

## São Martinho reports Net Income of R\$28.3 million in 1Q16

**São Paulo, August 10, 2015** – SÃO MARTINHO S.A. (BM&FBovespa: SMT03; Reuters SMT03.SA and Bloomberg SMT03 BZ), one of Brazil's largest sugar and ethanol producers, announces today its results for the first quarter of the 2015/16 crop year (1Q16).

### 1Q16 HIGHLIGHTS

- ✓ In 1Q16, Adjusted EBITDA amounted to **R\$225.1 million (Adjusted EBITDA margin of 47.2%)**, in line with the first quarter of the previous crop year. In the same period, **Net Income was R\$28.3 million**, down 53.4% million on 1Q15. The decrease is directly related to: i) lower sales volume in the period (18.5% in TRS equivalent), driven by the sugar and ethanol sales strategy adopted for the current crop year; and ii) higher financial expenses, driven by a higher debt balance in 1Q16 compared to 1Q15;
- ✓ Operating cash generation (measured by Adjusted EBIT) amounted to R\$88.8 million (EBIT margin of 18.6%), decreasing 12% on the prior year. The lower EBIT is explained chiefly by the weaker sales volume in the period, as detailed above;
- ✓ On June 30, 2015, sugar prices for the **2015/16 crop year were hedged for 739,700 tons at US\$16.59 cents/lb**, which represents the hedging of approximately 87% of own sugarcane and 68% of total sugarcane;
- ✓ On the same date, we held NDFs in U.S. dollar in the amount of US\$174.0 million with an average price of R\$3.01/USD for our sugar exports in the 2015/16 crop year. The volume of NDFs in U.S. dollar on this date represented approximately 66.8% of own sugarcane or 46.8% of the total;
- ✓ Sugarcane crushing stood at 7.4 million tons, or 38% of the production Guidance. Despite the high rainfall in 1Q16 (leading to lower sugarcane crushing volumes and TRS content), we believe production volume is keeping pace with the Guidance announced early in June 2015.

## NEW ACCOUNTING STANDARD – IFRS 11 (CPC 19)

With the adoption of the new accounting standard IFRS 11 (CPC 19) as of the 2013/14 fiscal year, São Martinho S.A. no longer proportionally consolidates the results of its investees. In view of the materiality of the results of Nova Fronteira Bioenergia S.A. (50.95%) to the São Martinho Group, **the Company decided to continue to present on a pro-forma basis its balance sheet, income statement and cash flow statement in the set of financial statements following the same consolidation criteria used prior to the adoption of said standard.**

The breakdown of this information will continue to be presented with the purpose of providing users with a comprehensive and comparative view of the Company's operations. Hence many of the figures will not coincide with details in the notes to the financial statements, which will adopt the new accounting effects mentioned above.

A summary of the results and the reconciliation in accordance with CPC 19, including the breakdown of the main investees, is presented below:

	QUARTER		
	São Martinho S.A. (consolidated CPC 19)	UBV (50.95%)	São Martinho S.A. (Pro forma)
R\$ '000			
Net Revenue*	392,766	83,650	476,706
Adjusted EBITDA	177,878	47,042	225,104
Adjusted EBITDA Margin	45.3%	56.2%	47.2%
Adjusted EBIT	75,955	12,785	88,815
Adjusted EBIT Margin	19.3%	15.3%	18.6%
Biological Assets and Other	1,674	2,563	4,029
Equity Income	12,452	(1)	24
Financial Result / PPE	(81,617)	(2,398)	(84,156)
Income (Loss) Before taxes	8,464	12,950	8,712
Taxes	19,831	(263)	19,583
Net Income	28,295	12,687	28,295
Cash	1,012,811	72,015	1,086,684
Gross Debt	3,408,079	345,813	3,754,111
Net Debt	2,395,268	273,798	2,667,427
EBITDA YTD**	929,345	169,912	1,099,257
Net Debt / EBITDA	2.6 x	1.6 x	2.4 x

\*Excludes the effects from Hedge Accounting of foreign-denominated debt and PPA USC (R\$25.6 million).

\*\* Considers 100% of Adjusted EBITDA of USC in the last 12 months



## COMPANY OVERVIEW

OPERATING DATA	1Q16	1Q15	Chg.(%)
São Martinho - Consolidated			
<b>Crushed Sugarcane ('000 tons)</b>	<b>7,409</b>	<b>6,467</b>	<b>14.6%</b>
Own	4,768	4,339	9.9%
Third Parties	2,641	2,128	24.1%
Mechanized Harvest	98.0%	94.7%	3.26 p.p.
Agricultural Yield (ton/ha)	83.2	93.3	-10.9%
Average TRS (kg/ton)	118.7	129.9	-8.6%
Production			
Sugar ('000 tons)	423	380	11.4%
Anhydrous Ethanol ('000 m <sup>3</sup> )	135	163	-17.2%
Hydrous Ethanol ('000 m <sup>3</sup> )	119	93	27.8%
Ribonucleic Acid (RNA) Sodium Salt ('000 Kg)	97	110	-12.2%
Cogeneration ('000 MWh)	259	195	32.7%
TRS Produced	880	840	4.7%
Mix - Sugar - Ethanol	51% - 49%	47% - 53%	
Mix Anhydrous - Hydrous	54% - 46%	65% - 35%	

The São Martinho Group processed 7.4 million tons of sugarcane in the first quarter of the 2015/16 crop year – or 38% of the production Guidance for the season – for growth of 14.6% on the previous crop year. The higher crushing volume reflects the full consolidation of Santa Cruz Mill this quarter.

Adjusting our results in the first quarter of the previous season (1Q15) for the full consolidation of Santa Cruz Mill, sugarcane crushing fell 3.0% coupled with lower TRS, as a result of high rainfall in 1Q16.

FINANCIAL HIGHLIGHTS (R\$ '000)	1Q16	1Q15	Chg. (%)
São Martinho - Consolidated			
Net Revenue*	476,706	511,021	-6.7%
Adjusted EBITDA	225,104	227,046	-0.9%
EBITDA Margin	47.2%	44.4%	2.8 p.p.
Adjusted EBIT	88,815	101,160	-12.2%
EBIT Margin	18.6%	19.8%	-1.2 p.p.
Consolidated Balance Sheet Indicators			
Total Assets	7,760,631	6,266,079	23.9%
Shareholders' Equity	2,716,802	2,178,354	24.7%
EBITDA (LTM)	1,099,257	782,965	40.4%
Net Debt	2,667,427	1,579,992	68.8%
Net Debt / EBITDA (LTM)	2.4 x	2.0 x	0.0%
Net Debt / Shareholders' Equity	98%	73%	0.0%

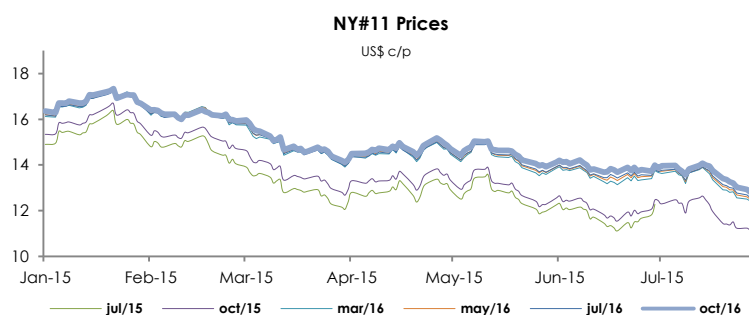
\*Excludes the effects from Hedge Accounting of foreign-denominated debt and USC PPA.



## INDUSTRY OVERVIEW

### Sugar

According to the data by the Sugarcane Industry Association (UNICA) for Brazil's Center-South, sugar production in the region fell 16.9% through the first half of July, compared to the year-ago period. The reduction reflects: i) high rainfall in the first months of the season – particularly affecting the state of São Paulo; and ii) higher allocation of sucrose to ethanol production, driven by the short cash conversion cycle.



According to the chart above, sugar futures are trending downwards, driven by: i) high global sugar inventories; ii) significant depreciation in the Brazilian real against the U.S. dollar, the leading global exporter of the product, which helped sustain supply levels; and iii) continued government policies in countries such as India and Thailand to support sugarcane producers.

On the other hand, this year's El Niño might have impacts in the northern hemisphere, especially in Thailand, where the event alters the region's rainfall regime, which could affect sugar production in that country.

However, we do not expect a recovery in prices by the end of this crop year, as global sugar inventories are still elevated.

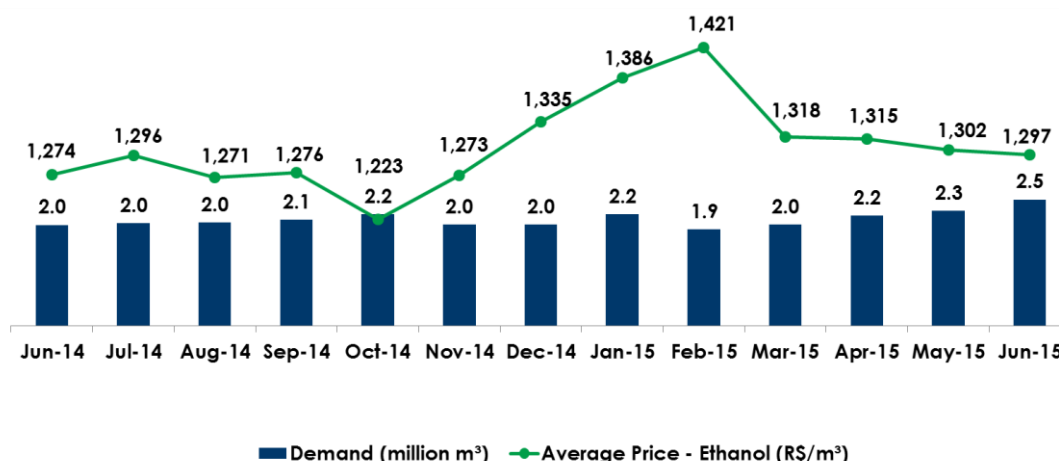


### Ethanol

According to the latest UNICA report, ethanol production declined 2.8% since the beginning of the

2015/16 crop year through the first half of July, compared to the same period last season. Anhydrous ethanol production fell 22.6%, whereas hydrous ethanol production grew 12.0%, reflecting strong domestic demand for the product in Brazil. The lower production of ethanol reflects the high rainfall early in the season, as mentioned previously.

AVERAGE PRICES - ETHANOL	1Q16	1Q15	Chg. (%)
Market Prices			
Anhydrous ESALQ, Net DM R\$ / m <sup>3</sup>	1,374.17	1,417.58	-3.1%
Hydrous ESALQ, Net DM - R\$ / m <sup>3</sup>	1,236.79	1,252.79	-1.3%



According to the table above, average net sales prices fell 3.1% for anhydrous and 1.3% for hydrous ethanol in 1Q16 versus the same period last season, reflecting the high ending stocks from the 2014/15 crop year, combined with the increased cash needs across the industry.

The chart above shows that ethanol demand has been increasing significantly, especially in the case of hydrous ethanol, due to important changes implemented since the beginning of the year, such as i) the increase in the CIDE tax on type-A gasoline; and ii) the ICMS tax break on ethanol sales in the state of Minas Gerais.

We believe ethanol prices will recover gradually over the course of the season, which is why we have adopted the strategy to build inventories of the product (see the section "Inventories" of the release).



## FINANCIAL PERFORMANCE

NET REVENUE BREAKDOWN	1Q16	1Q15	Chg. (%)
R\$ '000			
<b>Domestic Market</b>	<b>296,100</b>	<b>253,311</b>	<b>16.9%</b>
Sugar	22,961	16,675	37.7%
Hydrous Ethanol	59,717	55,994	6.6%
Anhydrous Ethanol	119,673	123,600	-3.2%
Energy	67,812	49,273	37.6%
RNA	6	3	100.0%
Real Estate Development	13,942	-	n.m.
Others	11,989	7,766	54.4%
<b>Export Market</b>	<b>180,606</b>	<b>257,710</b>	<b>-29.9%</b>
Sugar	172,175	187,189	-8.0%
Hydrous Ethanol	-	-	n.m.
Anhydrous Ethanol	-	66,765	n.m.
RNA	8,431	3,462	143.5%
Others	-	294	n.m.
<b>Net Revenue*</b>	<b>476,706</b>	<b>511,021</b>	<b>-6.7%</b>
Sugar	195,136	203,864	-4.3%
Hydrous Ethanol	59,717	55,994	6.6%
Anhydrous Ethanol	119,673	190,365	-37.1%
Energy	67,812	49,273	37.6%
RNA	8,437	3,465	143.5%
Real Estate Development	13,942	-	n.m.
Others	11,989	8,060	48.7%

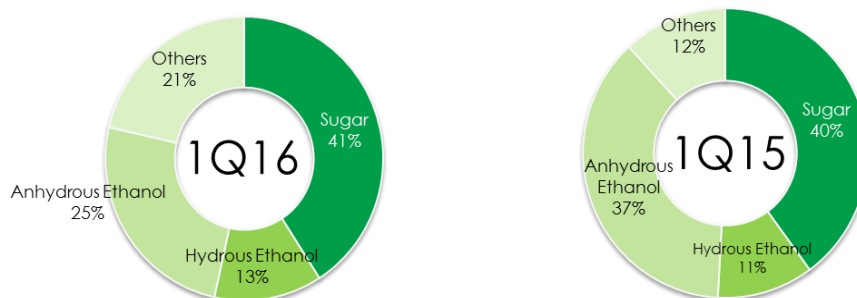
\*Excludes the effects from Hedge Accounting of foreign-denominated debt and USC PPA.

### Net Revenue

In the first quarter of the 2015/16 crop year (1Q16), the Company's net revenue amounted to R\$476.7 million, decreasing 6.7% from the same period of the previous crop year. The decrease was mainly due to the lower sales volumes of sugar (-13.3%) and anhydrous ethanol (-33.3%), which is explained by the Company's strategy to concentrate sales in the second half of the year, due chiefly to the premium of future sugar prices in July/15 and March/16.

The following charts present a breakdown of the Company's net revenue by product in the quarters:

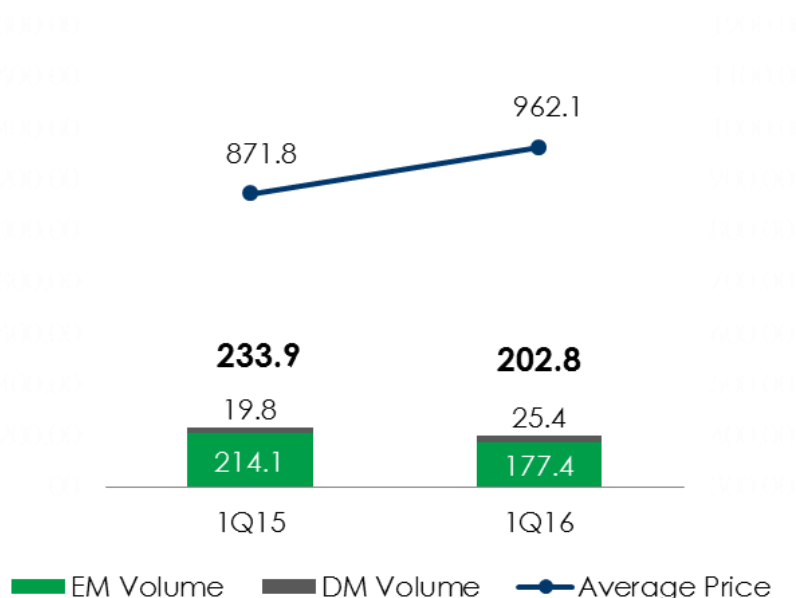
### Net Revenue Breakdown 1Q16 vs. 1Q15





## Sugar

Volume ('000 tons) and Average Price (R\$/Ton)



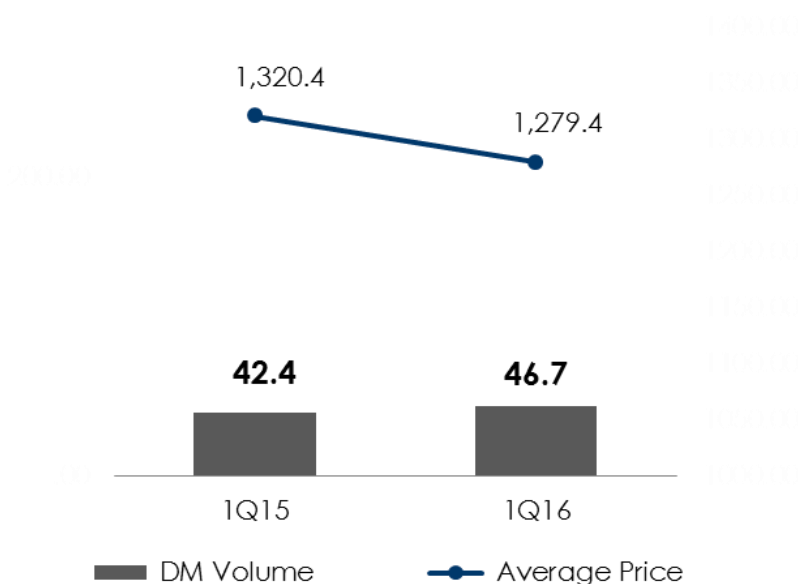
Net revenue from sugar sales amounted to R\$195.1 million in 1Q16, down 4.3% on the same period of the previous crop year. As mentioned previously, the result is due to the 13.3% reduction in sales volume, which reflects Company's strategy to postpone sales to the coming quarters in the season.

We will provide further details on our sugar and U.S. dollar NDF hedge positions later in this release – more specifically under the section "Hedging". Considering our exposure to own sugarcane on June 30, 2015, we had hedged prices for 87% of our sugar volume and for 67% of U.S. dollar NDF, so that the recent depreciation in the Brazilian Real will enable the Company to obtain better prices in R\$/ton in the coming quarters.



## Hydrous Ethanol

Volume ('000 m<sup>3</sup>) and Average Price (R\$/m<sup>3</sup>)



Net revenue from hydrous ethanol sales amounted to R\$59.7 million in 1Q16, increasing 6.6% year over year. The improvement is explained by higher sales volumes in the period, which more than offset the 3.1% decline in average sales prices in the quarter.

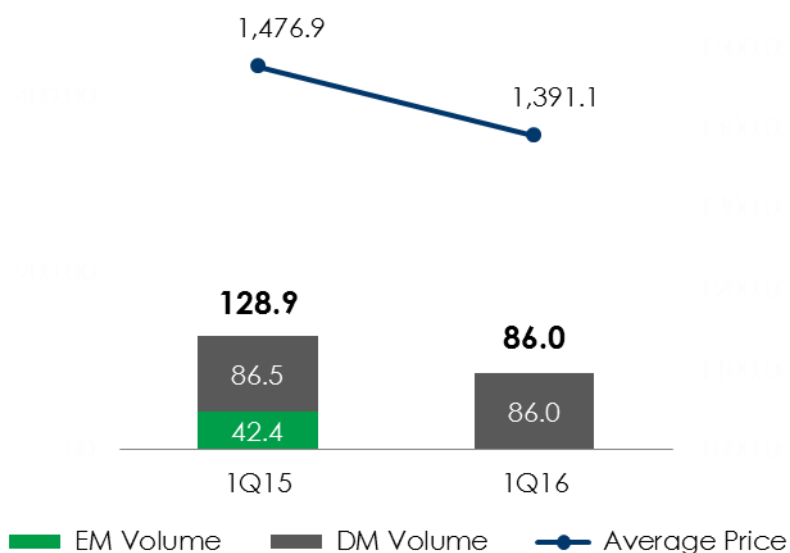
As discussed later in the section "Inventories", the inventory of hydrous ethanol came to approximately 91,500 m<sup>3</sup>, increasing 54.2% on the same period of the previous season.





## Anhydrous Ethanol

Volume ('000 m³) and Average Price (R\$/m³)

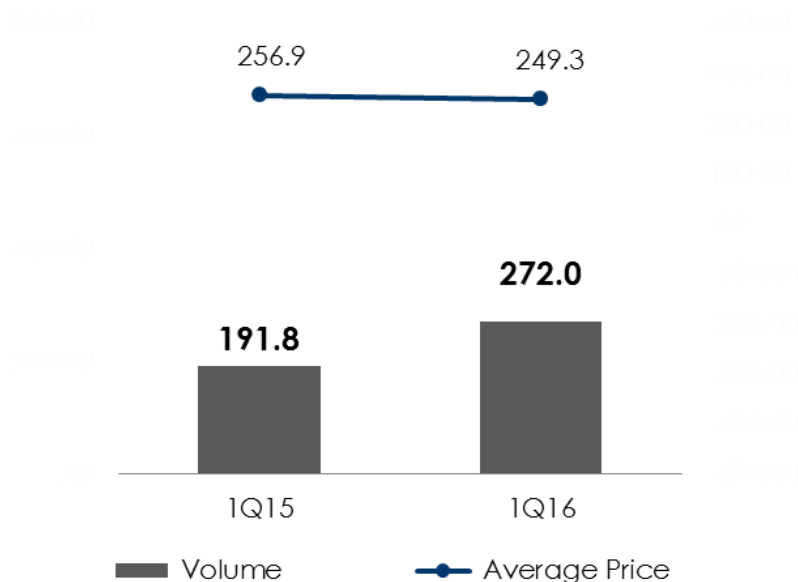


In 1Q16, net revenue from anhydrous ethanol sales decreased 37.1% from 1Q15 to R\$119.7 million, due to: i) the 33.3% lower sales volume in the period; and ii) the 5.8% decrease in the average sales price.

As discussed later under "Inventories", the anhydrous ethanol inventory stood at approximately 108,600 m³, growing 105.9% on the same period of the previous season.

## Cogeneration

Volume ('000 MWh) and Average Price (R\$/MWh)



In the first quarter of the 2015/16 crop year, net revenue from cogeneration sales amounted to R\$67.8 million, increasing 37.6% on the previous crop year, led by the 41.8% increase in sales volume.

Note that, considering the remaining cogeneration volume to be sold through the end of the season, only 20% has exposure to the spot market.



## Real Estate Development

As reported previously, in the 2014/15 crop year we launched two real estate projects: Recanto das Paineiras and Park Empresarial de Itacemápolis, located in the Limeira region of the interior of São Paulo state. In 1Q16, we recognized revenue of R\$13.9 million (based on the percentage of completion method).

Real Estate Development in progress	Revenue Recognized in the Quarter 1Q16
	R\$ '000
<b>Property sales</b>	<b>145</b>
<b>Projects already launched in partnership</b>	<b>13,797</b>
Recanto das Paineiras	9,750
Park Empresarial de Itacemápolis	4,047
<b>Total revenue</b>	<b>13,942</b>

## Other Products and Services

Net revenue from "Other Products and Services" amounted to R\$20.4 million in 1Q16, increasing 77.2% from the same period of the previous crop year. The improvement is explained mainly the 143.5% increase in RNA net revenue, driven by 66% higher sales volumes and 46.8% higher average sales prices.



## INVENTORIES

INVENTORIES	1Q16	1Q15	Chg. (%)
Sugar (tons)	227,044	153,184	48.2%
Hydrous (m³)	91,505	59,350	54.2%
Anhydrous (m³)	108,642	52,777	105.9%

Sugar inventories increased 48.2% in 1Q16 from the same period in the previous season, in line with the Company's strategy to sell the product at higher prices in the future, as explained in the "Hedging" section.

The growth in ethanol inventories is in line with the Company's perception that prices should recover gradually over the course of the season, since the increased demand is helping consume the product surplus from the previous season – more details under "Sector Overview".

## EBITDA AND EBITDA COST BY PRODUCT

EBITDA BY PRODUCT - 1Q16	SUGAR	ETHANOL	COGEN	REAL ESTATE	OTHERS	TOTAL
R\$ '000						
Net Revenues*	195,136	179,390	67,812	13,942	20,426	476,706
COGS (Cash)	(92,421)	(91,912)	(12,354)	(2,779)	(8,198)	(207,664)
Gross Profit (Cash)	102,715	87,478	55,458	11,163	12,228	269,042
Gross Margin (Cash)	52.6%	48.8%	81.8%	80.1%	59.9%	56.4%
Sales Expenses	(11,652)	(1,390)	(1,589)	-	(25)	(14,656)
G&A Expenses (Cash)	(12,157)	(13,123)	(4,409)	(1,133)	-	(30,822)
Other Revenues (Expenses)	-	-	-	-	1,540	1,540
<b>Adjusted EBITDA</b>	<b>78,905</b>	<b>72,965</b>	<b>49,460</b>	<b>10,030</b>	<b>13,743</b>	<b>225,104</b>
<b>Adjusted EBITDA Margin</b>	<b>40.4%</b>	<b>40.7%</b>	<b>72.9%</b>	<b>71.9%</b>	<b>67.3%</b>	<b>47.2%</b>
<b>EBITDA Cost**</b>	<b>(573.1)</b>	<b>(802.0)</b>	<b>(67.5)</b>	<b>-</b>	<b>-</b>	<b>-</b>

\*Excludes Hedge Accounting effects of foreign-denominated debt and PPA USC (R\$ 25.6 million).

\*\* Sugar in R\$/Ton

Ethanol in R\$/m³

Cogeneration in R\$/MWh

In 1Q16, sugar accounted for 35.1% of the Group's consolidated Adjusted EBITDA, while ethanol accounted for 32.4% and cogeneration, real estate development and others accounted for 22.0%, 4.5% and 6.1%, respectively. Sugar EBITDA margin expanded by 4.8 p.p. compared to 1Q15, driven by higher prices. Ethanol EBITDA margin contracted by 3.0 p.p., mainly due to lower prices in 1Q16 compared to 1Q15.



EBITDA BY PRODUCT - 1Q15	SUGAR	ETHANOL	COGEN	REAL ESTATE	OTHERS	TOTAL
R\$ '000						
Receita Líquida*	203,863	246,358	49,273	-	11,526	511,020
CPV (Caixa)	(103,885)	(117,461)	(4,138)	-	(7,266)	(232,750)
Lucro Bruto (Caixa)	99,978	128,897	45,135	-	4,260	278,270
Margem Bruta (Caixa)	49.0%	52.3%	91.6%	-	37.0%	54.5%
Despesas de Vendas	(13,784)	(4,759)	(1,177)	-	(49)	(19,770)
Despesas G&A (Caixa)	(13,517)	(16,404)	(2,999)	-	0	(32,920)
Outras receitas (despesas)	-	-	-	-	1,466	1,466
<b>EBITDA Ajustado</b>	<b>72,677</b>	<b>107,734</b>	<b>40,959</b>	<b>-</b>	<b>5,677</b>	<b>227,046</b>
<b>Margem EBITDA Ajustado</b>	<b>35.6%</b>	<b>43.7%</b>	<b>83.1%</b>	<b>-</b>	<b>49.3%</b>	<b>44.4%</b>
<b>Custo EBITDA **</b>	<b>(561.0)</b>	<b>(809.2)</b>	<b>(43.3)</b>	<b>-</b>	<b>-</b>	<b>-</b>

\*Excludes Hedge Accounting effects of foreign-denominated debt and PPA USC (R\$ 25.6 million).

\*\* Sugar in R\$/Ton

Ethanol in R\$/m<sup>3</sup>

Cogeneration in R\$/MWh

## COST OF GOODS SOLD

BREAKDOWN OF COGS - CASH	1Q16	1Q15	Chg. (%)
R\$ '000			
<b>Agricultural Costs</b>	<b>158,816</b>	<b>185,594</b>	<b>-14.4%</b>
Suppliers	86,194	97,492	-11.6%
Partnerships	32,094	45,137	-28.9%
Own Sugarcane	40,528	42,966	-5.7%
Industrial	26,071	28,994	-10.1%
Reintegra	(1,528)	-	n.m.
Other Products	24,305	18,161	33.8%
<b>Total COGS</b>	<b>207,664</b>	<b>232,749</b>	<b>-10.8%</b>
TRS Sold (000 Tons)	442	542	-18.5%
Unit Cost (Sugar and Ethanol Cash COGS / TRS Sold)	419	396	5.7%

"Cash COGS" fell 10.8% in 1Q16 to R\$207.7 million, reflecting mainly the 18.5% lower sales volume (in TRS) in 1Q16 compared to the year-ago period.

Sugar and ethanol unit cost per TRS increased 5.7%, explained by the lower dilution of fixed costs.

The following table presents further details of this impact for both sugar and ethanol.

AVERAGE CASH COST PER UNIT	1Q16	1Q15	Chg. (%)
R\$ '000			
<b>Cost of Goods Sold</b>	<b>(184,333)</b>	<b>(221,346)</b>	<b>-16.7%</b>
Sugar	(92,421)	(103,885)	-11.0%
Ethanol	(91,912)	(117,461)	-21.8%
<b>Average Cash Cost Per Unit (*)</b>			
Sugar Cash Cost	(455.7)	(444.2)	2.6%
Ethanol Cash Cost	(692.6)	(685.7)	1.0%

(\*) Sugar in R\$/Ton

Ethanol in R\$/m<sup>3</sup>



## SELLING EXPENSES

SELLING EXPENSES	1Q16	1Q15	Chg. (%)
R\$ '000			
Port Costs / Freight	13,082	18,853	-30.6%
Other	1,574	917	71.6%
<b>Selling Expenses</b>	<b>14,656</b>	<b>19,770</b>	<b>-25.9%</b>
TRS Sold ('000 Tons)	442	542	-18.5%
% of Net Revenue	3.2%	3.2%	-0.8 p.p.

In 1Q16, selling expenses amounted to R\$14.7 million, down 25.9% on the same period of the previous crop year (1Q15), mainly due to the 30.6% reduction in freight expenses on lower exports of sugar and anhydrous ethanol in the period, as explained previously under "Financial Performance".

## GENERAL AND ADMINISTRATIVE EXPENSES

G&A EXPENSES - (CASH)	1Q16	1Q15	Chg. (%)
R\$ '000			
Personnel and Management Fee	22,932	20,656	11.0%
Taxes, Fees, Contributions and Contingencies	1,086	5,381	-79.8%
General Expenses and Third-Party Services	5,938	6,173	-3.8%
Stock Option Expenses	866	710	22.0%
<b>Total General and Administrative Expenses</b>	<b>30,823</b>	<b>32,920</b>	<b>-6.4%</b>

G&A expenses amounted to R\$30.8 million in 1Q16, down 6.4% from the same quarter of the previous crop year. The improvement reflects mainly the reduction in labor contingencies involving the Company.



## EBITDA

Pro-Forma EBITDA RECONCILIATION	1Q16	1Q15	Chg. (%)
R\$ '000			
<b>Adjusted EBITDA</b>	<b>225,104</b>	<b>227,046</b>	<b>-0.9%</b>
Adjusted EBITDA Margin	47.2%	44.4%	2.8 p.p.
Adjustment to Maturity of Hedge /USC PPA	25,586	6,387	300.6%
Equity Income	(24)	(513)	-95.3%
Non Recurring Operating Revenues (Expenses)	(11)	149	n.m.
Biological Assets	(4,018)	(3,214)	25.0%
<b>Book EBITDA</b>	<b>203,571</b>	<b>224,237</b>	<b>-9.2%</b>
EBITDA Margin	45.1%	44.4%	0.7 p.p.
(-) Depreciation and Amortization	(136,289)	(125,886)	8.3%
(-) Financial Revenue (Expense), net	(58,570)	(26,470)	121.3%
(=) Operating Income	8,712	71,881	-87.9%

### Adjusted EBITDA

As mentioned earlier in the section "1Q16 Highlights", the São Martinho Group recorded Adjusted EBITDA of R\$225.1 million (Adjusted EBITDA Margin of 47.2%) in 1Q16, which represents a decrease of 0.9% from 1Q15. The decline is related to the lower sales volume in the period (18.5% in TRS equivalent), driven by the sugar and ethanol sales strategy adopted for the current crop year.

### Main Adjustments to EBITDA in 1Q16

#### 1) Adjustment of Debt Maturity in Hedge Accounting / PPA Santa Cruz: R\$25.6 million

- Expense related to exchange variation on debt settled in 1Q16 that was previously designated for Hedge Accounting. Considering that the exchange rate used for the purposes of cash flow in the period was R\$3.1/US\$1.00, we adjusted the amount of R\$21.2 million in net revenue and EBITDA to provide a better understanding of the Company's cash generation in the period;
- Noncash expense of R\$4.3 million, reflecting the amortization of goodwill paid for the future profitability of the cogeneration volume of Santa Cruz Mill (PPA – purchase price allocation).



### Biological Assets

Revenue related to the noncash accrual of a provision for the fair value adjustment of biological assets in the amount of R\$4.0 million, which mainly reflects the improvement in the expected future productivity of our sugarcane fields. Accordingly, a negative adjustment was made to the Company's EBITDA (see details in Note 11 to the Financial Statements).

The following tables provide a breakdown of Adjusted EBITDA by business:

1Q16						
EBITDA BY SEGMENT	Consolidated	S&E	Cogen	Real Estate	Others	Consolidated - ex others
R\$ '000						
Net Revenue*	476,706	374,526	67,812	13,942	20,426	456,280
Adjusted EBITDA	225,104	151,871	49,460	10,030	13,743	211,361
<b>Adjusted EBITDA Margin</b>	<b>47.2%</b>	<b>40.6%</b>	<b>72.9%</b>	<b>71.9%</b>	<b>67.3%</b>	<b>46.3%</b>

\* Excludes hedge accounting effect of foreign-denominated debt and USC PPA.

1Q15						
EBITDA BY SEGMENT	Consolidated	S&E	Cogen	Real Estate	Others	Consolidated - ex others
R\$ '000						
Net Revenue	511,021	450,221	49,273	-	11,526	499,494
Adjusted EBITDA	227,046	180,411	40,959	-	5,677	221,369
<b>Adjusted EBITDA Margin</b>	<b>44.4%</b>	<b>40.1%</b>	<b>83.1%</b>	<b>0.0%</b>	<b>49.3%</b>	<b>44.3%</b>

CPC 19				
EBITDA RECONCILIATION		1Q16	1Q15	Chg.%
R\$ '000				
Book EBITDA		166,418	169,983	-2.1%
EBITDA Margin		45.3%	45.0%	0.4 p.p.
(-) Depreciation and Amortization		(101,923)	(78,055)	30.6%
(-) Net Financial Expense		(56,031)	(20,917)	167.9%
(=) Operating Income (Loss)		8,464	71,011	-88.1%

With the adoption of the new accounting standard IFRS 11 (CPC 19) as of the 2013/14 fiscal year, São Martinho S.A. no longer proportionally consolidates the results of its investees. Adjusted by IFRS 11, the table above includes only the EBITDA of São Martinho S.A., excluding the proportional consolidation of Nova Fronteira Bioenergia S.A. (50.95%).



### Operating Cash Generation

Operating cash generation (measured by Adjusted EBIT) amounted to R\$88.8 million (EBIT margin of 18.6%), decreasing 12% on the prior year. The decrease is related mainly to the lower sales volume in the period (18.5% in TRS equivalent), driven by the sugar and ethanol sales strategy adopted for the current crop year.

## HEDGING

A summary of our sugar and U.S. dollar hedge positions on June 30, 2015 follows.

### Sugar

	Volume Hedged ('000 tons)	Avg. Price (US\$ c/p)
<b>Sugar</b>		
May/15 (K15)	6,476	14.11
Jul/15 (N15)	241,781	15.92
Oct/15 (V15)	291,251	16.78
Mar/16 (H16)	200,162	17.20
<b>Total Fixed</b>	<b>739,670</b>	<b>16.59</b>
(-) Consecana	76,909	
<b>Own Sugarcane</b>	<b>662,761</b>	<b>16.59</b>

On June 30, 2015, our hedge position for the 2015/16 crop year amounted to 739,670 tons at US\$16.59 cents/lb, which corresponds to approximately 87% of own sugarcane and 68% of total sugarcane.

### U.S. Dollar

On June 30, 2015, the São Martinho Group held open positions through non-deliverable forwards (NDFs) and derivative instruments, which are used to hedge its exports, with maturities in the 2015/16 crop year as follows:

TOTAL			SUGAR		OTHERS	
Dollar	US '000	Average Price (R\$/US\$)	US '000	Average Price (R\$/US\$)	US '000	Average Price (R\$/US\$)
Safra 2015/2016	206,285	3.03	174,003	3.01	32,283	3.10

The volume of NDFs in U.S. dollar on this date represented approximately 66.8% of own sugarcane or 46.8% of the total.

## Hedge Accounting

### Effect on Shareholders' Equity

In March 2010, inclusive, the Company began to adopt hedge accounting for derivatives classified as hedge instruments, as well as debt denominated in foreign currency.

The quarterly results are recorded in shareholders' equity ("Adjustments to Book Value"), net of deferred income and social contribution taxes. In the period between March 2015 and June 2015, we recorded a gain in shareholders' equity of R\$70.1 million, mainly related to the appreciation in the Brazilian real against the U.S. dollar.

### Impact on Income Statement

As previously mentioned, certain foreign currency-denominated debts that had been designated as Hedge Accounting will mature in the future, which will impact our net revenue.

In 1Q16, a total of US\$21.7 million in debt matured, with the exchange rate of R\$2.1/US\$1.00 adopted for the translation of net revenue. Considering that the rate considered for the purposes of cash flow in the period was R\$3.1/US\$ 1.00, we adjusted the amount of R\$21.2 million in net revenue and EBITDA to provide a better understanding of the Company's cash generation.

## NET FINANCIAL RESULT

FINANCIAL RESULT	1Q16	1Q15	Chg.%
R\$ '000			
Financial Income	36,470	16,128	126.1%
Financial Expenses	(75,273)	(41,640)	80.8%
Hedge Result/Exchange Variation	(19,767)	(957)	1965.5%
<b>Net Financial Result</b>	<b>(58,570)</b>	<b>(26,470)</b>	<b>121.3%</b>

The Company registered a net financial expense of R\$58.6 million in 1Q16, which represents an increase of 121.3% from 1Q15, mainly due to the increase of approximately 69% in its net debt compared to the same period of the previous crop year.

## NET INCOME

Net income in 1Q16 was R\$28.3 million, compared to net income of R\$60.7 million in 1Q15. The reduction reflected: i) lower sugar and ethanol sales volumes in the period (18.5% in TRS equivalent); and ii) higher financial expenses, driven by a higher debt balance in 1Q16 compared to 1Q15.



## DEBT WITH COPERSUCAR

On June 30, 2015, the São Martinho Group recognized the amount of R\$295.5 million in obligations payable to Copersucar under Liabilities on its balance sheet. In view of the terms negotiated in the process to terminate the membership at Copersucar, we will continue to book under "Obligations – Copersucar" all liabilities related to the contingencies currently being resolved judicially that were filed by the legal counsels at Copersucar. These obligations continue to be secured by suretyships in the amount of R\$199.4 million on a consolidated basis.



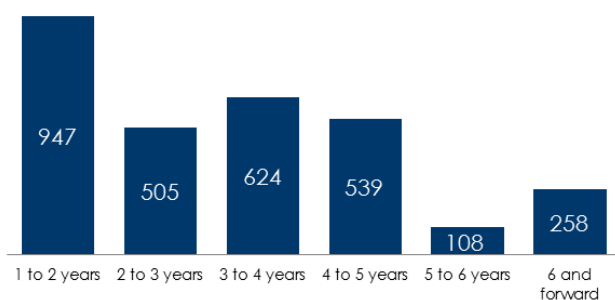
## INDEBTEDNESS

DEBT	jun/15	mar/15	Chg.%
R\$ Thousand			
PESA	54,133	57,755	-6.3%
Rural Credit	216,431	163,907	32.0%
BNDES / FINAME	830,540	877,296	-5.3%
Working Capital	784,978	533,283	47.2%
ACC (Advances on Foreign Exchange Contracts)	155,659	160,475	-3.0%
PPE (Export prepayment)	1,101,716	981,525	12.2%
NCE (Export Credit Note)	519,044	838,463	-38.1%
Others	596	897	-33.6%
Obligations from Acquisitions - LOP	85,466	85,432	0.0%
Obligations from Acquisitions - Other	5,547	10,891	-49.1%
<b>Gross Debt</b>	<b>3,754,111</b>	<b>3,709,923</b>	<b>1.2%</b>
Cash and Cash Equivalents	1,086,684	1,140,538	-4.7%
<b>Consolidated Net Debt</b>	<b>2,667,427</b>	<b>2,569,385</b>	<b>3.8%</b>
<b>Net Debt / Acum. EBITDA</b>	<b>2.4 x</b>	<b>2.2 x</b>	

In 1Q16, the net debt of the São Martinho Group increased 3.8% to R\$2.67 billion, to end the period with a Net Debt/EBITDA ratio of 2.4 times. The increase in the Company's net debt is explained by investments of approximately R\$200 million in working capital, mainly reflecting our strategy to buildup inventories of products to be sold in future periods.

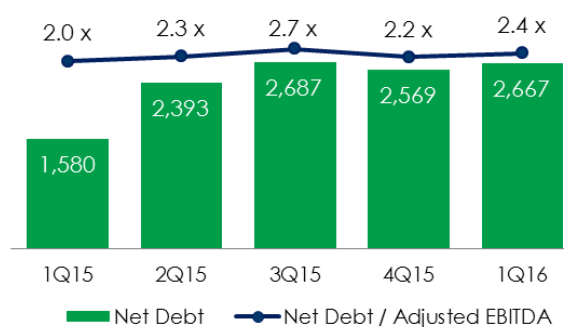
### Debt Amortization Schedule

R\$ million



### Net Debt / EBITDA LTM

Evolution





## CAPEX

(Maintenance)	1Q16	1Q15	Chg.%
R\$ '000			
Sugarcane Planting	43,269	32,025	35.1%
Off-Season Maintenance / Industrial / Agricultural	5,719	3,310	72.8%
Crop Treatment	74,810	54,674	36.8%
<b>Total</b>	<b>123,798</b>	<b>90,009</b>	<b>37.5%</b>

(Operational Improvements)	1Q16	1Q15	Chg.%
R\$ '000			
Equipment/Projects/Replacements	18,482	6,101	202.9%
<b>Total</b>	<b>18,482</b>	<b>6,101</b>	<b>202.9%</b>

(Upgrading/Expansion)	1Q16	1Q15	Chg.%
R\$ '000			
Industrial/Agricultural	17,532	23,074	-24.0%
<b>Total</b>	<b>17,532</b>	<b>23,074</b>	<b>-24.0%</b>

<b>Total</b>	<b>159,813</b>	<b>119,184</b>	<b>34.1%</b>
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The maintenance CAPEX of the São Martinho Group amounted to R\$123.8 million in 1Q16, increasing 37.5% from the year-ago period, due to the expansion in the planting and crop treatment area, due to the full consolidation of Santa Cruz this quarter.

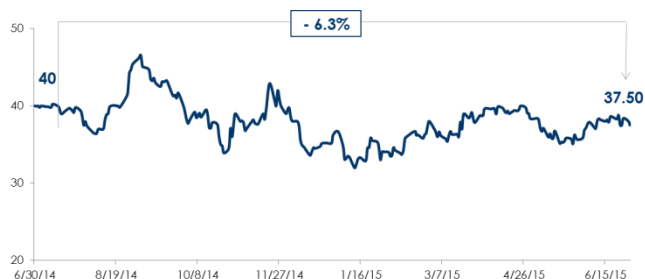
Operational improvement capex (investments in replacing agricultural and industrial equipment to boost yields) amounted to R\$18.5 million in 1Q16, increasing 202.9% from 1Q15. The increase is mainly related to investments in agricultural automation and to the 100% consolidation of Santa Cruz, as previously mentioned.

The Company's expansion Capex came to R\$17.5 million, down 24.0% on the year-ago period. These investments reflect mainly the carryover of projects started in the previous season and that, due to the accrual method of accounting, will have an impact on this season, as announced previously to the market.

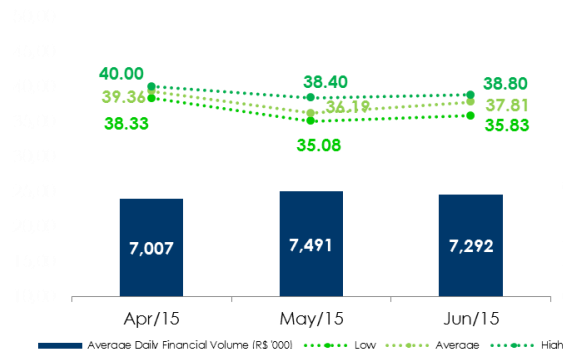


## CAPITAL MARKETS AND INVESTOR RELATIONS

### Performance SMT03 – 12 months



### Price and Volume



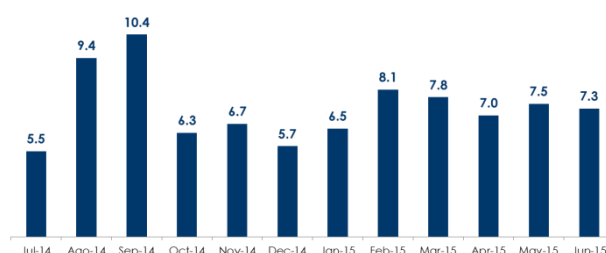
### SMT03 vs Stock Indexes

Basis 100



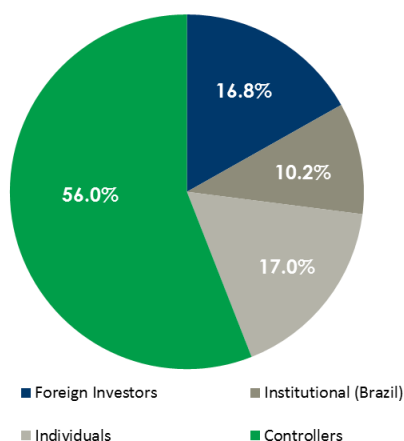
### Average Daily Trading Volume

R\$ million

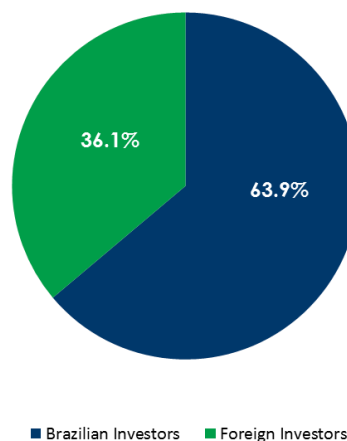


### Ownership Structure

Reference: June 30, 2015



### Free Float Composition





## DISCLAIMER

This document contains forward-looking statements related to the business outlook, operating and financial projections and growth prospects of São Martinho. These statements are merely projections and as such are based exclusively on Management's expectations for the future of the business. These forward-looking statements depend materially on changes in market conditions and the performance of the Brazilian economy, the industry and international markets, and therefore are subject to change without prior notice.



## INCOME STATEMENT

### Quarter

SÃO MARTINHO S.A. - CONSOLIDATED	CPC 19			Pro-forma		
	1Q16	1Q15	Chg. (%)	1Q16	1Q15	Chg. (%)
R\$ Thousand						
Gross Revenue	381,028	388,684	-2.0%	472,044	522,493	-9.7%
Deductions from Gross Revenue	(13,848)	(10,677)	29.7%	(20,924)	(17,859)	17.2%
<b>Net Revenue</b>	<b>367,180</b>	<b>378,007</b>	<b>-2.9%</b>	<b>451,120</b>	<b>504,634</b>	<b>-10.6%</b>
Cost of Goods Sold (COGS)	(274,101)	(259,122)	5.8%	(337,331)	(352,891)	-4.4%
<b>Gross Profit</b>	<b>93,079</b>	<b>118,885</b>	<b>-21.7%</b>	<b>113,789</b>	<b>151,743</b>	<b>-25.0%</b>
Gross Margin (%)	25.3%	31.5%	-6.1 p.p	25.2%	30.1%	-4.8 p.p
<b>Operating Expenses</b>	<b>(28,584)</b>	<b>(26,957)</b>	<b>6.0%</b>	<b>(46,507)</b>	<b>(53,392)</b>	<b>-12.9%</b>
Selling Expenses	(12,863)	(16,876)	-23.8%	(14,656)	(19,770)	-25.9%
General and Administrative Expenses	(29,322)	(28,034)	4.6%	(33,426)	(35,450)	-5.7%
Equity Income	12,452	17,312	-28.1%	24	513	-95.3%
Other Operating Expenses, Net	1,149	641	79.3%	1,551	1,315	17.9%
<b>Operating Profit, Before Financial Effects</b>	<b>64,495</b>	<b>91,928</b>	<b>-29.8%</b>	<b>67,282</b>	<b>98,351</b>	<b>-31.6%</b>
<b>Financial Result, Net</b>	<b>(56,031)</b>	<b>(20,917)</b>	<b>167.9%</b>	<b>(58,570)</b>	<b>(26,470)</b>	<b>121.3%</b>
Financial Revenues	33,190	13,177	151.9%	36,470	16,127	126.1%
Financial Expenses	(68,279)	(29,300)	133.0%	(75,273)	(41,640)	80.8%
Monetary and Exchange Variations - Net	6,230	1,015	513.8%	8,898	1,877	374.1%
Derivatives Results	(27,172)	(5,809)	367.8%	(28,665)	(2,834)	911.5%
<b>Income (Loss) Before Income and Social Contribution Taxes</b>	<b>8,464</b>	<b>71,011</b>	<b>-88.1%</b>	<b>8,712</b>	<b>71,881</b>	<b>-87.9%</b>
Income Tax and Social Contribution - Current	8,285	(16,274)	n.m.	8,271	(16,411)	n.m.
Income Tax and Social Contribution - Deferred	11,546	5,989	92.8%	11,312	5,256	115.2%
<b>Net Income (Loss) Before Minority Interest</b>	<b>28,295</b>	<b>60,726</b>	<b>-53.4%</b>	<b>28,295</b>	<b>60,726</b>	<b>-53.4%</b>
<b>Net Income</b>	<b>28,295</b>	<b>60,726</b>	<b>-53.4%</b>	<b>28,295</b>	<b>60,726</b>	<b>-53.4%</b>
Net Margin (%)	7.7%	16.1%	-8.4 p.p	6.3%	12.0%	-5.8 p.p





## BALANCE SHEET (ASSETS)

São Martinho S.A. - ASSETS	CPC 19		Pro-forma	
R\$ '000				
ASSETS	Jun/15	Mar/15	Jun/15	Mar/15
<b>SHORT-TERM ASSETS</b>				
Cash and Cash Equivalents	1,007,813	1,020,112	1,073,137	1,126,517
Trade Receivables	116,745	156,317	155,402	168,031
Derivative Financial Instruments	124,460	221,797	124,460	222,226
Inventories	486,982	177,443	550,159	212,975
Taxes Recoverable	106,877	102,821	120,884	116,363
Income and Social Contribution Taxes	79,399	64,633	83,636	68,718
Other Assets	13,897	6,476	15,583	7,661
<b>TOTAL SHORT-TERM ASSETS</b>	<b>1,936,173</b>	<b>1,749,599</b>	<b>2,123,261</b>	<b>1,922,491</b>
<b>LONG-TERM ASSETS</b>				
<b>Long-term Receivables</b>				
Marketable Securities	4,998	5,723	13,547	14,021
Inventories	46,262	49,607	66,772	72,288
Related Parties	-	34	-	34
Deferred Income and Social Contribution Taxes	-	-	47,794	48,031
Trade Receivables	18,871	8,049	19,447	8,049
Trade Receivables from Copersucar	1,669	1,669	1,784	1,784
Taxes Recoverable	88,606	75,860	98,714	87,127
Judicial Deposits	27,461	27,927	29,358	29,553
Other Assets	498	518	498	518
	<b>188,365</b>	<b>169,387</b>	<b>277,914</b>	<b>261,405</b>
<b>Investments</b>	442,506	429,780	20,940	20,902
<b>Biological Assets</b>	924,913	936,241	1,095,058	1,116,783
<b>Property, plant and equipment</b>	3,344,966	3,383,376	3,748,697	3,796,775
<b>Intangible Assets</b>	494,641	500,541	494,761	500,676
<b>TOTAL LONG-TERM ASSETS</b>	<b>5,395,391</b>	<b>5,419,325</b>	<b>5,637,370</b>	<b>5,696,541</b>
<b>TOTAL ASSETS</b>	<b>7,331,564</b>	<b>7,168,924</b>	<b>7,760,631</b>	<b>7,619,032</b>



## BALANCE SHEET (LIABILITIES)

São Martinho S.A. - LIABILITIES	CPC 19		Pro-forma	
R\$ '000				
LIABILITIES AND SHAREHOLDERS' EQUITY	Jun/15	Mar/15	Jun/15	Mar/15
<b>SHORT-TERM ASSETS</b>				
Borrowings	714,281	872,419	834,689	978,828
Derivative Financial Instruments	125,045	232,711	126,110	232,711
Trade Payables	158,354	95,476	176,121	115,727
Payables to Copersucar	2,040	2,040	2,300	2,300
Payroll and Social Contributions	104,764	84,373	120,258	95,953
Taxes Payable	13,424	13,235	15,038	14,531
Income and Social Contribution Taxes	1,286	1,511	1,295	1,540
Dividends Payable	67,939	67,939	67,939	67,939
Advances from Customers	3,211	3,197	4,900	4,321
Acquisition of Investment	17,643	17,507	17,643	17,507
Other Liabilities	23,952	29,484	31,458	34,079
<b>TOTAL SHORT-TERM LIABILITIES</b>	<b>1,231,939</b>	<b>1,419,892</b>	<b>1,397,751</b>	<b>1,565,436</b>
<b>LONG-TERM ASSETS</b>				
Borrowings	2,602,785	2,367,660	2,828,409	2,634,773
Payables to Copersucar	279,777	279,584	293,175	292,945
Taxes Payable in Installments	16,067	16,267	16,067	16,267
Deferred Income and Social Contribution Taxes	346,925	323,811	347,175	324,064
Provision for Contingencies	52,637	55,430	56,247	58,702
Acquisition of Investment	73,370	78,815	73,370	78,815
Advances for future capital increase	-	-	31,559	31,492
Other Liabilities	11,262	11,380	76	453
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>3,382,823</b>	<b>3,132,947</b>	<b>3,646,078</b>	<b>3,437,511</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share Capital	812,992	812,992	812,992	812,992
Capital reserves	9,119	9,119	9,119	9,119
Treasury Shares	(6,059)	(7,375)	(6,059)	(7,375)
Stock options granted	5,488	5,079	5,488	5,079
Adjustments to Book Value	1,469,669	1,405,708	1,469,669	1,405,708
Profits Reserves	390,562	390,562	390,562	390,562
Retained earnings	35,031	-	35,031	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>2,716,802</b>	<b>2,616,085</b>	<b>2,716,802</b>	<b>2,616,085</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>7,331,564</b>	<b>7,168,924</b>	<b>7,760,631</b>	<b>7,619,032</b>



## CONSOLIDATED CASH FLOW

SÃO MARTINHO S.A.	CPC 19		Pro Forma	
R\$ Thousand	1Q16	1Q15	1Q16	1Q15
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net Income in the period	28,295	60,726	28,295	60,726
Adjustments				
Depreciation and amortization	35,629	28,729	43,989	41,746
Harvested biological assets (depreciation)	66,294	49,326	92,300	84,141
Variation in fair value of biological assets	(1,559)	(1,691)	(4,018)	(3,214)
Amortization of intangible assets	4,906	-	4,906	466
Equity Income	(12,452)	(17,312)	(24)	(513)
Result of investment and property, plant and equipment disposals	1,306	67	1,319	(377)
Interest, monetary and foreign exchange variations, net	57,160	28,191	62,161	35,833
Derivatives Financial Instruments	33,096	25,101	33,096	27,563
Constitution of provision for contingencies, net	662	2,440	1,261	3,773
Deferred income tax and social contribution	(11,546)	(5,989)	(11,312)	(5,256)
Constitution of provision for inventory losses	983	1,793	862	1,721
	<b>202,774</b>	<b>171,381</b>	<b>252,835</b>	<b>246,609</b>
Changes in assets and liabilities				
Trade receivables	21,792	(74,071)	(5,663)	(70,143)
Inventories	(219,909)	(96,988)	(237,570)	(120,481)
Taxes recoverable	(29,597)	(8,021)	(28,804)	(9,256)
Marketable Securities	941	-	941	(18)
Other assets	(5,424)	(3,208)	(6,105)	(7,140)
Trade payables	63,481	63,390	61,942	65,615
Salaries and social charges	20,391	22,593	24,305	25,957
Taxes payable	(1,103)	8,147	(981)	7,439
Obligations with Copersucar	(4,251)	588	(4,641)	(2,298)
Taxes payable in installments	(241)	(479)	(241)	(459)
Provision for contingencies - settlements	(4,884)	(2,726)	(5,257)	(4,205)
Other liabilities	(2,892)	3,151	588	4,080
Cash provided by operations	<b>41,078</b>	<b>83,757</b>	<b>51,349</b>	<b>135,700</b>
Interest paid	(66,682)	(31,022)	(78,188)	(47,037)
Income tax and social contribution paid	(785)	(47)	(811)	(77)
Net cash provided by operating activities	<b>(26,389)</b>	<b>52,688</b>	<b>(27,650)</b>	<b>88,586</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Financial resources used in investments	(7,990)	(4,972)	(7,990)	(4,972)
Additions to property, plant and equipments, intangible assets and deferred charges	(41,497)	(31,577)	(45,097)	(41,083)
Additions to biological assets (planting and crop treatment)	(101,398)	(55,623)	(118,079)	(86,699)
Proceeds from sale of property, plant and equipment	10,382	246	10,414	734
Net cash used in investing activities	<b>(140,503)</b>	<b>(91,926)</b>	<b>(160,752)</b>	<b>(128,874)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
New borrowing - third parties	461,966	362,199	461,966	389,277
Repayment of borrowing - third parties	(308,864)	(113,935)	(328,502)	(147,496)
Advance for future capital increase	-	-	67	464
Purchase of treasury shares	1,491	665	1,491	665
Net cash provided by financing activities	<b>154,593</b>	<b>248,929</b>	<b>135,022</b>	<b>242,910</b>
Increase (decrease) in cash and cash equivalents	<b>(12,299)</b>	<b>209,691</b>	<b>(53,380)</b>	<b>202,622</b>
Cash and cash equivalents at the beginning of the period	<b>1,020,112</b>	<b>551,359</b>	<b>1,126,517</b>	<b>670,741</b>
Cash and cash equivalents at the end of the period	<b>1,007,813</b>	<b>761,050</b>	<b>1,073,137</b>	<b>873,363</b>