

QUARTERLY EARNINGS 2Q18

November 9, 2017

Cash Net Income of R\$167.0 million in 2Q18 - 22.7% higher than in 2Q17

2Q18 Highlights

- ✓ Financial indicators improve in the quarter, explained by: i) lower cash cost of sugar and ethanol production; and ii) better sugar and cogeneration prices. A summary of key indicators follows:
 - ✓ Adjusted EBITDA amounted to R\$390.8 million in 2Q18, up 6.0% from the previous quarter, with Adjusted EBITDA margin of 53.1% (+5.8 p.p.);
 - ✓ Adjusted EBIT was R\$206.2 million in 2Q18, growing 7.2% on the previous quarter, with Adjusted EBIT margin of 28.0% (+3.3 p.p.);
 - ✓ Cash Net Income came to R\$167.0 million, advancing 22.7% from the previous quarter.

6M18 Highlights

- ✓ Adjusted EBITDA amounted to R\$866.2 million in 6M18, up 23.3% from same period of the previous crop year, with Adjusted EBITDA margin of 54.0% (+6.8 p.p.);
- ✓ Adjusted EBIT was R\$479.4 million in 6M18, growing 29.9% in relation to 6M17, with Adjusted EBIT margin of 29.9% (+5.1 p.p.);
- ✓ Cash Net Income amounted to R\$397.3 million, advancing 66.8% from 6M17.

Executive Summary	2Q18	2Q17	Chg. (%)	6M18	6M17	Chg. (%)
Net Revenue	736,302	779,327	-5.5%	1,604,158	1,488,754	7.8%
Adjusted EBITDA	390,843	368,704	6.0%	866,183	702,454	23.3%
Adjusted EBITDA Margin	53.1%	47.3%	5.8 p.p.	54.0%	47.2%	6.8 p.p.
Adjusted EBIT	206,193	192,422	7.2%	479,386	369,124	29.9%
Adjusted EBIT Margin	28.0%	24.7%	3.3 p.p.	29.9%	24.8%	5.1 p.p.
Adjustment to Maturity of Hedge Accounting	(118,783)	(50,965)	133.1%	(171,003)	(115,260)	48.4%
Net Income before taxes	53,058	83,542	-36.5%	213,937	130,094	64.4%
Net Income	53,015	68,913	-23.1%	169,888	108,582	56.5%
Cash Income	167,070	136,117	22.7%	397,266	238,182	66.8%
Net Debt / EBITDA	1.60 x	1.95 x		1.60 x	1.95 x	

* Excludes the Hedge Accounting effect of foreign-denominated debt and PPA.

September 29th, 2017

SMT03
R\$ 17.79 per share

Market Capitalization
R\$ 6,379 million

Earnings Conference Call

November 10, 2017 (Friday)

3:00 p.m. Brasília time + 55 11 3193-1001
12:00 p.m. New York time +1 786 924-6977

Code: São Martinho

OVERVIEW – COMPANY

Operating Highlights

	6M18	6M17	Chg.(%)
Crushed Sugarcane ('000 tons)	18,672	16,532	12.9%
Own	12,158	10,842	12.1%
Third Parties	6,514	5,690	14.5%
Mechanized Harvest	99.8%	99.0%	0.81 p.p.
Agricultural Yield (ton/ha)	82.3	80.9	1.8%
Average TRS (kg/ton)	137.9	129.1	6.8%
Production			
Sugar ('000 tons)	1,214	1,093	11.1%
Anhydrous Ethanol ('000 m ³)	375	323	16.2%
Hydrous Ethanol ('000 m ³)	387	253	53.1%
Cogeneration ('000 MWh)	642	516	24.5%
TRS Produced	2,574	2,135	20.6%
Mix - Sugar - Ethanol	50% - 51%	54% - 46%	
Mix Anhydrous - Hydrous	50% - 50%	57% - 43%	

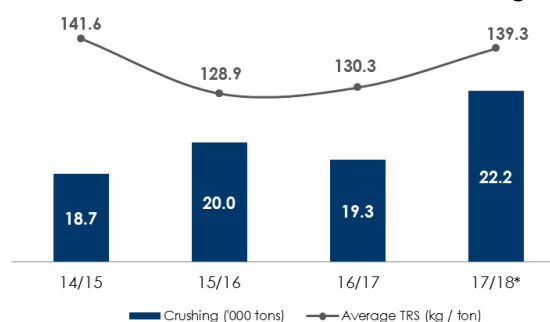
The Company processed 18.7 million tons of sugarcane in the first six months of the 2017/18 crop year, supporting growth of 12.9% on the same period last crop year. The growth in the volume of cane processed reflected: i) the better yields of our sugarcane fields; and ii) the consolidation of the additional 49% interest in UBV.

New Guidance

	Initial Guidance 17/18 Crop Year	New Guidance 17/18 Crop Year	Chg. (%)
Crushing ('000 tons)	22,300	22,194	-0.5%
Suagr ('000 tons)	1,400	1,407	0.5%
Anhydrous ('000 m ³)	450	481	6.8%
Hydrous ('000 m ³)	430	466	8.3%
Cogeneration ('000 MWh)	900	909	1.0%
Average TRS (Kgs/Ton)	133.5	139.3	4.4%
Total TRS produced	2,977	3,092	3.9%
Mix Sugar/Ethanol - Group	49% - 51%	48% - 52%	

As detailed above, we have revised upwards our production estimates for the 2017/18 crop year, especially for ethanol, given the improvement, of 4.4%, in our initial estimate for average total recoverable sugars (TRS).

The better TRS reflects the dry weather observed in the last quarter, coupled with the rapid recovery in our sugarcane fields after two seasons of adverse weather, as shown in the chart on the right.



* Estimated amount in accordance with the above guidance.

Financial Indicators

The following table presents São Martinho's financial highlights in the second quarter and first six months of the 2017/18 crop year, which will be discussed in more detail throughout this earnings release.

	2Q18	2Q17	Chg. (%)	6M18	6M17	Chg. (%)
Net Revenue ¹	736,302	779,327	-5.5%	1,604,158	1,488,754	7.8%
Adjusted EBITDA	390,843	368,704	6.0%	866,183	702,454	23.3%
Adjusted EBITDA Margin	53.1%	47.3%	5.8 p.p.	54.0%	47.2%	6.8 p.p.
Adjusted EBIT	206,193	192,422	7.2%	479,386	369,124	29.9%
Adjusted EBIT Margin	28.0%	24.7%	3.3 p.p.	29.9%	24.8%	5.1 p.p.
Consolidated Balance Sheet Indicators						
Total Assets	9,399,909	7,925,486	18.6%	9,399,909	7,925,486	18.6%
Shareholders' Equity	3,331,032	2,857,696	16.6%	3,331,032	2,857,696	16.6%
EBITDA (LTM) ²	1,746,715	1,460,660	19.6%	1,746,715	1,460,660	19.7%
Net Debt	2,800,903	2,841,733	-1.4%	2,800,903	2,841,733	-1.4%
Net Debt / EBITDA (LTM) ²	1.60 x	1.95 x		1.60 x	1.95 x	
Net Debt / Shareholders' Equity	84%	99%		84%	99%	

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

2 - Information considers 100% of UBV for LTM EBITDA in 2Q18.

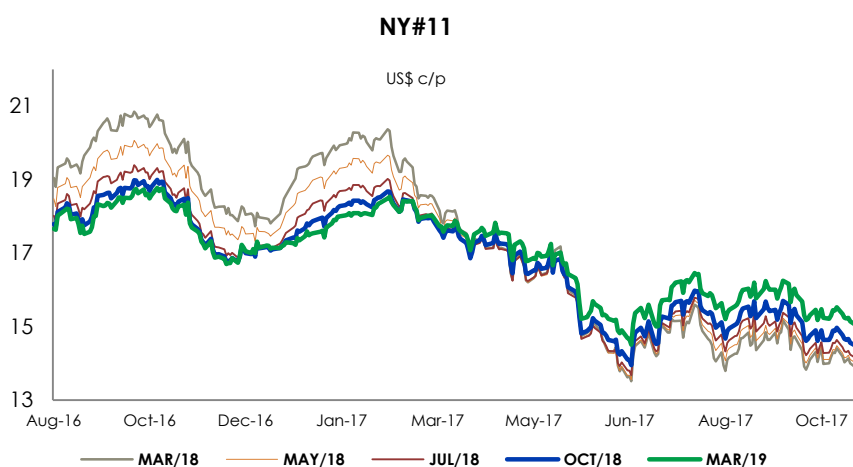
INDUSTRY OVERVIEW

According to the Sugarcane Industry Association (UNICA), as of October 16, 2017, the Center-South region had processed 499.6 million tons of sugarcane, 1.74% lower than in the same period of the previous crop year.

Average cane TRS increased 2.32% from the same period of the prior crop year to 136.8 kg/tons, mainly explained by the dry weather in recent months, which increased sugar concentration in the cane.

Sugar

According to data from the UNICA, sugar production in Brazil's Center-South region increased 3.6% from the same period of the previous crop year. Production was driven by investments in crystallization made in the previous crop year, combined with the higher share of sugar in the production mix, given the product's better profitability in relation to ethanol.



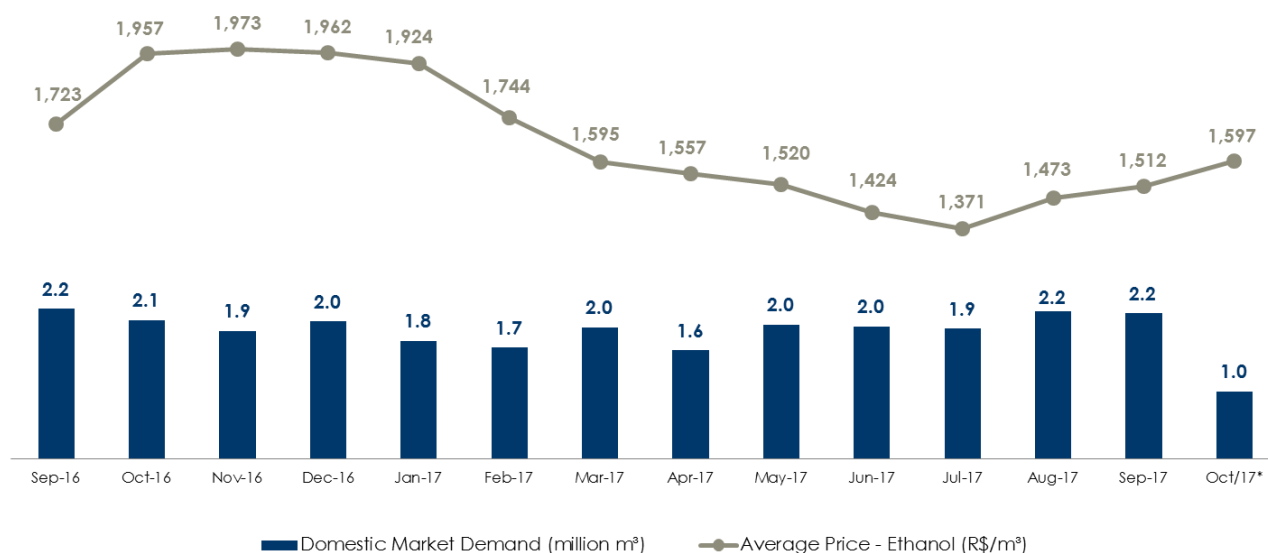
The sharp fall in sugar prices in 2017 (as detailed in the above chart) will impact São Martinho's results only marginally, given our hedging strategy combined with the increased operational leverage of our assets. For the 2017/18 crop year, prices have been recovering in recent weeks and we believe the trend will be maintained as ethanol's improved profitability should encourage a more balanced sugar-ethanol mix from the start of the next crop year, which is a fundamental factor for supporting sugar prices.

Ethanol

According to UNICA, as of October 16, 2017, ethanol production in Brazil's Center-South region declined 1.66% from the same period last crop year, led by a sharper reduction in hydrous ethanol production.

As commented last quarter, the high volumes of ethanol imports in 2017 adversely affected ethanol prices this season, providing little incentive for ethanol production.

In late July, the federal government made certain modifications to its fuel taxation, improving ethanol's competitiveness in relation to gasoline. After this change, ethanol demand has been improving gradually over recent months, supporting a recovery in prices, as shown in the following chart.



*Volume related to the first half of October

FINANCIAL PERFORMANCE

NET REVENUE BREAKDOWN	2Q18	2Q17	Chg. (%)	6M18	6M17	Chg. (%)
R\$ '000						
Domestic Market	409,998	370,014	10.8%	752,450	702,161	7.2%
Sugar	38,752	32,141	20.6%	80,870	59,640	35.6%
Hydrous Ethanol	140,603	105,647	33.1%	206,297	195,770	5.4%
Anhydrous Ethanol	138,172	146,988	-6.0%	293,196	298,275	-1.7%
Energy	78,012	48,709	60.2%	144,224	92,419	56.1%
Real Estate Development	1,196	13,036	-90.8%	2,302	18,113	-87.3%
Others	13,263	23,493	-43.5%	25,561	37,943	-32.6%
Export Market	326,304	409,313	-20.3%	851,708	786,593	8.3%
Sugar	320,419	354,530	-9.6%	830,954	714,441	16.3%
Hydrous Ethanol	4,648	28,528	-83.7%	15,953	45,898	-65.2%
Anhydrous Ethanol	-	26,255	n.m.	693	26,255	-97.4%
Others	1,237	-	n.m.	4,108	-	n.m.
Net Revenue*	736,302	779,327	-5.5%	1,604,158	1,488,754	7.8%
Sugar	359,171	386,671	-7.1%	911,824	774,081	17.8%
Hydrous Ethanol	145,251	134,175	8.3%	222,250	241,668	-8.0%
Anhydrous Ethanol	138,172	173,243	-20.2%	293,889	324,529	-9.4%
Energy	78,012	48,709	60.2%	144,224	92,419	56.1%
Hydrous Ethanol	1,196	13,036	-90.8%	2,302	18,113	-87.3%
Others	14,500	23,493	-38.3%	29,669	37,943	-21.8%

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

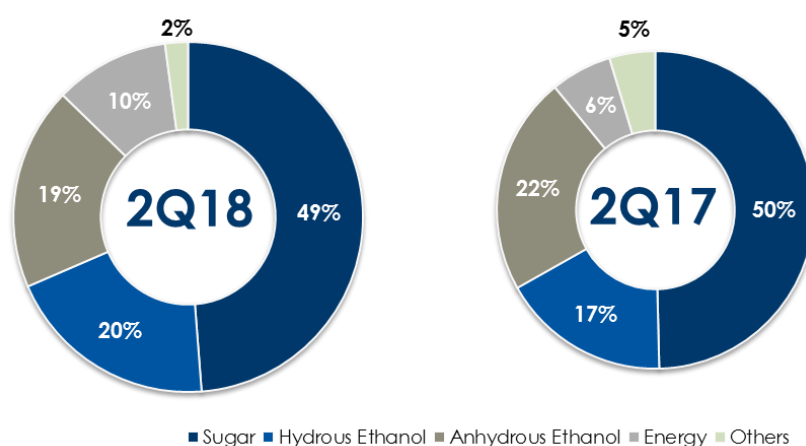
Net Revenue

In the second quarter of the 2017/18 crop year (2Q18), the Company's net revenue amounted to R\$736.3 million, decreasing 5.5% from the same period of the previous crop year. The lower net revenue was mainly due to: i) the lower sales volume of anhydrous ethanol (-15.9%); and ii) the lower sales volume of sugar (-12.5%), reflecting the Company's decision to concentrate sales in the second half of the crop year. In the first six months of the crop year, net revenue grew 7.8%, driven by the higher average sugar price (+17.4%) and by the higher cogeneration sales volume (+15.0%) coupled with the 35.6% increase in average price.

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

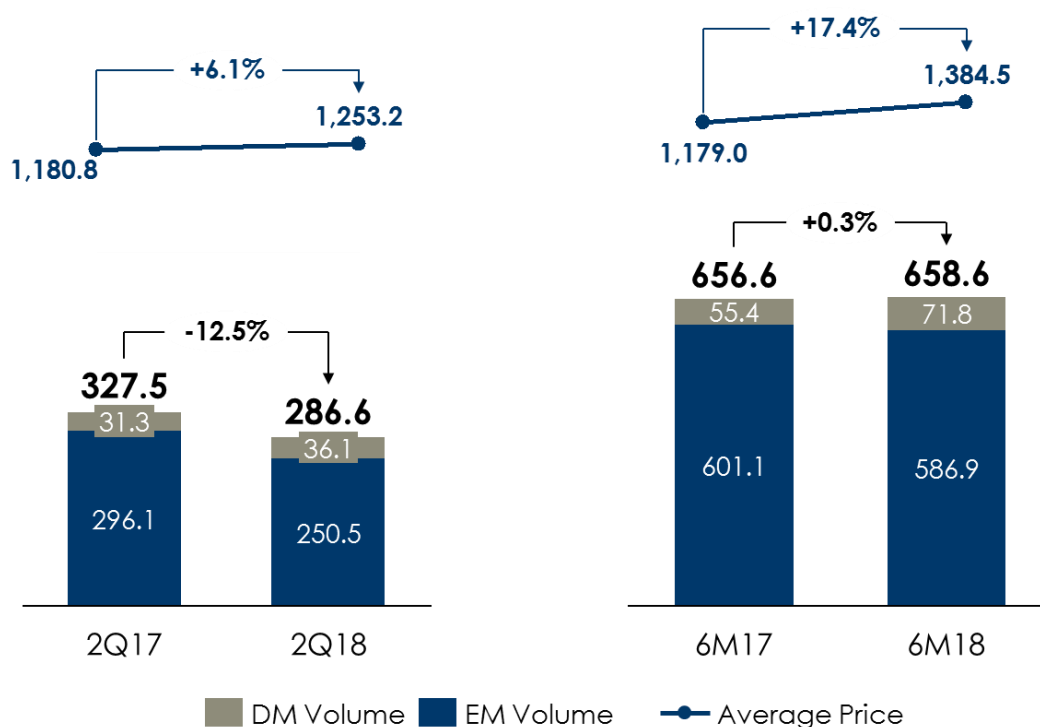
Net Revenue Breakdown

2Q18 x 2Q17



Sugar

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

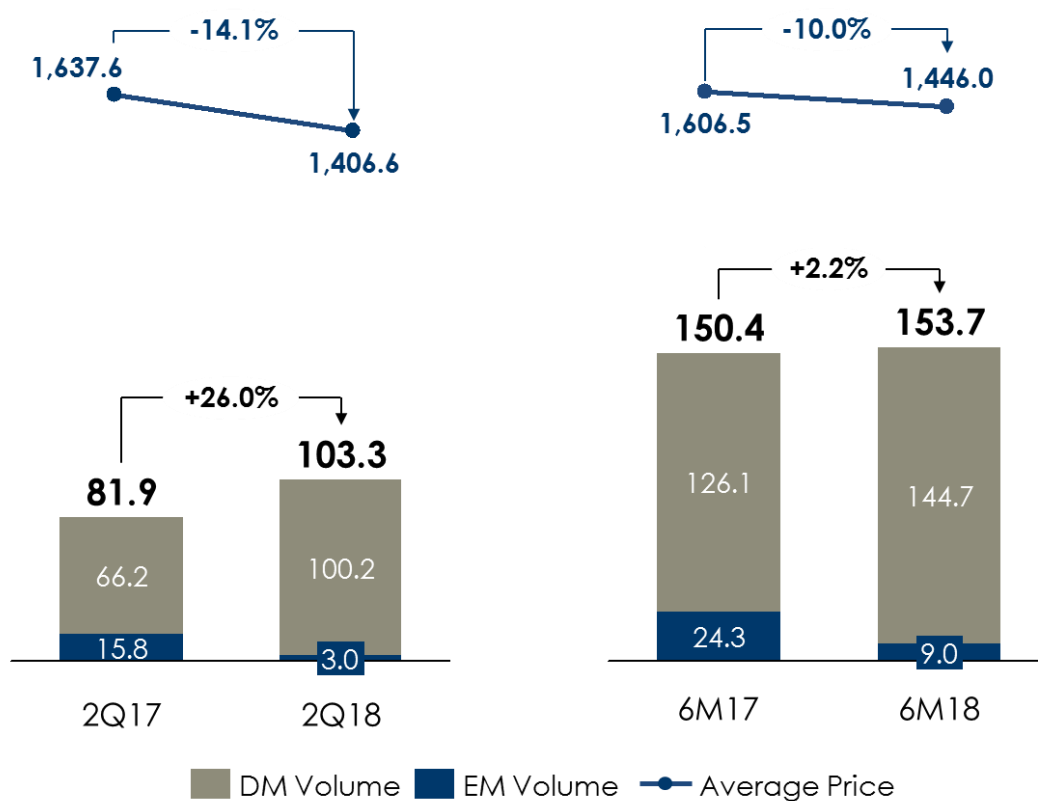


Net revenue from sugar sales amounted to R\$359.2 million in 2Q18, down 7.1% on the same period of the previous crop year, reflecting a decrease of 12.5% in sales volume, due to the Company's decision to carryover product inventories for sale in the second half of this crop year.

In the first six months of the crop year (6M18), net revenue from sugar sales amounted to R\$911.8 million, increasing 17.8% compared to 6M17, supported by the 17.4% increase in the average sales price, to R\$1,384.5/ton.

Hydrous Ethanol

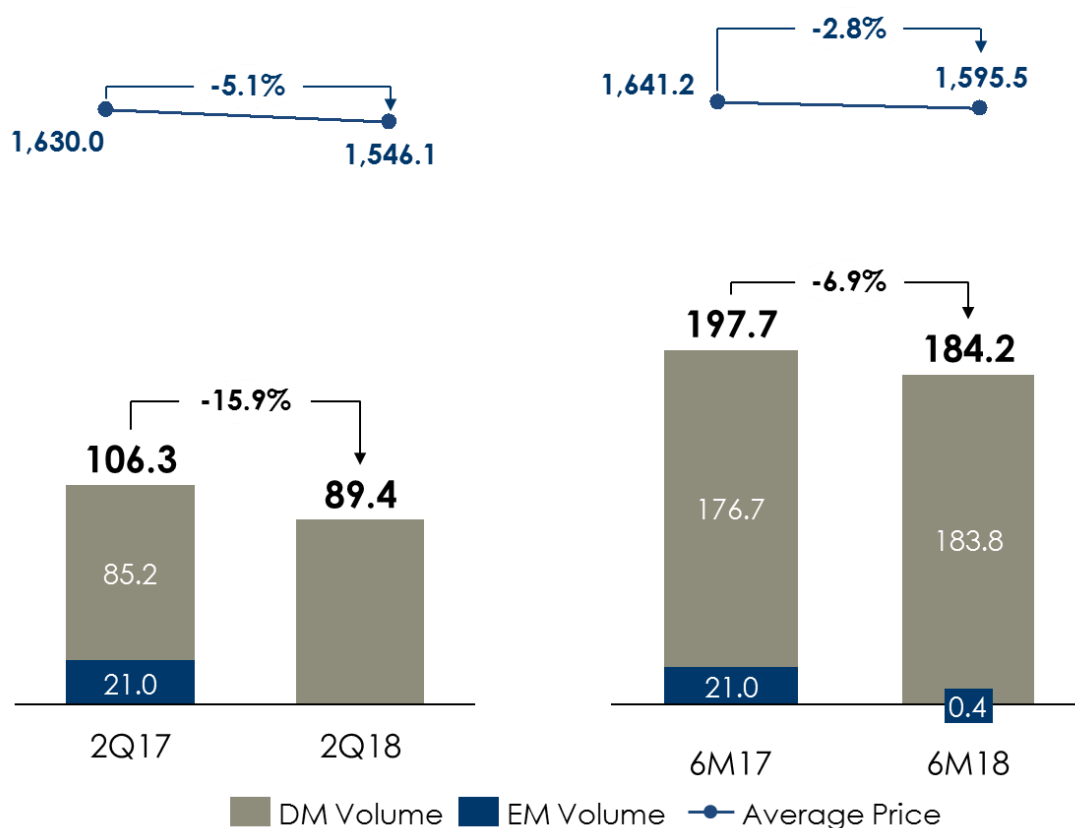
Volume ('000 m³) and Average Price (R\$/m³)



Net revenue from hydrous ethanol sales amounted to R\$145.3 million in 2Q18, increasing 8.3% from 2Q17, explained by the sales volume growth of 26% in the period, due to the full consolidation of Usina Boa Vista (UBV). In the six-month period, net revenue from hydrous ethanol sales fell 8.0% compared to 6M17, reflecting the 10.0% decrease in the average sales price.

Anhydrous Ethanol

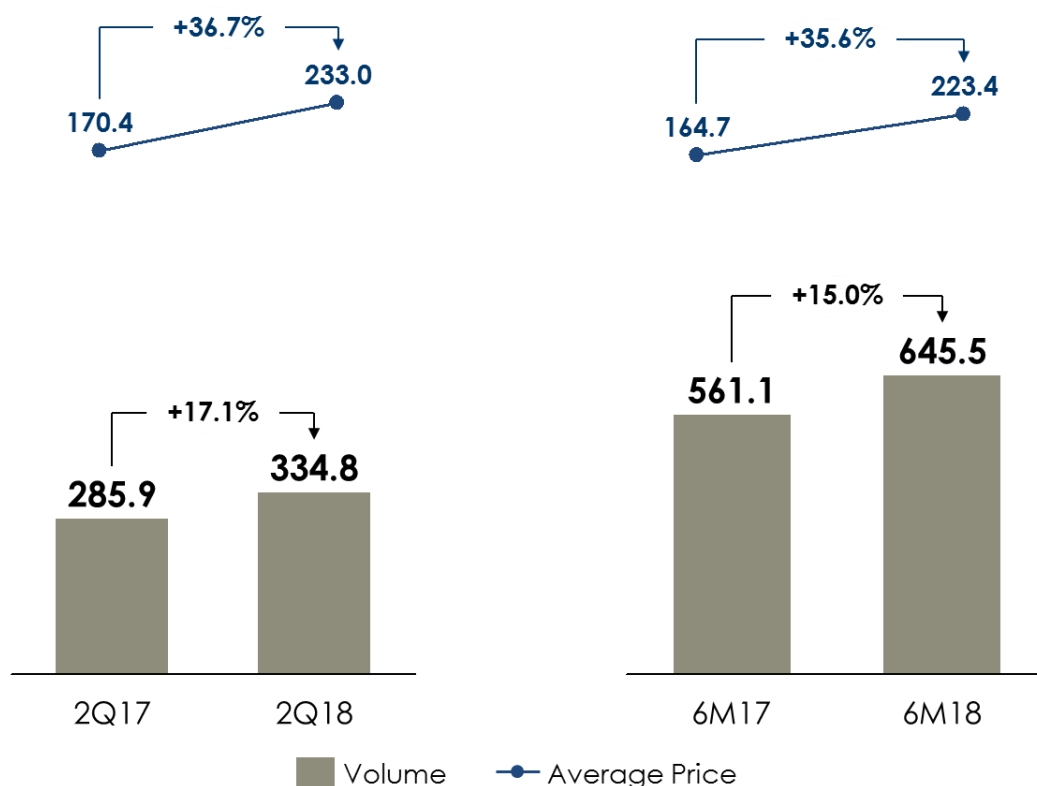
Volume ('000 m³) and Average Price (R\$/m³)



Net revenue from anhydrous ethanol sales amounted to R\$138.2 million in 2Q18, down 20.2% from the same period of the previous crop year, explained by the 15.9% lower sales volumes and 5.1% lower average sales prices. In the first six months of the crop year, net revenue from anhydrous ethanol sales fell 9.4%, due to the same factors impacting performance in the quarter.

Cogen

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



Net revenue from cogeneration sales in 2Q18 amounted to R\$78.0 million, increasing 60.2% from the same period of the previous crop year. The improvement reflects the higher volume of energy sold in the period (+17.1%), due to the full consolidation of Usina Boa Vista, coupled with the higher average sales price (+36.7%) in the period, mainly reflecting the higher spot market energy prices. In the first six months of the crop year, net revenue from cogeneration sales increased 56.1%, to R\$144.2 million, explained by the same factors that affected performance in the quarter.

Real Estate Development

The following table presents an overview of these projects and their percentage of completion (POC) and sales since their launch through September 2017.

Real Estate Development	Type	Town	Area (m²)	Launched date	Total lots Sold	POC Position
Recanto das Paineiras	Residential	Iracemápolis	376,567	June-14	99.6%	100.0%
Park Empresarial	Industrial	Iracemápolis	182,684	September-14	76.1%	100.0%
Nova Pradópolis - Fase I	Residential	Pradópolis	257,750	December-15	88.0%	100.0%
Nova Pradópolis - Fase II	Residential	Pradópolis	255,750	July-17	39.2%	15.0%

In 6M18, the Company recognized net revenue of R\$2.3 million and cash generation of R\$6.5 million.

Real Estate Development	Net Revenue 6M18	Cash Generation 6M18	Portfolio September/17	Nominal Portfolio September/17
Current Projects	2,100	4,871	56,646	6,101
Land Monetization	202	1,637	6,101	87,521
Total	2,302	6,508	62,747	93,622

INVENTORIES

	2Q18	2Q17	Chg. (%)
Sugar (tons)	565,886	465,416	21.6%
Hydrous Ethanol (m³)	227,052	106,947	112.3%
Anhydrous Ethanol (m³)	226,018	168,119	34.4%

EBITDA AND EBITDA COST BY PRODUCT

EBITDA BY PRODUCT - 2Q18	SUGAR	ETHANOL	COGEN	REAL ESTATE	OTHERS	TOTAL
R\$ '000						
Net Revenues*	359,171	283,423	78,012	1,196	14,500	736,302
COGS (Cash)	(119,339)	(137,614)	(8,979)	(96)	(8,857)	(274,884)
Gross Profit (Cash)	239,832	145,809	69,033	1,100	5,643	461,418
Gross Margin (Cash)	66.8%	51.4%	88.5%	92.0%	38.9%	62.7%
Sales Expenses	(21,628)	(3,714)	(2,546)	-	(30)	(27,918)
G&A Expenses (Cash)	(17,455)	(19,209)	(5,516)	(911)	-	(43,090)
Other Revenues (Expenses)					434	434
Adjusted EBITDA	200,749	122,887	60,971	189	6,047	390,843
Adjusted EBITDA Margin	55.9%	43.4%	78.2%	15.8%	41.7%	53.1%
EBITDA Cost**	(552.8)	(833.4)	(50.9)			

*Excludes Hedge Accounting effects of foreign-denominated debt and PPA USC (R\$ 122.3 million).

** Sugar in R\$/Ton

Ethanol in R\$/m³

Cogeneration in R\$/MWh

EBITDA BY PRODUCT - 2Q17	SUGAR	ETHANOL	COGEN	REAL ESTATE	OTHERS	TOTAL
R\$ '000						
Net Revenues*	386,671	307,418	48,709	13,036	23,493	779,327
COGS (Cash)	(161,677)	(152,823)	(6,503)	(2,957)	(14,745)	(338,705)
Gross Profit (Cash)	224,994	154,595	42,206	10,079	8,745	440,620
Gross Margin (Cash)	58.2%	50.3%	86.6%	77.3%	37.2%	56.5%
Sales Expenses	(23,808)	(4,631)	(1,413)	-	1	(29,851)
G&A Expenses (Cash)	(19,199)	(18,142)	(4,534)	(611)	-	(42,486)
Other Revenues (Expenses)					422	422
Adjusted EBITDA	181,987	131,822	36,259	9,468	9,168	368,704
Adjusted EBITDA Margin	47.1%	42.9%	74.4%	72.6%	39.0%	47.3%
EBITDA Cost**	(625.0)	(932.9)	(43.5)			

*Excludes Hedge Accounting effects of foreign-denominated debt and PPA USC (R\$ 54.9 million).

** Sugar in R\$/Ton

Ethanol in R\$/m³

Cogeneration in R\$/MWh

EBITDA BY PRODUCT - 6M18	SUGAR	ETHANOL	COGEN	REAL ESTATE	OTHERS	TOTAL
R\$ '000						
Net Revenues*	911,824	516,139	144,224	2,302	29,669	1,604,158
COGS (Cash)	(305,884)	(257,803)	(17,037)	(259)	(16,426)	(597,409)
Gross Profit (Cash)	605,940	258,336	127,187	2,043	13,243	1,006,749
Gross Margin (Cash)	66.5%	50.1%	88.2%	88.7%	44.6%	62.8%
Sales Expenses	(46,388)	(5,216)	(4,918)	-	(410)	(56,932)
G&A Expenses (Cash)	(39,729)	(33,560)	(10,547)	(1,615)	-	(85,450)
Other Revenues (Expenses)	-	-	-	-	1,816	1,816
Adjusted EBITDA	519,824	219,560	111,722	428	14,650	866,183
Adjusted EBITDA Margin	57.0%	42.5%	77.5%	18.6%	49.4%	54.0%
EBITDA Cost**	(595.2)	(877.7)	(50.4)			

*Excludes Hedge Accounting effects of foreign-denominated debt and PPA (R\$ 177.8 million).

** Sugar in R\$/Ton

Ethanol in R\$/m³

Cogeneration in R\$/MWh

EBITDA BY PRODUCT - 6M17	SUGAR	ETHANOL	COGEN	REAL ESTATE	OTHERS	TOTAL
R\$ '000						
Net Revenues*	774,081	566,196	92,419	18,113	37,944	1,488,754
COGS (Cash)	(324,740)	(283,171)	(13,792)	(3,242)	(22,198)	(647,144)
Gross Profit (Cash)	449,341	283,025	78,627	14,871	15,743	841,607
Gross Margin (Cash)	58.0%	50.0%	85.1%	82.1%	41.5%	56.5%
Sales Expenses	(45,389)	(8,752)	(2,843)	-	0	(56,983)
G&A Expenses (Cash)	(38,665)	(33,703)	(8,937)	(1,389)	-	(82,694)
Other Revenues (Expenses)	-	-	-	-	525	524
Adjusted EBITDA	365,287	240,570	66,847	13,482	16,268	702,454
Adjusted EBITDA Margin	47.2%	42.5%	72.3%	74.4%	42.9%	47.2%
EBITDA Cost**	(622.6)	(935.2)	(45.6)			

*Excludes Hedge Accounting effects of foreign-denominated debt and PPA (R\$ 122.9 million).

** Sugar in R\$/Ton

Ethanol in R\$/m³

Cogeneration in R\$/MWh

In 2Q18, sugar accounted for 51.4% of the Company's consolidated Adjusted EBITDA, while ethanol accounted for 31.4% and cogeneration for 15.6%. Sugar EBITDA margin expanded 8.8 p.p. on the same period of the previous crop year, supported mainly by the higher average sales price. Ethanol EBITDA margin was virtually stable compared to the same period in the 2016/17 crop year, improving by 0.5 p.p.

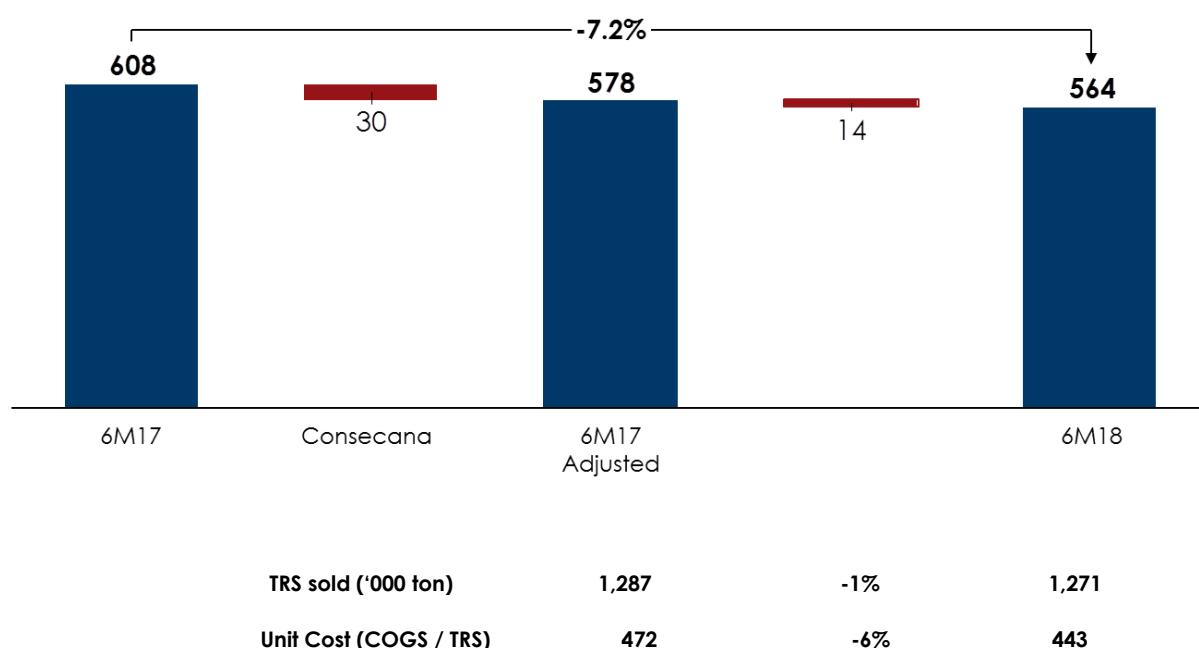
In 6M18, sugar accounted for 60.0% of the Company's consolidated Adjusted EBITDA, while ethanol accounted for 25.3% and cogeneration for 12.9%. Sugar EBITDA margin expanded 9.8 p.p. on the same period of the previous crop year, supported mainly by the higher average sales price. Ethanol EBITDA margin was stable compared to the same period of the 2016/17 crop year.

CASH COGS

	2Q18	2Q17	Chg. (%)	6M18	6M17	Chg. (%)
R\$ '000						
Agricultural Costs	226,932	276,417	-17.9%	504,841	509,869	-1.0%
Suppliers	136,326	159,182	-14.4%	284,453	278,101	2.3%
Partnerships	46,297	55,837	-17.1%	110,661	108,974	1.5%
Own Sugarcane	44,309	61,398	-27.8%	109,728	122,794	-10.6%
Industrial	35,033	38,232	-8.4%	72,371	98,456	-26.5%
Other Products	17,941	24,449	-26.6%	33,856	39,581	-14.5%
Reintegra	(5,022)	(392)	n.m.	(13,660)	(762)	n.m.
Total COGS	274,884	338,705	-18.8%	597,409	647,144	-7.7%
TRS Sold ('000 Tons)	630	667	-5.5%	1,271	1,287	-1.2%
Unit Cost (Sugar and Ethanol COGS / TRS)	408	471	-13.5%	443	472	-6.1%

In 2Q18, Cash COGS came to R\$274.9 million, down 18.8% from the same period of the previous crop year, mainly due to: i) the lower cost of own cane, given the higher yields of our plantations (TRS/Ton); and ii) the lower Consecana price in the period, reflecting the declines in sugar and ethanol prices. In the six-month period, Cash COGS were R\$597.4 million, down 7.7%, reflecting the same factors that impacted performance in the quarter.

The following chart shows the effective change in sugar and ethanol costs in 6M18 compared to 6M17, excluding the effects from the Consecana price in the period.



The following table presents more details on average unit cash COGS for both sugar and ethanol.

AVERAGE CASH COST PER UNIT	2Q18	2Q17	Chg. (%)	6M18	6M17	Chg. (%)
R\$ '000						
COGS	256,953	314,500	-18.3%	563,687	607,912	-7.3%
Sugar	119,339	161,677	-26.2%	305,884	324,740	-5.8%
Ethanol	137,614	152,823	-10.0%	257,803	283,171	-9.0%
Average Cash Cost Per Unit (*)						
Sugar Cash Cost	416.4	493.7	-15.7%	464.4	494.6	-6.1%
Ethanol Cash Cost	714.4	811.9	-12.0%	763.0	813.3	-6.2%

(*) Sugar in R\$/Ton
Ethanol in R\$/m³

SELLING EXPENSES

	2Q18	2Q17	Chg. (%)	6M18	6M17	Chg. (%)
R\$ Thousand						
Port Costs / Freight	24,096	27,195	-11.4%	49,734	50,336	-1.2%
Other	3,822	2,657	43.8%	7,198	6,647	8.3%
Selling Expenses	27,918	29,851	-6.5%	56,932	56,983	-0.1%
TRS Sold ('000 Tons)	630	667	-5.5%	1,271	1,287	-1.2%
% of Net Revenues	3.8%	3.8%	0.0 p.p.	3.5%	3.8%	-0.3 p.p.

In 2Q18, selling expenses amounted to R\$27.9 million, decreasing 6.5% from 2Q17, mainly due to the lower sugar sales volume. In 6M18, expenses were in line with 6M17.

CASH GENERAL AND ADMINISTRATIVE EXPENSES

	2Q18	2Q17	Chg. (%)	6M18	6M17	Chg. (%)
R\$ Thousand						
Personnel and Management Fee	25,914	27,358	-5.3%	53,190	52,275	1.8%
Taxes, Fees, Contributions and Contingencies	6,798	6,555	3.7%	9,610	7,926	21.2%
General Expenses and Third-Party Services	9,191	7,585	21.2%	18,681	13,317	40.3%
Stock Options Expenses	1,112	988	12.6%	2,224	1,976	12.6%
Total recurring General and Administrative Expenses	43,015	42,486	1.2%	83,705	75,494	10.9%
Non-recurring items	75	-		1,745	7,200	
Total General and Administrative Expenses	43,090	42,486	1.4%	85,450	82,694	3.3%

Cash G&A expenses amounted to R\$43.1 million in 2Q18, in line with the same period of the prior crop year. In the first six months of the crop year, G&A expenses increased 3.3%, mainly reflecting the effects of the consolidation of Boa Vista.

EBITDA

Pro-Forma EBITDA RECONCILIATION	2Q18	2Q17	Chg. (%)	6M18	6M17	Chg. (%)
R\$ '000						
Adjusted EBITDA	390,843	368,704	6.0%	866,183	702,454	23.3%
Adjusted EBITDA Margin	53.1%	47.3%	5.8 p.p.	54.0%	47.2%	6.8 p.p.
Adjustment to Maturity of Hedge Accounting / PPA	122,267	54,880	122.8%	177,776	122,869	44.7%
Equity Income	(711)	(329)	116.1%	(805)	(503)	60.0%
Non Recurring Operating Revenues (Expenses)	(117)	(1,548)	-92.4%	1,625	(2,062)	-178.8%
Biological Assets	(6,202)	(1,566)	n.m.	9,337	(12,888)	n.m.
Book EBITDA	275,606	317,267	-13.1%	678,250	595,039	14.0%
EBITDA Margin	44.9%	43.8%	1.1 p.p.	47.6%	43.6%	4.0 p.p.
(-) Depreciation and Amortization	(184,650)	(176,282)	4.7%	(386,797)	(333,330)	16.0%
(-) Financial Revenue (Expense), net	(37,898)	(57,443)	-34.0%	(77,516)	(131,615)	-41.1%
(=) Operating Income	53,058	83,542	-36.5%	213,937	130,094	64.4%

Adjusted EBITDA

Adjusted EBITDA amounted to R\$390.8 million in 2Q18 (Adjusted EBITDA margin of 53.1%), growing 6.0% on 2Q17, mainly due to: ii) the improvement in sugar and cogeneration prices; and ii) the lower cash cost of sugar and ethanol production.

In 6M18, Adjusted EBITDA advanced 23.3% to R\$866.2 million (EBITDA margin of 54.0%), explained by the same factors that affected performance in the quarter.

Main Adjustments to EBITDA in 2Q18 and 6M18

1) Adjustment of Debt Maturity (Hedge Accounting / PPA)

- *Debt maturity (Hedge Accounting)*: Expense related to exchange variation on debt settled in 2Q18 that was previously designated as Hedge Accounting at a USD/BRL exchange rate of R\$2.1. Considering that the exchange rate used for the purposes of cash flow in the period was BRL/USD 3.2, we adjusted the amount of R\$118.8 million in net revenue and EBITDA to provide a better understanding of the Company's cash generation in the period. In 6M18, we adjusted the amount of R\$171.0 million.
- *Price Purchase Allocation (PPA)*: Noncash expense of R\$3.3 million, reflecting the amortization of goodwill paid for the future profitability of the cogeneration volume of the Santa Cruz Mill in 2Q18. In the six-month period, the expense came to R\$6.8 million.

2) Biological Assets

- Noncash decrease of R\$6.2 million in accounting cost (COGS) in 2Q18, reflecting the mark-to-market adjustment of the provision for biological assets, mainly due to the lower Consecana price in the quarter.

Operating Cash Generation (Adjusted EBIT)

EBIT in 2Q18 came to R\$206.2 million (EBIT margin of 28.0%), increasing 7.2% from 2Q17. In the six-month period, EBIT increased 29.9% to R\$479.4 million (EBIT margin of 29.9%), explained by the same factors that benefitted Adjusted EBITDA.

	2Q18	2Q17	Chg.%	6M18	6M17	Chg.%
R\$ '000						
Adjusted EBIT	206,193	192,422	7.2%	479,386	369,124	29.9%
Adjusted EBIT Margin	28.0%	24.7%	3.3 p.p.	29.9%	24.8%	5.1 p.p.
(-) Depreciation and Amortization	(184,650)	(176,282)	4.7%	(386,797)	(333,330)	16.0%
Adjusted EBITDA	390,843	368,704	6.0%	866,183	702,454	23.3%
Adjusted EBITDA Margin	53.1%	47.3%	5.8 p.p.	54.0%	47.2%	6.8 p.p.
Adjustment to Maturity of Hedge / PPA	122,267	54,880	122.8%	177,776	122,869	44.7%
Equity Income	(711)	(329)	116.1%	(805)	(503)	60.0%
Non Recurring Operating Revenues (Expenses)	(117)	(1,548)	-92.4%	1,625	(2,062)	n.m.
Biological Assets	(6,202)	(1,566)	n.m.	9,337	(12,888)	n.m.
Book EBITDA	275,606	317,267	-13.1%	678,250	595,039	14.0%
EBITDA Margin	44.9%	43.8%	1.1 p.p.	47.6%	43.6%	4.0 p.p.

HEDGING

A summary of our sugar and U.S. dollar hedge positions as of September 29, 2017 follows.

Sugar

	Volume Hedged ('000 tons)	Avg. Price (US\$ c/p)	Avg. Dolar (R\$ /Ton)
Sugar			
Oct/17 (V17)	264,680	16.14	
Mar/18 (H18)	211,491	18.13	
2017/2018 crop year	476,171	17.02	1,280.0
Jul/18 (N18)	42,166	15.87	
Oct/18 (V18)	47,500	16.18	
2018/2019 crop year	89,666	16.04	1,156.3

On September 29, 2017, we had 476,171 tons of sugar to be shipped in the 2017/18 crop year hedged at an average price of 17.02 ¢/lb, or R\$1,280.0/ton, considering realized USD-denominated NDFs, which corresponds to around 70% of own sugarcane volume.

On the same date, our sugar price hedge for the 2018/19 crop year corresponded to 8% of the volume of own sugarcane, at the price of R\$ 1,156.3/ton.

U.S. Dollar

On September 29, 2017, the Company held open positions through Non-Deliverable Forwards (NDFs) and derivative instruments, which are used to hedge its exports, with maturities in the 2017/18 and 2018/19 crop years, as follows:

TOTAL			SUGAR		ETHANOL	
U.S. dollar	US\$ '000	Average Price (R\$/US\$)	US\$ '000	Average Price (R\$/US\$)	US\$ '000	Average Price (R\$/US\$)
2017/18 Crop Year	246,655	3.34	233,693	3.34	12,961	3.25
2018/19 Crop Year	30,222	3.27	30,222	3.27	-	-

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 from April to September 2017, we recorded a gain in shareholders' equity of R\$231.8 million.

Effect on Income Statement

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

In 2Q18, a total of US\$94.9 million in debt was recognized at the exchange rate of R\$2.1/US\$ used for the translation of net revenue. Considering that the exchange rate used for the purposes of cash flow in the period was R\$3.2/US\$, we made an adjustment of R\$118.8 million in net revenue and EBITDA to provide a better understanding of the Company's operating cash generation in the period.

In 6Q18, a total of US\$139.4 million in debt was recognized at the exchange rate of R\$2.1/US\$ used for the translation of net revenue. Considering that the exchange rate used for the purposes of cash flow in the period was R\$3.2/US\$, we made an adjustment of R\$171.0 million in net revenue and EBITDA.

NET FINANCIAL RESULT

FINANCIAL RESULT	2Q18	2Q17	Chg.%	6M18	6M17	Var.%
R\$ '000						
Financial Revenues	31,333	33,873	-7.5%	76,150	70,763	7.6%
Financial Expenses	(78,093)	(80,668)	-3.2%	(170,225)	(151,929)	12.0%
Net Financial before Exchange Var. and Hedge	(46,760)	(46,795)	-0.1%	(94,075)	(81,166)	15.9%
Hedge Result/Exchange Variation	13,198	(4,344)	n.m.	24,059	(38,559)	n.m.
Copersucar Monetary Variation	(4,336)	(6,304)	-31.2%	(7,500)	(11,890)	-36.9%
Net Financial Result	(37,898)	(57,443)	-34.0%	(77,516)	(131,615)	-41.1%

The net financial result in 2Q18 was an expense of R\$37.9 million, which represents a 34.0% reduction compared to 2Q17. In the first six months of the crop year, the net financial expense decreased by 41.1% to R\$77.5 million. The improvement in the Company's financial result mainly reflects the lower impact from exchange variation in the periods.

DEBT WITH COPERSUCAR

On September 29, 2017, the São Martinho Group recognized the amount of R\$257.5 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 legal counsel at Copersucar. These obligations continue to be secured by suretyships in the amount of R\$203.3 million on a consolidated basis.

INDEBTEDNESS

	Sep/17	Mar/17	Chg.%
R\$ Thousand			
PESA	29,269	42,009	-30.3%
Rural Credit	851,389	505,640	68.4%
BNDES / FINAME	772,678	842,630	-8.3%
Working Capital	612,396	761,944	-19.6%
International Finance Corporation (IFC)	288,830	-	n.m.
PPE (Export prepayment)	531,629	633,070	-16.0%
NCE (Export Credit Note)	201,433	584,487	-65.5%
Agribusiness Certificate of Receivables (CRA)	864,807	349,462	147.5%
Obligations from Acquisitions - LOP	61,942	62,088	-0.2%
Gross Debt	4,214,372	3,781,331	11.5%
Cash and Cash Equivalents	1,413,469	1,196,782	18.1%
Consolidated Net Debt	2,800,903	2,584,549	8.4%
Net Debt / Acum. EBITDA ¹	1.60 x	1.55 x	
Net Debt / Acum. EBITDA - USD ²	1.62 x	1.61 x	

1- Cumulative EBITDA considers 100% da UBV;

2 - Net Debt PTAX:

March/17: R\$ 3.17

September/17: R\$ 3.17

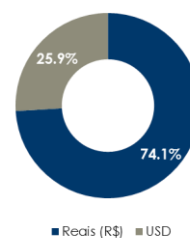
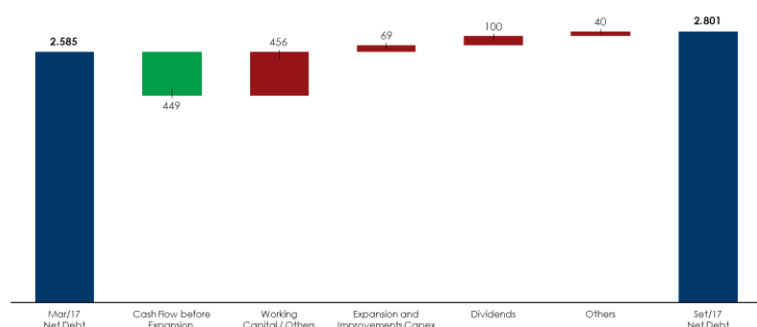
Cumulative EBITDA average LTM daily PTAX:

March/17: R\$ 3.30

September/17: R\$ 3.20

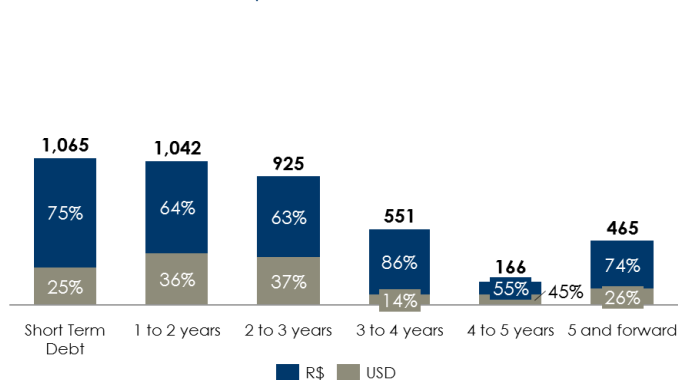
As of September 2017, the net debt of the Company increased 8.4% to R\$2.8 billion, with a Net Debt/EBITDA ratio of 1.6 times. The growth in debt mainly reflects the higher working capital needs in the period, due to the higher inventory of finished products, which should be converted into cash by the end of the crop year.

The main changes in net debt and a breakdown by currency are shown below:



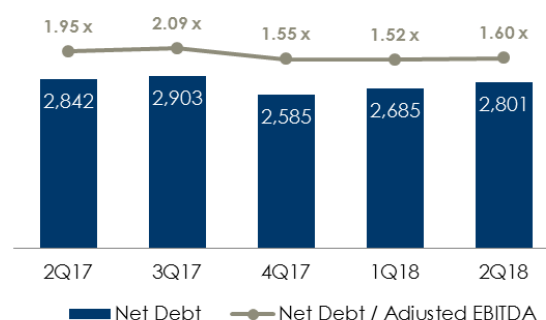
Debt Amortization Schedule

R\$ million



Net Debt / LTM EBITDA

Evolution



CAPEX

(Maintenance)	2Q18	2Q17	Chg.%	6M18	6M17	Var%.
R\$ '000						
Sugarcane Planting	54,766	45,540	20.3%	103,631	88,003	17.8%
Off-Season Maintenance	-	-		3,016	391	n.m.
Crop Treatment	111,669	99,832	11.9%	215,061	188,159	14.3%
Total	166,434	145,372	14.5%	321,708	276,553	16.3%
(Operational Improvements)	2Q18	2Q17	Chg.%	6M18	6M17	Chg.%
R\$ '000						
Equipment/Projects/Replacements	11,338	14,231	-20.3%	41,922	28,748	45.8%
Total	11,338	14,231	-20.3%	41,922	28,748	45.8%
(Upgrading/Expansion)	2Q18	2Q17	Chg.%	6M18	6M17	Chg.%
R\$ '000						
Industrial/Agricultural	16,788	26,604	-36.9%	26,990	44,477	-39.3%
Total	16,788	26,604	-36.9%	26,990	44,477	-39.3%
Total	194,560	186,207	4.5%	390,621	349,778	11.7%

The Company's maintenance CAPEX amounted to R\$166.4 million in 2Q18, increasing 14.5% from the previous crop year, mainly due to the effects from the 100% consolidation of Usina Boa Vista on our results as of this crop year, which also explains the increase of 16.3% for the first six months of this crop year.

Operational improvement CAPEX (investments in replacing agricultural and industrial equipment to improve yields) amounted to R\$11.3 million in 2Q18, down 20.3%. The reduction in these investments in the quarter reflects the adjustment in the machinery replacement schedule, given the 45.8% increase in the six-month period due to the replacement of tractors in the current fleet specifically in 1Q18.

Expansion CAPEX amounted to R\$16.8 million in 2Q18, or 36.9% lower than in the year-ago period. This quarter, investments were made mainly in the carryover of projects started in the previous crop year.

CASH NET INCOME

São Martinho's cash net income in 2Q18 amounted to R\$167.1 million, increasing 22.7% from 2Q17. In the six-month period, cash net income grew 66.8% to R\$397.3 million. The improvement is mainly explained by the higher Adjusted EBITDA in the period.

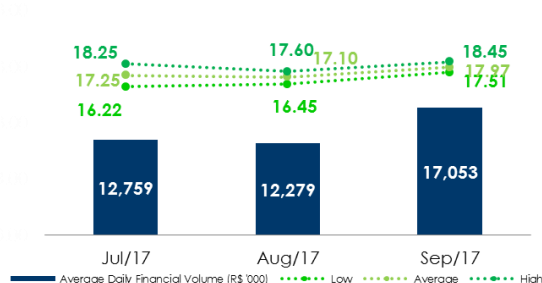
	2Q18	2Q17	Chg.%	6M18	6M17	Chg.%
R\$ '000						
Net Income	53,015	68,913	-23.1%	169,888	108,582	56.5%
Taxes	43	14,629		44,049	21,512	
Income Tax paid	(2,053)	(739)		(3,784)	(1,893)	
Biological Asset	(6,202)	(1,566)		9,337	(12,888)	
Maturity of Hedge / PPA	122,267	54,880	122.8%	177,776	122,869	44.7%
Cash Income	167,070	136,117	22.7%	397,266	238,182	66.8%
Total shares ex- treasury (in '000)	358,580	337,252		358,580	337,252	
Cash Earnings per share	0.47	0.40	15.4%	1.11	0.71	56.9%

CAPITAL MARKETS AND INVESTOR RELATIONS

Performance SMTQ3 – 12 months



Price and Volume



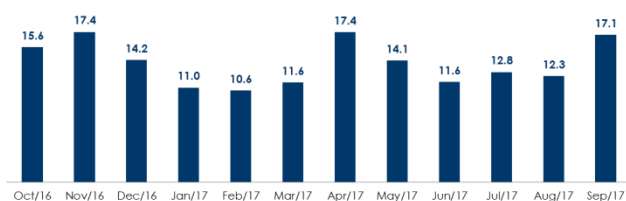
SMTQ3 vs. Stock Indexes

Base=100



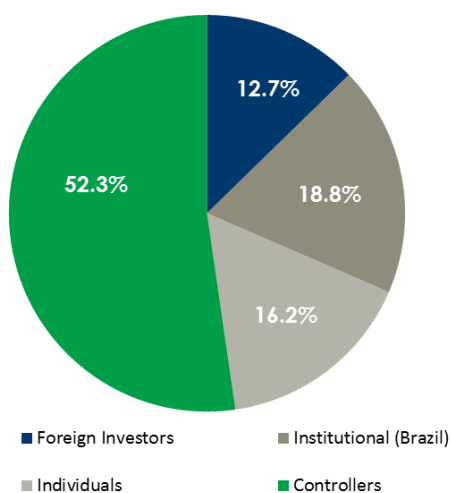
Average Daily Trading Volume

R\$ million

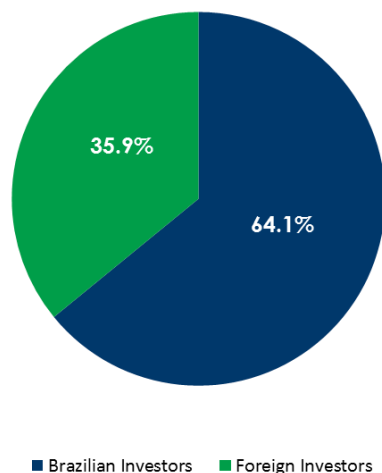


Ownership Structure

Base: Sept. 29, 2017



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

SÃO MARTINHO S.A. - CONSOLIDATED	2Q18	2Q17	Chg. (%)	6M18	6M17	Chg. (%)
R\$ Thousand						
Gross Revenue	668,720	754,538	-11.4%	1,601,159	1,422,427	12.6%
Deductions from Gross Revenue	(54,695)	(30,091)	81.8%	(174,868)	(56,542)	209.3%
Net Revenue	614,025	724,447	-15.2%	1,426,291	1,365,885	4.4%
Cost of Goods Sold (COGS)	(450,045)	(510,431)	-11.8%	(986,925)	(961,860)	2.6%
Gross Profit	163,980	214,016	-23.4%	439,366	404,025	8.7%
Gross Margin (%)	26.7%	29.5%	-2.8 p.p	30.8%	29.6%	1.2 p.p
Operating Expenses	(73,351)	(73,031)	0.4%	(148,539)	(142,316)	4.4%
Selling Expenses	(27,918)	(29,851)	-6.5%	(56,932)	(56,983)	-0.1%
General and Administrative Expenses	(46,089)	(45,479)	1.3%	(91,055)	(88,422)	3.0%
Equity Income	97	329	-70.5%	(1,795)	503	n.m.
Other Operating Expenses, Net	559	1,970	-71.6%	1,243	2,586	-51.9%
Operating Profit, Before Financial Effects	90,629	140,985	-35.7%	290,827	261,709	11.1%
Financial Result, Net	(37,555)	(57,443)	-34.6%	(76,842)	(131,615)	-41.6%
Financial Revenues	31,302	33,873	-7.6%	76,096	70,763	7.5%
Financial Expenses	(82,055)	(86,972)	-5.7%	(176,995)	(163,819)	8.0%
Monetary and Exchange Variations - Net	22,635	(5,233)	n.m.	25,154	11,219	124.2%
Derivatives Results	(9,437)	889	n.m.	(1,097)	(49,778)	-97.8%
Income (Loss) Before Income and Social Contribution Taxes	53,074	83,542	-36.5%	213,985	130,094	64.5%
Income Tax and Social Contribution - Current	(6,143)	(8,734)	-29.7%	(27,048)	(16,650)	62.5%
Income Tax and Social Contribution - Deferred	6,084	(5,895)	n.m.	(17,049)	(4,862)	250.7%
Net Income	53,015	68,913	-23.1%	169,888	108,582	56.5%
Net Margin (%)	8.6%	9.5%	-0.9 p.p	11.9%	7.9%	4.0 p.p

BALANCE SHEET (ASSETS)

SÃO MARTINHO S.A. CONSOLIDATED - ASSETS		
R\$ '000		
ASSETS	Sep/17	Mar/17
SHORT-TERM ASSETS		
Cash and Cash Equivalents	327,559	142,454
Marketable Securities	1,059,706	1,029,113
Trade Receivables	215,666	168,868
Derivative Financial Instruments	110,693	172,917
Inventories and advances to suppliers	1,111,886	256,574
Biological Assets	524,674	586,362
Taxes Recoverable	95,118	102,310
Income and Social Contribution Taxes	8,354	11,159
Other Assets	20,477	12,293
TOTAL	3,474,133	2,482,050
LONG-TERM ASSETS		
Long-term Receivables		
Marketable Securities	25,809	24,667
Inventories and advances to suppliers	96,153	88,766
Related Parties	2,000	3,867
Derivative Financial Instruments	28	27
Accounts receivable	21,062	25,810
Receivables - Copersucar	10,560	9,355
Taxes Recoverable	123,197	106,518
Income and Social Contribution Taxes	128,823	124,285
Judicial Deposits	27,977	32,423
Other Assets	439	439
	436,048	416,157
Investments	31,989	31,184
Property, plant and equipment	4,994,157	5,288,550
Intangible Assets	463,582	473,942
TOTAL	5,925,776	6,209,833
TOTAL ASSETS	9,399,909	8,691,883

BALANCE SHEET (LIABILITIES)

SÃO MARTINHO S.A. CONSOLIDATED- LIABILITIES		
R\$ '000		
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	Sep/17	Mar/17
SHORT-TERM ASSETS		
Borrowings	1,065,178	1,499,583
Derivative Financial Instruments	24,625	76,097
Trade Payables	261,556	138,923
Payables to Copersucar	8,583	8,583
Payroll and Social Contributions	145,191	121,664
Taxes Payable	25,210	20,478
Income and Social Contribution Taxes	7,462	4,471
Dividends Payable	-	74,243
Advances from Customers	4,734	4,174
Acquisition of Investment	11,812	11,958
Other Liabilities	23,341	28,659
TOTAL	1,577,692	1,988,833
LONG-TERM ASSETS		
Borrowings	3,087,131	2,219,477
Derivative Financial Instruments	349	5
Payables to Copersucar	234,610	237,602
Taxes Payable in Installments	13,890	14,614
Deferred Income and Social Contribution Taxes	997,857	663,143
Provision for Contingencies	94,440	101,715
Acquisition of Investment	50,130	50,130
Other Liabilities	12,778	13,044
TOTAL	4,491,185	3,299,730
SHAREHOLDERS' EQUITY		
Share Capital	1,549,302	1,494,334
Capital reduction account	-	(55,662)
Capital reserves	10,057	10,057
Treasury Shares	(92,134)	(92,134)
Stock options granted	10,508	8,284
Adjustments to Book Value	1,200,452	1,432,243
Profits Reserves	469,810	606,198
Retained earnings	183,037	-
TOTAL	3,331,032	3,403,320
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	9,399,909	8,691,883

CONSOLIDATED CASH FLOW

SÃO MARTINHO S.A.	6M18	6M17
R\$ '000		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	169,888	108,582
Adjustments		
Depreciation and amortization	160,153	119,608
Harvested biological assets (depreciation)	226,459	213,722
Change in fair value of biological assets	9,337	(12,888)
Amortization of intangible assets	7,879	8,403
Equity Income	1,795	(503)
Capital gain in investment in joint venture	-	(91)
Result of investment and property, plant and equipment disposals	526	245
Interest, monetary and foreign exchange variations, net	57,321	73,221
Derivative Financial Instruments	10,912	165,461
Accrual (reversal) of provision for contingencies, net	5,601	3,324
Deferred Income and Social Contribution Taxes	44,097	21,512
Adjustments to present value and others	2,780	2,215
	696,748	702,811
Changes in assets and liabilities		
Trade Receivables	(44,016)	(42,274)
Inventories	(514,517)	(360,035)
Taxes Recoverable	(5,613)	(15,667)
Derivative Financial Instruments	129,411	(128,981)
Marketable Securities	-	(56)
Other Assets	(1,316)	2,390
Trade Payables	126,661	128,291
Payroll and Social Contributions	23,527	16,058
Taxes Payable	(15,921)	(7,362)
Payables to Copersucar	(6,371)	(18,162)
Taxes paid in installments	(965)	(896)
Provision for contingencies - settlements	(13,031)	(7,031)
Other Liabilities	(4,780)	5,511
Cash provided by operations	369,817	274,597
Interest paid	(121,902)	(117,085)
Income tax and social contribution paid	(3,784)	(1,893)
Net cash provided by operating activities	244,131	155,619
CASH FLOW FROM INVESTING ACTIVITIES		
Financial resources used in investments	(3,792)	(10,888)
Additions to property, plant and equipment and intangible assets	(75,233)	(75,792)
Additions to biological assets (planting and crop treatment)	(318,691)	(276,161)
Marketable Securities	27,033	177,172
Proceeds from sale of property, plant and equipment	3,647	783
Dividends received	(1,000)	-
Net cash used in investing activities	(368,036)	(184,886)
CASH FLOW FROM FINANCING ACTIVITIES		
New borrowings - third parties	1,158,771	687,086
Repayment of borrowings - third parties	(749,762)	(639,543)
Acquisition of treasury shares	-	(15,577)
Sale of treasury shares	-	518
Payment of dividends	(99,999)	(55,384)
Net cash provided by (used in) financing activities	309,010	(22,900)
Increase (decrease) in cash and cash equivalents, net	185,105	(52,167)
Cash and cash equivalents at the beginning of the period	142,454	267,315
Cash and cash equivalents at the end of the period	327,559	215,148