

Successful Completion of new debt issuance (up to US\$70 million) plus tender of 96.4% of existing 2020 notes (US\$300 million) will provide better liquidity for 2015/2016 harvest

Bocaina, August 31, 2015– Tonon Bioenergia S/A announces today the results for the 1st quarter 2016 (1Q16). The results are in accordance with the accounting practices adopted in Brazil (IFRS).

1Q16 Highlights

- ✔ Completion of new debt issuance plus tender of 96.4% of existing 2020 notes (US\$300 million)
- ✔ Strong EBITDA margins of 64.4% (R\$ 124.5 million – 1Q16)
- ✔ Current net debt / EBITDA of 4.5x, leverage would be 3.2x if we consider the Fx rate as of June, 2014

Summary of Financial Information - Tonon Bioenergia			
Amounts in R\$ MM	1Q16	1Q15	Chg. %
Net Revenue	193.3	211.8	-8.7%
Gross Profit	73.2	33.0	121.8%
Gross Margin	37.9%	15.6%	22.3% p.p
EBITDA	124.5	115.4	7.9%
EBITDA Margin	64.4%	54.5%	9.9% p.p
	1Q16	1Q15	Chg. %
Net Debt	1,946.0	1,230.5	58.1%
Net Debt/EBITDA	4.5x	3.0x	

Below are the results for Tonon Bioenergia, a company that focuses on the production and sale of products derived from sugarcane, such as granulated refined sugar, VHP sugar, anhydrous and hydrous ethanol.

Production Figures

In 1Q16, Tonon Bioenergia operated 3 mills with a crushing capacity of 8.2 million tons of sugarcane per crop year.

Operational Figures			
	1Q16	1Q15	Chg. %
Crushed sugarcane	2,245.4	2,637.4	-14.9%
Own ('000 tons)	2,027.8	1,892.0	7.2%
Suppliers ('000 tons)	217.7	745.4	-70.8%
Own sugarcane (%)	90.3%	71.7%	19% p.p
Mechanization (%)	93.6%	93.8%	0% p.p
Production			
Sugar ('000 tons)	121.1	136.0	-10.9%
Ethanol	76.1	98.7	-22.9%
Anhydrous Ethanol ('000 m3)	16.5	42.0	-60.7%
Hydrous Ethanol ('000 m3)	59.6	56.6	5.3%

Tonon's crushing reached 2.2 million tons of sugarcane in the 1Q16, representing a 14.9% decrease compared to 1Q15, mainly due to the heavy rain in the region of Mato Grosso do Sul (Vista Alegre unit) that reduced the time available for crushing to 47% also we decided to postpone crushing in Paraíso unit that only started in April 19, 2015.

The 7% increase in own sugarcane came mainly due to the increase in agricultural yield of Vista Alegre unit that presented in the 1Q16 compared to the 1Q15 an increase of 26% from 70 tons of sugarcane per hectare to 88 tons of sugarcane per hectare. The region of São Paulo presented a very similar agricultural in the 1Q16 compared to the 1Q15.

Tonon's mechanization level is already above 93%, very close to our goal of 95%.

Net Revenue

Net Revenue			
Amounts in R\$ MM	1Q16	1Q15	Chg. %
Net Revenue	193.3	211.8	-8.8%
Sugar sales	98.2	86.4	13.7%
Domestic	21.9	1.9	1037.3%
Export	76.3	84.5	-9.6%
Ethanol sales	84.8	115.4	-26.5%
Domestic	84.8	115.1	-26.3%
Export	0.0	0.3	-100.0%
Other Products and Services	10.2	10.0	1.7%

In the 1Q16, Tonon Bioenergia had net revenue of R\$193.3 million, 8.8% lower than the R\$211.8 million in 1Q15, this decrease was mainly due to 14.9% lower crushing y.o.y. This decrease was partially offset by better prices of sugar, 8.1% higher in 1Q16 compared to the 1Q15.

Sugar sales

Net revenue from sugar in the 1Q16 was 13.7% higher than in the 1Q15, with R\$98.2 million, representing 50.8% of total net revenue, this increase was mainly due to the higher price of sugar in 1Q16 compared to 1Q15, this increase also happened due to a 5.1% higher quantity of sugar sold in 1Q16 compared to 1Q15. The average price for sugar was R\$923.6/ton of sugar in the 1Q16, up 8.1% over the 1Q15 average price of R\$854.2/ton of sugar.

More than 77% of the sugar sales were concentrated in exports due to better prices on the foreign market.

Ethanol sales

Net revenue from ethanol in the 1Q16 reached R\$84.8 million, down 26.5% over the 1Q15 net ethanol revenue of R\$115.4 million, this decrease mainly occur due to a decrease of 22% in the quantity of ethanol sold in 1Q16 compared to the 1Q15. The average price decreased 5.5% from R\$1,320.3/m³ in the 1Q15 to R\$1,247.6/m³ in the 1Q16.

Cost of Goods Sold

COGS			
Amounts in R\$ MM	1Q16	1Q15	Chg. %
Cost of Goods Sold	(186.2)	(178.2)	4.5%
Sugar	(81.4)	(73.9)	10.2%
Ethanol	(88.1)	(96.5)	-8.7%
Other	(16.6)	(7.8)	113.6%
Average Unitary Costs			
Cash cost of sugar (R\$/ton)	(452.6)	(389.2)	16.3%
Cash cost of ethanol (R\$/m3)	(766.0)	(588.9)	30.1%

The table above shows the cost of goods sold of sugar, ethanol and other, as well as the average unit cash costs (excluding depreciation and amortization) for sugar and ethanol.

The increase in unitary cash cost of sugar in the 1Q16 compared to the 1Q15 mainly occur due to the higher cost incurred in 2014/2015 harvest due to the drought impact which resulted in a higher idle cost that was partially carried over to the 2015/2016 harvest.

Gross Profit

Gross Profit			
Amounts in R\$ MM	1Q16	1Q15	Chg. %
Gross Profit	73.2	33.0	121.8%
Sugar	45.7	12.3	271.9%
Sugar gross margin (%)	43.0%	12.2%	31% p.p
Sugar cash gross margin (%)	51.0%	54.4%	-3% p.p
Ethanol	28.0	18.5	51.3%
Ethanol gross margin (%)	41.2%	21.2%	20% p.p
Ethanol cash gross margin (%)	38.6%	55.4%	-17% p.p
Other	(0.5)	2.2	

Tonon's gross profit reached R\$73.2 million in the 1Q16, up 121.8% over the same period of the previous year.

EBITDA

EBITDA			
Amounts in R\$ MM	1Q16	1Q15	Chg. %
EBITDA	124.5	115.4	7.9%
EBITDA margin (%)	64.4%	54.5%	10% p.p

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EBITDA	124.5	115.4	7.9%
EBITDA margin (%)	64.4%	54.5%	10% p.p
	1Q16	1Q15	Chg. %
Net Debt	1,946.0	1,230.5	58.1%
Net Debt/EBITDA (LTM)	4.5x	3.0x	
Adj. Net Debt*	1,370.4	1,230.5	11.4%
Adj. Net Debt/EBITDA (LTM)	3.2x	3.0x	

The Net Debt to EBITDA ratio had an increase to 4.5x in 1Q16 compared to 1Q15, if we consider the fx rate of 1Q15 in 1Q16 the Adj. Net Debt to EBITDA ratio would be 3.2x.

Hedge

Volume positions and fixed sugar prices agreed with traders or through derivative financial instruments as of June 30, 2015, and foreign exchange derivatives contracted by Tonon Bioenergia to hedge future cash flows, are as follows:

Summary of Hedge Operations at June 30, 2015	
Sugar	2015/2016
NY11	
Volume ('000 tons)	334.4
Average Price (cents US\$/lb)	13.9