1,707)	-	-	(177,094)
. Securitized financing	(18,660)	503	-	-	(18,157)
. Surplus of PPE (Deemed cost)	(187,190)	3,037	-	-	(184,153)
. Other liabilities	(253)	(89)	-	-	(342)
. Biological assets and agricultural product (change in fair value)	(5,337)	(441)	-	-	(5,778)
. Intangible assets	(29,955)	-	-	2,191	(27,764)
. Gain due to change in equity interest - CTC	(1,201)	-	-	-	(1,201)
. Exchange gains (losses)	(40,641)	(9,907)	-	-	(50,548)
Total income and social contribution tax liabilities	(562,734)	(15,869)	-	2,191	(576,412)
Deferred income and social contribution taxes	(291,766)	(1,671)	3,532	2,191	(287,714)

  

		Six-month period		September 30, 2016
		Recognized in P&L	Recognized in equity	
Company	March 31, 2016			
. Derivative financial instruments	230,298	(2,005)	(61,475)	166,818
. Employees' profit sharing and bonus	507	6,085	-	6,592
. Income and social contribution tax losses	68,623	(9,689)	-	58,934
. Provision for contingencies	19,231	1,018	-	20,249
. Provision for other obligations	6,668	-	-	6,668
. Other assets	1,947	1,075	-	3,022
Total income and social contribution tax assets	327,274	(3,516)	(61,475)	262,283
. Present value adjustment	(2,298)	636	-	(1,662)
. Divestiture with deferred taxation	(24,394)	-	-	(24,394)
. Tax benefit on merged goodwill	(70,138)	(15,180)	-	(85,318)
. Accelerated tax-incentive depreciation	(173,280)	13,922	-	(159,358)
. Securitized financing	(18,524)	369	-	(18,155)
. Surplus of PPE (Deemed cost)	(183,839)	5,695	(1,521)	(179,665)
. Other liabilities	(519)	585	-	66
. Biological assets and agricultural product (change in fair value)	(2,636)	(3,141)	-	(5,777)
. Exchange gains (losses)	(44,184)	2,598	-	(41,586)
Total income and social contribution tax liabilities	(519,812)	5,484	(1,521)	(515,849)
Deferred income and social contribution taxes	(192,538)	1,968	(62,996)	(253,566)

**Notes to quarterly information**
**September 30, 2016**

(In thousands of reais, unless otherwise stated)

Consolidated	March 31, 2016	Six-month period		Consolidation adjustment – Rights on electricity agreements	September 30, 2016
		Recognized in P&L	Recognized in equity		
. Derivative financial instruments	230,298	(2,005)	(61,475)	-	166,818
. Employees' profit sharing and bonus	507	6,085	-	-	6,592
. Income and social contribution tax losses	68,623	(9,689)	-	-	58,934
. Provision for contingencies	19,231	1,018	-	-	20,249
. Provision for other obligations	6,668	-	-	-	6,668
. Other assets	1,947	1,075	-	-	3,022
Total income and social contribution tax assets	327,274	(3,516)	(61,475)	-	262,283
. Present value adjustment	(2,298)	636	-	-	(1,662)
. Divestiture with deferred taxation	(24,394)	-	-	-	(24,394)
. Tax benefit on merged goodwill	(70,138)	(15,180)	-	-	(85,318)
. Accelerated tax-incentive depreciation	(173,280)	13,922	-	-	(159,358)
. Securitized financing	(18,524)	369	-	-	(18,155)
. Surplus of PPE (Deemed cost)	(188,395)	5,888	(1,521)	-	(184,028)
. Other liabilities	(519)	(235)	-	-	(754)
. Biological assets and agricultural product (change in fair value)	(2,636)	(3,141)	-	-	(5,777)
. Intangible assets	(31,878)	-	-	4,114	(27,764)
. Gain due to change in equity interest - CTC	(1,201)	-	-	-	(1,201)
. Exchange gains (losses)	(44,184)	2,598	-	-	(41,586)
Total income and social contribution tax liabilities	(557,447)	4,857	(1,521)	4,114	(549,997)
Deferred income and social contribution taxes	(230,173)	1,341	(62,996)	4,114	(287,714)

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.

## Notes to quarterly information

**September 30, 2016**

(In thousands of reais, unless otherwise stated)

### (c) Reconciliation of income and social contribution taxes

	Company			
	September 30, 2016	September 30, 2016	September 30, 2015	September 30, 2015
	Quarter	Six-month period	Quarter	Six-month period
Income before taxes	70,166	106,614	12,759	24,613
Income and social contribution taxes at statutory rates (34%)	(23,856)	(36,249)	(4,338)	(8,368)
Adjustments for calculation of effective tax rate:				
. Equity pickup	22,595	40,163	14,505	37,814
. Other permanent exclusions (additions), net	124	(2,230)	1,336	1,827
. Other	(129)	271		
. Tax incentive reserve	13	13	(55)	(231)
Income and social contribution tax expense	(1,253)	1,968	11,448	31,042
Current income and social contribution taxes	-	-	2,015	12,383
Deferred income and social contribution taxes	(1,253)	1,968	9,433	18,659
Income and social contribution tax effective rate	1.8%	-1.8%	-89.7%	-126.1%

	Consolidated			
	September 30, 2016	September 30, 2016	September 30, 2015	September 30, 2015
	Quarter	Six-month period	Quarter	Six-month period
Income before taxes	73,538	112,821	18,115	31,439
Income and social contribution taxes at statutory rates (34%)	(25,003)	(38,359)	(6,159)	(10,689)
Adjustments for calculation of effective tax rate:				
. Equity pickup	9,213	15,755	(884)	3,296
. Other permanent exclusions/(additions), net	124	(2,230)	1,337	1,828
. Unrecorded deferred taxes	-	-	-	-
. Adjustment to the calculation of subsidiary whose taxable profit is computed as a p	11,496	20,924	11,930	30,369
. Income in inventories	(339)	(613)	(76)	(357)
. Other	(129)	271		
. Tax incentives	13	13	(56)	(231)
Income and social contribution tax expense	(4,625)	(4,239)	6,092	24,216
Current income and social contribution taxes	(2,954)	(5,580)	(399)	7,886
Deferred income and social contribution taxes	(1,671)	1,341	6,491	16,330
Income and social contribution tax effective rate	6.3%	3.8%	-33.6%	-77.0%

## 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:

**Notes to quarterly information****September 30, 2016**(In thousands of reais, unless otherwise stated)

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**Riparian forests and land for legal reserve**

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\$146,322.

**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.

**Notes to quarterly information**
**September 30, 2016**

(In thousands of reais, unless otherwise stated)

**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	Restatement s	September 30, 2016
Tax	10,651	2,384	(1,320)	(1)	202	11,916
Civil and environmental	3,468	628	(815)	(189)	133	3,225
Labor	44,176	8,116	(7,800)	(5,106)	6,580	45,966
Total	58,295	11,128	(9,935)	(5,296)	6,915	61,107
Judicial deposits	27,570	3,594	-	(5,478)	1,077	26,763

  

	Consolidated					
	March 31, 2016	Additions	Reversals	Use	Restatement s	September 30, 2016
Tax	12,999	2,384	(1,320)	(1)	202	14,264
Civil and environmental	3,468	628	(815)	(189)	133	3,225
Labor	44,176	8,788	(7,800)	(5,106)	6,580	46,638
Total	60,643	11,800	(9,935)	(5,296)	6,915	64,127
Judicial deposits	30,300	4,265	-	(5,478)	1,077	30,164

Judicial deposits are monetarily restated and reported in noncurrent assets.

The nature of the main lawsuits at September 30, 2016 included in the provisions above is as follows (Company and consolidated):

**Notes to quarterly information****September 30, 2016**(In thousands of reais, unless otherwise stated)

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**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 13<sup>th</sup> 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:

**Notes to quarterly information**
**September 30, 2016**

(In thousands of reais, unless otherwise stated)

**Tax proceedings:**

Consolidated		Stage			
Nature	No. of proceedings	Administrative	Trial court	Higher court	Total
(i) Social security contribution	14	183,405	-	14,967	198,372
(ii) Calculation of IRPJ/CSLL	5	304,323	-	-	304,323
(iii) Offset of federal taxes	25	8,523	-	-	8,523
(iv) Other tax proceedings	42	14,858	2,467	3,722	21,047
	86	511,109	2,467	18,689	532,265

- (i) These refer to the levy of Social Security Tax (INSS) on export revenue, under the allegation that exports carried out through intermediation of a cooperative are not included in the exemption established in article 149, paragraph 2, of the Brazilian Federal Constitution.
- (ii) These refer to exclusion of expenses on securitized financing, as well as expenses arising from the benefit of accelerated tax-incentive depreciation from the Corporate Income Tax (IRPJ) and Social Contribution 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).

**Notes to quarterly information**
**September 30, 2016**

(In thousands of reais, unless otherwise stated)

**Civil and environmental proceedings:**

Consolidated		Stage			
Nature	No. of proceedings	Administrative	Trial court	Higher court	Total
Environmental	33	1,156	4,433	342	5,931
Civil					
Indemnities	20	-	11,442	441	11,883
Review of contracts	12	-	5,548	1,719	7,267
Other civil proceedings	15	15	121	871	1,007
Labor claims					
Tax assessment notice	16	-	-	-	-
	96	1,171	21,544	3,373	26,088

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.

**Notes to quarterly information**
**September 30, 2016**

(In thousands of reais, unless otherwise stated)

**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.

**Assets and liabilities subject to foreign exchange fluctuation**

The table below summarizes foreign currency-denominated assets and liabilities (in US dollars - US\$), recorded in the consolidated balance sheet at September 30, 2016:

Consolidated	R\$	Thousands of US\$ equivalent
Current and noncurrent assets		
Cash and cash equivalents (banks - demand deposits)	108,297	33,361
Trade accounts receivable	32,643	10,056
Derivative financial instruments	124,386	38,317
Total assets	265,326	81,734
Current and noncurrent liabilities:		
Borrowings	1,557,742	479,955
Derivative financial instruments	204,055	62,871
Total liabilities	1,761,797	542,826
Subtotal assets (liabilities)	(1,496,471)	(461,092)
( - ) Borrowings linked to exports - ACC and PPE	1,538,732	474,098
Net exposure, assets	42,261	13,006

These assets and liabilities were restated and recorded in the quarterly information at September 30, 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.

**Notes to quarterly information****September 30, 2016**(In thousands of reais, unless otherwise stated)

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**(b) Commodity price volatility risk**

The Company is exposed to the risk of changes in commodity price of manufactured products such as sugar and ethanol. At September 30, 2016, the prices of 415,513 tons of sugar had been determined with commercial partners for delivery in 16/17 crop, priced at an average of 16.27 ¢/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).

**(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.

**Notes to quarterly information**
**September 30, 2016**

(In thousands of reais, unless otherwise stated)

Consolidated	Risk factor	Impacts on P&L		
		Probable scenarios - 5%	Possible scenarios - 25%	Possible scenarios - 50%
Cash and cash equivalents	Decrease in exchange rate - R\$/US\$	5,415	27,075	54,149
Trade accounts receivable	Decrease in exchange rate - R\$/US\$	1,632	8,162	16,325
Borrowings	Increase in exchange rate - R\$/US\$	(14,462)	(72,308)	(144,616)
Derivative financial instruments				
Non-Deliverable Forwards (NDF)	Increase in future price of commodities	(2,034)	(10,170)	(20,340)
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	(368)	(564)	(891)
Net exposure		(9,825)	(47,843)	(95,450)

(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).

**Notes to quarterly information****September 30, 2016**(In thousands of reais, unless otherwise stated)

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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 September 30 and March 31, 2016 relating to transactions with derivative financial instruments, as well as their maturities, are as follows:



## Notes to quarterly information

**September 30, 2016**

(In thousands of reais, unless otherwise stated)

Company and consolidated	September 30, 2016			
	Contracted amount/volume	Average price/rate	Notional value - R\$	Fair value - R\$
<b><u>In current assets - Gain</u></b>				
Margin deposit				19,127
Merchandise futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	152	23.48	228	5
. Purchase commitment	9,652	17.88	11,027	3,505
Merchandise futures contracts - Ethanol				
. Purchase commitment	660	1,444	31,768	-
Non-Deliverable Forward (NDF) - Dollar - OTC				
. Purchase commitment	425	3.4485	1,466	28
. Sale commitment	228,100	3.7667	859,184	77,484
Merchandise options contracts - Sugar #11 - Commodities Exchange				
. Bidding position in put options	69,345	17.46	77,366	2,829
Swap contracts - interest - OTC				3,550
<b>TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN CURRENT ASSETS</b>				<b>106,528</b>
<b><u>In noncurrent assets - Gain</u></b>				
Non-Deliverable Forward (NDF) - Dollar - OTC				
. Sale commitment	13,351	3.6662	48,947	726
Swap contracts - interest - OTC				17,132
<b>TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN NONCURRENT ASSETS</b>				<b>17,858</b>

**Notes to quarterly information**
**September 30, 2016**

(In thousands of reais, unless otherwise stated)

Company and consolidated	September 30, 2016			
	Contracted amount/volume	Average price/rate	Notional value – R\$	Fair value - R\$
<b><u>In current liabilities - Loss</u></b>				
Merchandise futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	83,418	15.04	80,168	46,877
. Purchase commitment	70,006	23.10	103,333	501
Merchandise forward contracts - Sugar #11				
. Sale commitment	185,988	18.44	219,148	44,605
Non-Deliverable Forward (NDF) - Dollar - OTC				
. Sale commitment	22,820	3.4594	78,944	875
Merchandise options contracts - Sugar #11 - Commodities Exchange				
. Written position in call options	69,345	18.88	83,658	23,296
Swap contracts - interest - OTC				75,604
<b><u>TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN CURRENT LIABILITIES</u></b>				<b><u>191,758</u></b>
<b><u>In noncurrent liabilities - Loss</u></b>				
Non-Deliverable Forward (NDF) - Dollar - OTC				
. Sale commitment	7,429	3.5547	26,408	292
Swap contracts - interest - OTC				12,005
<b><u>TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN NONCURRENT LIABILITIES</u></b>				<b><u>12,297</u></b>

**Notes to quarterly information**
**September 30, 2016**

(In thousands of reais, unless otherwise stated)

Company and consolidated	March 31, 2016			
	Contracted amount/volume	Average price/rate	Notional value - R\$	Fair value - R\$
<b><u>In current assets - Gain</u></b>				
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
<b><u>TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN CURRENT ASSETS</u></b>				<b><u>145,701</u></b>
<b><u>In noncurrent assets - Gain</u></b>				
Swap contracts - interest - OTC				43,243
<b><u>TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN NONCURRENT ASSETS</u></b>				<b><u>43,243</u></b>

**Notes to quarterly information**
**September 30, 2016**

(In thousands of reais, unless otherwise stated)

Company and consolidated	March 31, 2016			
	Contracted amount/volume	Average price/rate	Notional value - R\$	Fair value - R\$
<b><u>In current liabilities - Loss</u></b>				
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
<b><u>TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN CURRENT LIABILITIES</u></b>				<b><u>196,664</u></b>
<b><u>In noncurrent liabilities - Loss</u></b>				
Swap contracts - interest - OTC				65,625
<b><u>TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN NONCURRENT LIABILITIES</u></b>				<b><u>65,625</u></b>

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 September 30, 2016, impacts reported in the Company's equity and estimated realization in P&L are as follows:

## Notes to quarterly information

**September 30, 2016**

(In thousands of reais, unless otherwise stated)

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	(103,969)	(77,730)	-	-	-	(181,699)
Foreign exchange derivatives - Options / NDF	21,077	13,148	-	-	-	34,225
Exchange gains (losses) on borrowing agreements (Trade Finance)	(8,005)	(134,508)	(67,420)	(39,456)	7,213	(242,176)
Swap contracts	-	(31,971)	-	-	-	(31,971)
	(90,897)	(231,061)	(67,420)	(39,456)	7,213	(421,621)
Deferred taxes on the items above	30,905	78,561	22,923	13,415	(2,452)	143,352
	(59,992)	(152,500)	(44,497)	(26,041)	4,761	(278,269)

### 22.2 Credit risk

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

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

### 22.3 Liquidity risk

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

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.

**Notes to quarterly information**
**September 30, 2016**

(In thousands of reais, unless otherwise stated)

Company	Within 1 year	From 1 to 2 years	From 2 to 5 years	Above 5 years	Total
At September 30, 2016					
Borrowings	922,446	741,140	1,614,625	126,374	3,404,585
Derivative financial instruments	191,758	12,297	-	-	204,055
Trade accounts payable	252,702	-	-	-	252,702
Acquisition of equity interest	12,045	23,240	34,860	3,650	73,795
Other liabilities	16,907	-	-	11,472	28,379
	<u>1,395,858</u>	<u>776,677</u>	<u>1,649,485</u>	<u>141,496</u>	<u>3,963,516</u>
At March 31, 2016					
Borrowings	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
	<u>1,017,996</u>	<u>1,117,358</u>	<u>1,673,993</u>	<u>166,199</u>	<u>3,975,546</u>
Consolidated	Within 1 year	From 1 to 2 years	From 2 to 5 years	Above 5 years	Total
At September 30, 2016					
Borrowings	925,990	744,634	1,624,115	128,137	3,422,876
Derivative financial instruments	191,758	12,297	-	-	204,055
Trade accounts payable	237,236	-	-	-	237,236
Acquisition of equity interest	12,045	23,240	34,860	3,650	73,795
Other liabilities	18,016	-	-	11,757	29,773
	<u>1,385,045</u>	<u>780,171</u>	<u>1,658,975</u>	<u>143,544</u>	<u>3,967,735</u>
At March 31, 2016					
Borrowings	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
	<u>1,025,658</u>	<u>1,055,219</u>	<u>1,684,451</u>	<u>168,887</u>	<u>3,934,215</u>

**Notes to quarterly information**
**September 30, 2016**

(In thousands of reais, unless otherwise stated)

**22.4 Capital management**

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

		Company	
	Classification	September 30, 2016	March 31, 2016
Financial assets			
Cash and cash equivalents	Loans and receivables	197,543	266,343
Short-term investments	Fair value through profit or loss	528,410	641,728
Trade accounts receivable	Loans and receivables	81,375	76,706
Derivative financial instruments	Fair value through profit or loss	124,386	188,944
Related parties	Loans and receivables	2,601	2,996
Other assets, except for prepayments	Loans and receivables	4,369	4,517
		<u>938,684</u>	<u>1,181,234</u>
Financial liabilities			
Borrowings	Liabilities at amortized cost	3,404,585	3,487,197
Derivative financial instruments	Fair value through profit or loss	204,055	262,289
Trade accounts payable	Other financial liabilities	252,702	119,128
Acquisition of equity interest	Other financial liabilities	73,795	79,687
Other liabilities	Other financial liabilities	28,379	27,245
		<u>3,963,516</u>	<u>3,975,546</u>

**Notes to quarterly information**
**September 30, 2016**

(In thousands of reais, unless otherwise stated)

		Consolidated	
	Classification	September 30, 2016	March 31, 2016
Financial assets			
Cash and cash equivalents	Loans and receivables	212,833	266,659
Short-term Investments	Fair value through profit or loss	577,583	711,910
Trade accounts receivable	Loans and receivables	134,941	108,274
Derivative financial instruments	Fair value through profit or loss	124,386	188,944
Other assets, except for prepayments	Loans and receivables	4,372	4,515
		<u>1,054,115</u>	<u>1,280,302</u>
Financial liabilities			
Borrowings	Liabilities at amortized cost	3,422,876	3,507,187
Derivative financial instruments	Fair value through profit or loss	204,055	262,289
Trade accounts payable	Other financial liabilities	237,236	113,907
Acquisition of equity interest	Other financial liabilities	73,795	79,687
Other liabilities	Other financial liabilities	29,773	36,770
		<u>3,967,735</u>	<u>3,999,840</u>

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.

**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 September 30, 2016, there is no reclassification of assets and liabilities at fair value from or to Level 1, 2 or 3.

**Notes to quarterly information**
**September 30, 2016**

(In thousands of reais, unless otherwise stated)

As per balance sheet	September 30, 2016			March 31, 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Short-term investments	-	577,583	-	-	711,910	-
Margin deposit	-	19,127	-	-	72,395	-
Derivative financial instruments	6,339	98,920	-	37,924	78,625	-
Biological assets	-	-	398,803	-	-	470,241
	6,339	695,630	398,803	37,924	862,930	470,241
Liabilities - Derivative financial instruments	70,674	133,381	-	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.

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.

**Notes to quarterly information**
**September 30, 2016**

(In thousands of reais, unless otherwise stated)

**Consolidated P&L by segment**

September 30, 2016							
	Sugarcane	Ethanol	Electricity	Real estate ventures	Other products	Not by segment	Total
Net revenue	669,975	377,105	69,570	18,113	31,266	(7,609)	1,158,420
Cost of sales	(475,141)	(319,883)	(16,343)	(3,242)	(19,857)	(8,203)	(842,669)
Change in market value of biological asset	(1,228)	118	-	-	-	10,350	9,240
Gross profit	193,606	57,340	53,227	14,871	11,409	(5,462)	324,991
Gross margin	28.90%	15.21%	76.51%	82.10%	36.49%	-	28.05%
Selling expenses	(45,388)	(7,740)	(1,052)	-	-	-	(54,180)
Other operating expenses	-	-	-	-	-	(30,367)	(30,367)
Operating income (loss)	148,218	49,600	52,175	14,871	11,409	(35,829)	240,444
Operating margin	22.12%	13.15%	75.00%	82.10%	36.49%	-	20.76%
Other income and expenses not by segment	-	-	-	-	-	(131,862)	(131,862)
Net income for the period	-	-	-	-	-	-	108,582

  

September 30, 2015 (restated)							
	Sugarcane	Ethanol	Electricity	Real estate ventures	Other products	Not by segment	Total
Net revenue	443,742	363,498	105,148	19,278	30,156	(6,978)	954,844
Cost of sales	(328,067)	(282,268)	(32,995)	(3,488)	(18,907)	(8,129)	(673,854)
Change in market value of biological asset	(27,794)	(17,822)	-	-	-	45,897	281
Gross profit	87,881	63,408	72,153	15,790	11,249	30,790	281,271
Gross margin	19.80%	17.44%	68.62%	81.91%	37.30%	-	29.46%
Selling expenses	(27,733)	(10,771)	(1,045)	-	(70)	-	(39,619)
Other operating expenses	-	-	-	-	-	(52,264)	(52,264)
Operating income	60,148	52,637	71,108	15,790	11,179	(21,474)	189,388
Operating margin	13.55%	14.48%	67.63%	81.91%	37.07%	-	19.83%
Other income and expenses not by segment	-	-	-	-	-	(133,733)	(133,733)
Net income for the period	-	-	-	-	-	-	55,655

**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.

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(In thousands of reais, unless otherwise stated)

September 30, 2016						
	Sugarcane	Ethanol	Electricity	Real estate ventures	Not by segment	Total
Trade accounts receivable	50,314	20,748	12,180	36,307	15,392	134,941
Inventories	459,171	348,746	-	6,528	12,246	826,691
Biological assets	256,970	141,833	-	-	-	398,803
Property, plant and equipment	2,440,070	1,345,177	109,101	-	9,931	3,904,279
Intangible assets	234,795	163,933	77,647	-	-	476,375
Total assets allocated	3,441,320	2,020,437	198,928	42,835	37,569	5,741,089
Other unallocated assets	-	-	-	-	1,844,373	1,844,373
Total	3,441,320	2,020,437	198,928	42,835	1,881,942	7,585,462

  

March 31, 2016 (restated)						
	Sugarcane	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

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(In thousands of reais, unless otherwise stated)

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.

	Company				Consolidated			
	September 30, 2016		September 30, 2015		September 30, 2016		September 30, 2015	
	Quarter	Six-month period	Quarter	Six-month period	Quarter	Six-month period	Quarter	Six-month period
Gross sales revenue								
Domestic market	239,213	475,889	173,718	344,147	282,032	547,218	221,026	448,965
Foreign market	408,385	777,875	391,021	552,294	408,385	777,875	391,021	552,294
Gain/loss on derivatives	(59,733)	(115,683)	(6,069)	(9,895)	(59,733)	(115,683)	(6,068)	(9,894)
	587,865	1,138,081	558,670	886,546	630,684	1,209,410	605,979	991,365
Amortization of electric power supply agreement (i)	-	-	-	-	(3,915)	(7,609)	(2,620)	(6,978)
	587,865	1,138,081	558,670	886,546	626,769	1,201,801	603,359	984,387
Taxes, contributions and deductions on sales	(19,949)	(38,325)	(13,328)	(24,331)	(23,095)	(43,381)	(15,695)	(29,543)
	567,916	1,099,756	545,342	862,215	603,674	1,158,420	587,664	954,844

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(In thousands of reais, unless otherwise stated)

(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			
	September 30, 2016		September 30, 2015		September 30, 2016		September 30, 2015	
	Quarter	Six-month period	Quarter	Six-month period	Quarter	Six-month period	Quarter	Six-month period
			Restated	Restated			Restated	Restated
Raw material and consumer and in-use materials	198,098	364,390	166,638	274,422	184,775	339,419	158,057	258,284
Personnel expenses	85,901	169,845	83,543	144,409	86,628	171,430	84,301	145,839
Depreciation and amortization (including biological assets harvested)	144,531	274,977	139,161	231,268	145,714	277,148	140,390	233,589
Third-party services	34,743	66,883	33,282	53,161	34,949	67,223	33,171	52,786
Maintenance services and parts	21,697	43,071	20,178	34,352	21,756	43,261	20,240	34,475
Litigation	1,591	1,194	4,206	4,161	1,591	1,194	4,201	4,157
Change in fair value of biological assets	(1,297)	(9,240)	(4,727)	(2,579)	(1,297)	(9,240)	(4,727)	(2,579)
Materials for resale	3,206	33,851	19,160	27,974	4,380	35,756	19,160	27,974
Cost of land sold	-	-	-	-	2,957	3,242	710	3,488
Other expenses	19,209	33,033	10,289	19,166	23,243	37,541	12,305	21,062
	507,679	978,004	471,730	786,334	504,696	966,974	467,808	779,075
<u>Classified as:</u>								
Cost of sales	443,688	850,930	410,373	684,340	435,662	833,429	404,491	673,573
Selling expenses	27,725	53,377	26,287	38,784	28,024	54,180	26,756	39,619
General and administrative expenses	36,266	73,697	35,070	63,210	41,010	79,365	36,561	65,883
	507,679	978,004	471,730	786,334	504,696	966,974	467,808	779,075

## Notes to quarterly information

**September 30, 2016**

(In thousands of reais, unless otherwise stated)

### 27. Financial income (expenses)

	Company				Consolidated			
	September 30, 2016		September 30, 2015		September 30, 2016		September 30, 2015	
	Quarter	Six-month period	Quarter	Six-month period	Quarter	Six-month period	Quarter	Six-month period
Financial income								
Interest received and accrued	25,075	52,520	18,327	45,458	28,428	59,376	22,215	52,193
Bank surety commission	611	1,204	1,073	2,039	611	1,204	1,073	2,039
PIS/COFINS on financial income	(1,203)	(2,569)	-	-	(1,226)	(2,642)	-	-
Other income	558	1,916	(496)	(311)	1,289	4,012	289	2,535
	<u>25,041</u>	<u>53,071</u>	<u>18,904</u>	<u>47,186</u>	<u>29,102</u>	<u>61,950</u>	<u>23,577</u>	<u>56,767</u>
Financial expenses								
Present value adjustment	(960)	(1,871)	(959)	(1,912)	(960)	(1,871)	(959)	(1,912)
Interest on borrowings	(54,954)	(102,692)	(54,005)	(102,383)	(55,294)	(103,383)	(54,383)	(103,138)
Interest on payment in installment - Copersucar	(4,285)	(8,396)	(1,314)	(4,311)	(4,285)	(8,396)	(1,314)	(4,311)
Interest paid and accrued	(11,570)	(22,527)	(12,017)	(22,511)	(11,570)	(22,530)	(12,101)	(23,040)
Bank surety commission	(451)	(746)	4,784	2,887	(451)	(746)	4,784	2,887
ICMS - Copersucar	(1,696)	(2,861)	-	-	(1,696)	(2,861)	-	-
Monetary restatement of contingencies	(3,377)	(6,915)	(396)	(1,822)	(3,377)	(6,915)	(396)	(1,822)
Other expenses	(2,100)	(2,931)	(1,071)	(2,381)	(2,101)	(3,037)	(1,073)	(2,385)
	<u>(79,393)</u>	<u>(148,939)</u>	<u>(64,978)</u>	<u>(132,433)</u>	<u>(79,734)</u>	<u>(149,739)</u>	<u>(65,442)</u>	<u>(133,721)</u>
Monetary and exchange gains (losses), net								
Cash and cash equivalents	(2,824)	(11,534)	76,746	72,804	(2,824)	(11,534)	76,747	72,805
Customers and suppliers	2,214	(5,295)	10,699	11,337	2,214	(5,295)	10,699	11,337
Borrowings	(4,374)	22,576	(190,044)	(180,510)	(4,374)	22,576	(190,044)	(180,510)
	<u>(4,984)</u>	<u>5,747</u>	<u>(102,599)</u>	<u>(96,369)</u>	<u>(4,984)</u>	<u>5,747</u>	<u>(102,598)</u>	<u>(96,368)</u>
Derivatives - not designated for hedge accounting								
Gain (loss) on sugarcane transactions	(1,902)	2,242	(11,063)	(16,231)	(1,902)	2,242	(11,063)	(16,231)
Gain (loss) on ethanol transactions	-	-	-	(6)	-	-	-	(6)
Gain (loss) on foreign exchange transactions	8,338	16,569	(18,924)	(19,883)	8,338	16,569	(18,924)	(19,883)
Gain (loss) on swap	(4,598)	(52,968)	65,970	46,566	(4,598)	(52,968)	65,970	46,566
Cost of commodities exchange transactions	(743)	(1,511)	(629)	(960)	(743)	(1,511)	(629)	(960)
Exchange gains (losses), net	(87)	(9,914)	7,192	5,888	(86)	(9,913)	7,191	5,887
	<u>1,008</u>	<u>(45,582)</u>	<u>42,546</u>	<u>15,374</u>	<u>1,009</u>	<u>(45,581)</u>	<u>42,545</u>	<u>15,373</u>
Financial income (expenses)	<u>(58,328)</u>	<u>(135,703)</u>	<u>(106,127)</u>	<u>(166,242)</u>	<u>(54,607)</u>	<u>(127,623)</u>	<u>(101,918)</u>	<u>(157,949)</u>

### 28. Earnings per share

	September 30, 2016		September 30, 2015	
	Quarter	Six-month period	Quarter	Six-month period
			Restated	Restated
Income for the period attributed to Company shareholders	68,913	108,582	24,207	55,655
Weighted average number of common shares for the period - in thousand	112,511	112,570	112,993	112,963
Basic earnings per share (in reais)	0.6125	0.9646	0.2142	0.4927

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**September 30, 2016**

(In thousands of reais, unless otherwise stated)

	September 30, 2016		September 30, 2015	
	Quarter	Six-month period	Quarter	Six-month period
			Restated	Restated
Income for the period used to determine diluted earnings per share	68,913	108,582	24,207	55,655
Weighted average number of common shares for diluted earnings per share - in thousands (i)	112,810	112,880	113,156	113,166
Diluted earnings per share (in reais)	0.6109	0.9619	0.2139	0.4918

(i) Weighted average includes potentially dilutive call options.

**29. Insurance coverage**

The Group maintains a standard safety, training and quality program in its units, which aims, among other things, to reduce the risk of accidents. Furthermore, it maintains insurance contracts at amounts considered sufficient to cover significant losses, if any, on its assets and liabilities. Insured amounts at September 30, 2016 are as follows:

Company and consolidated	
Covered perils	Maximum coverage (i)
Civil liability	2,087,020
Loss of profits	1,923,772
Fire, lightning and explosion of any nature	1,432,676
Other insurance coverage	1,171,982
Electric damages	1,016,951
Theft or larceny	247,368
Natural phenomena, vehicle or aircraft crash, etc.	144,000

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

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.



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September 30, 2016

(In thousands of reais, unless otherwise stated)

### 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				Net balance
	Balance at March 31, 2016	Monetary restatement	Amortization (principal)	Amortization (interest)	Balance at September 30, 2016	Balance at March 31, 2016	Monetary restatement	Amortization (interest)	Balance at September 30, 2016	
Santa Cruz – acquisition of equity interest - 56.05%	(251,124)	(16,856)	-	16,856	(251,124)	-	-	-	-	(251,124)
Agro Pecuária Boa Vista - divestiture	-	-	-	-	-	177,329	11,903	(11,903)	177,329	177,329
<b>Total with related party LOP</b>	<b>(251,124)</b>	<b>(16,856)</b>	<b>-</b>	<b>16,856</b>	<b>(251,124)</b>	<b>177,329</b>	<b>11,903</b>	<b>(11,903)</b>	<b>177,329</b>	<b>(73,795)</b>
Santa Cruz - 3.9%	(5,893)	(42)	5,935	-	-	-	-	-	-	-
	<b>(257,017)</b>	<b>(16,898)</b>	<b>5,935</b>	<b>16,856</b>	<b>(251,124)</b>	<b>177,329</b>	<b>11,903</b>	<b>(11,903)</b>	<b>177,329</b>	<b>(73,795)</b>
								Current liabilities		(12,045)
								Noncurrent liabilities		(61,750)
										<b>(73,795)</b>

### 31. Subsequent events

According to a material fact disclosed on November 9, 2016, the Company decided to submit to the Extraordinary General Meeting, to be held in a timely manner, the proposed split of all the common shares issued by the Company. For each common share will be issued and attributed to its holder 3 (three) new common shares, with the same rights and advantages of pre-existing ones. The total capital will not be changed, and will be divided into three hundred and thirty-nine million, nine hundred and eighty-seven thousand, six hundred twenty-one (339,987,621) nominative, book-entry common shares with no par value.

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