

### São Martinho posts Net Income of R\$60.7 million in the quarter, up 74.9%

**São Paulo, August 11<sup>th</sup>, 2014** – 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 2014/15 crop year (1Q15).

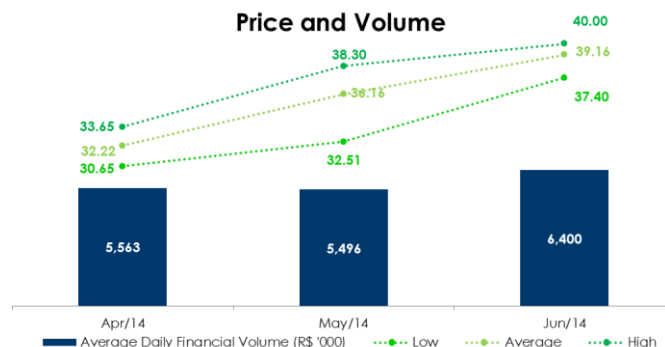
### 1Q15 HIGHLIGHTS

- ✓ Sugarcane crushing at São Martinho Group mills amounted to 7.6 million tons as of June 2014, **growing 37.8% from the previous crop year to reach 38.9% of the guidance for the full year**;
- ✓ **In 1Q15, adjusted EBITDA amounted to R\$227.0 million (Adjusted EBITDA margin of 44.4%)**, up 7.3% from 1Q14. Adjusted EBITDA improved mainly due to i) higher cogeneration sales; and ii) better cogeneration and ethanol prices;
- ✓ **In 1Q15, net income was R\$60.7 million, increasing 74.9% on the year-ago quarter.** The increase is explained by i) EBITDA growth; and ii) the lower depreciation in the period due to the reassessment of the life span of the Company's assets, as detailed in the 2Q14 financial statements;
- ✓ On June 30<sup>th</sup>, 2014, we had sugar prices fixed for the 2014/15 crop year for 393 thousand tons at an average price of USD 18.30 cents/pound. **The amount represents 47.3% of our net exposure (total sugar sales through the end of the crop year excluding our natural hedge with Consecana).** In addition to its sugar hedges, the company also held short dollar positions through NDFs of US\$83 million, with average BRL/USD parity price of 2.43 on the same date;
- ✓ On August 8<sup>th</sup>, 2014, we announced to the market the conclusion of i) the acquisition of Santa Cruz S.A.; ii) the sale of Agro Pecuária Boa Vista S.A.(APBV); and (iii) the execution of a sugarcane lease agreement between Santa Cruz and APBV for a period of 20 years. The amounts and details of the transaction were informed in the Material Fact notice released in May 2014.

SMT03 vs. IBOV vs. SMLL



Price and Volume





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

Given the adoption of the new accounting standard IFRS 11 (CPC 19) as of the last fiscal year (13/14), 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%) and Santa Cruz S.A. (36.09%) 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. However, 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 conciliation 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%)	USC (36.09%)	São Martinho S.A. (Pro forma)
R\$ '000				
Net Revenue*	383,753	81,413	45,641	511,021
Adjusted EBITDA	157,552	45,711	24,090	227,046
Adjusted EBITDA Margin	41.1%	56.1%	52.8%	44.4%
Adjusted EBIT	79,497	13,590	8,467	101,160
Adjusted EBIT Margin	20.7%	16.7%	18.6%	19.8%
Biological Assets and Other	4,881	(1,300)	278	3,322
Equity Income	17,312	(13)	3	513
Financial Result	(20,917)	(3,018)	(2,337)	(26,470)
Income (Loss) Before taxes	71,011	11,860	5,855	71,881
Taxes	(10,285)	(319)	(557)	(11,155)
Net Income	60,726	11,541	5,298	60,726
Cash	761,050	86,036	35,657	883,017
Gross Debt	1,812,489	355,626	273,361	2,463,009
Net Debt	1,051,439	269,590	237,704	1,579,992
EBITDA YTD	548,535	135,171	81,603	782,965
Net Debt / EBITDA	1.92 x	1.99 x	2.91 x	2.02 x

\* Excludes the Hedge Accounting effect of foreign-denominated debt (R\$6.4 million), as detailed in the Hedge section of this earnings release.



## OVERVIEW - COMPANY

FINANCIAL HIGHLIGHTS (R\$ '000)	1Q15	1Q14	Chg. (%)
São Martinho - Consolidated			
Gross Revenue	522,493	511,764	2.1%
Net Revenue*	511,021	493,748	3.5%
Adjusted EBITDA	227,046	211,639	7.3%
EBITDA Margin	44.4%	42.9%	1.6 p.p.
Net Income	60,726	34,728	74.9%
Consolidated Balance Sheet Indicators			
Total Assets	6,266,079	5,825,951	7.6%
Shareholders' Equity	2,178,354	2,075,952	4.9%
EBITDA (LTM)	782,965	755,454	3.6%
Net Debt	1,579,992	1,540,019	2.6%
Net Debt / EBITDA (LTM)	2.02 x	2.04 x	
Net Debt / Shareholders' Equity	73%	74%	

\* Excludes Hedge Accounting effect of the debt in foreign currency (R\$6.4 million), as detailed in the Hedge section of this earnings release.

CASH GENERATION (R\$ '000)	1Q15	1Q14	Chg. (%)
São Martinho - Consolidated			
<b>Adjusted EBITDA</b>	<b>227,046</b>	<b>211,639</b>	<b>7.3%</b>
Maintenance Capex	(90,009)	(74,300)	21.1%
<b>Operating Cash Generation</b>	<b>137,038</b>	<b>137,339</b>	<b>-0.2%</b>
Financial Income (Loss)	(26,470)	(16,747)	58.1%
Taxes paid	(77)	(317)	-75.7%
<b>Cash Generation before Investments</b>	<b>110,491</b>	<b>120,274</b>	<b>-8.1%</b>



OPERATING DATA	1Q15	1Q14	Chg.(%)
São Martinho - Consolidated			
<b>Crushed Sugarcane ('000 tons)</b>	<b>6,467</b>	<b>5,543</b>	<b>16.7%</b>
Own	4,339	4,271	1.6%
Third Parties	2,128	1,272	67.3%
Mechanized Harvest	94.7%	94.5%	18.4%
Agricultural Yield (ton/ha)	93.33	81.79	14.1%
Average TRS (kg/ton)	129.89	126.98	2.3%
Production			
Sugar ('000 tons)	380	318	19.5%
Anhydrous Ethanol ('000 m <sup>3</sup> )	163	132	23.5%
Hydrous Ethanol ('000 m <sup>3</sup> )	93	83	12.3%
Ribonucleic Acid (RNA) Sodium Salt ('000 Kg)	110	72	52.9%
Cogeneration ('000 MWh)	195	98	99.4%
TRS Produced	840	704	19.4%
Mix - Sugar - Ethanol	47% - 53%	47% - 53%	
Mix Anhydrous - Hydrous	65% - 35%	62% - 38%	

Considering the proportional consolidation of 50.95% of Nova Fronteira Bioenergia and of 36.09% of Usina Santa Cruz, the São Martinho Group processed 6.5 million tons in the first quarter of the 2014/15 crop year, for growth of 16.7% on the same period of the previous season. The growth in sugarcane crushing in the period is explained by: i) the crushing this season of all sugarcane from Usina São Carlos (ex-Biosev) at Usina São Martinho; ii) the processing of stand-over cane from 2013/14 that was strategically left to crush in 2014/15; and iii) the dry weather in Brazil's Center-South, which increased the number of working days in the harvest this quarter.

	1Q15 Production	Guidance 12M15	Percentage Achieved
<b>Processed Sugarcane ('000 tons)</b>	<b>7,637</b>	<b>19,640</b>	<b>38.9%</b>
Production			
Sugar ('000 tons)	460	1,353	34.0%
Ethanol ('000 m <sup>3</sup> )	295	740	39.9%
Cogeneration ('000 MWh)	251	663	37.9%

Consolidation of 50.95% at Nova Fronteira Bioenergia S.A. and 100% at Usina Santa Cruz S.A.

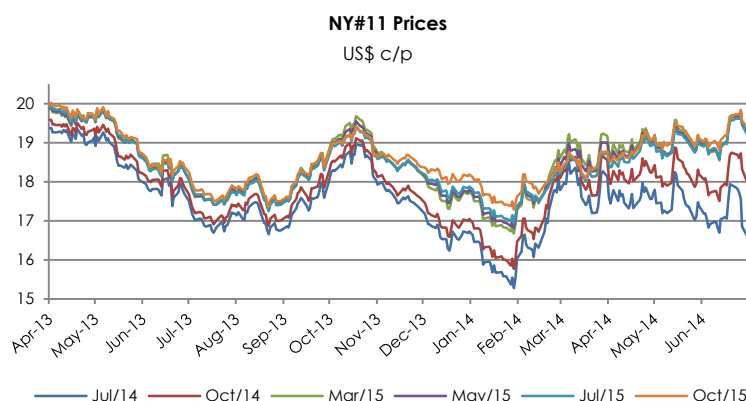
In line with our guidance for production volume in 2014/15 that was published in the earnings release at the close of the previous crop year, if we consider 100% of the sugarcane crushed at Usina Santa Cruz in 1Q15, the São Martinho Group processed 7.6 million tons, which represents 38.9% of

the total crushing volume expected for 2014/15.

## INDUSTRY OVERVIEW

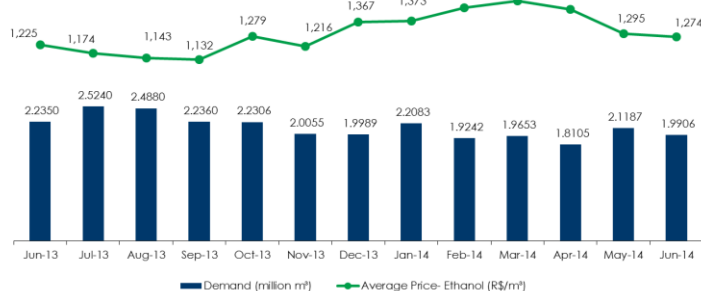
### Sugar

According to the Sugarcane Industry Association (UNICA), on July 10<sup>th</sup>, 2014, Brazil's Center-South recorded (to July 1<sup>st</sup>) growth of 11.05% in sugarcane crushing, which was directly due to the extremely dry weather in the period, since mills were able to operate at maximum processing capacity and capture time gains. However, the drought observed since November 2013 adversely affected sugarcane yields, and, according to market estimates, the Center South should process at most 570 million tons of sugarcane, or 4.5% less than in the previous season.



The combination of surplus sugar production in Brazil in the short term and expectations of a crop shortfall is the main driver of the nearly 160-point spread (US\$35/ton) in sugar prices between Oct/14 and Mar/15. In light of this scenario, São Martinho will concentrate its shipments in the second half of the 2014/15 crop year, making use of its entire sugar storage capacity.

### Ethanol



In the first quarter of 2014/15, prices for both anhydrous and hydrous ethanol were higher than a year earlier (+6.2% and +7.6%, respectively). The improvement in net prices was driven by i) the reduction in the rate of PIS/Cofins taxes implemented in May 2013 and ii) the stronger demand for fuels in the country.

The following chart shows that ethanol consumption in the domestic market remained resilient despite the higher prices, which demonstrates the strong level of ethanol demand.

AVERAGE PRICES - ETHANOL	1Q15	1Q14	Chg. (%)
Market Prices			
Anhydrous ESALQ, Net DM R\$ / m <sup>3</sup>	1,417.58	1,335.09	6.2%
Hydrous ESALQ, Net DM - R\$ / m <sup>3</sup>	1,252.79	1,163.96	7.6%



## FINANCIAL PERFORMANCE

NET REVENUE BREAKDOWN	1Q15	1Q14	Chg. (%)
R\$ '000			
<b>Domestic Market</b>	<b>253,311</b>	<b>202,902</b>	<b>24.8%</b>
Sugar	16,675	13,019	28.1%
Hydrous Ethanol	55,994	54,715	2.3%
Anhydrous Ethanol	123,600	93,854	31.7%
Energy	49,273	8,868	455.6%
Others	7,769	32,447	-76.1%
<b>Export Market</b>	<b>257,710</b>	<b>290,846</b>	<b>-11.4%</b>
Sugar*	187,189	216,070	-13.4%
Hydrous Ethanol	0	3,298	-100.0%
Anhydrous Ethanol	66,765	68,613	-2.7%
Others	3,756	2,865	31.1%
<b>Total Net Revenue*</b>	<b>511,021</b>	<b>493,748</b>	<b>3.5%</b>
Sugar*	203,864	229,089	-11.0%
Hydrous Ethanol	55,994	58,013	-3.5%
Anhydrous Ethanol	190,365	162,467	17.2%
Energy	49,273	8,868	455.6%
Others	11,525	35,312	-67.4%

\* Excludes the Hedge Accounting effect of foreign-denominated debt (R\$6.4 million), as detailed in the Hedge section of this earnings release.

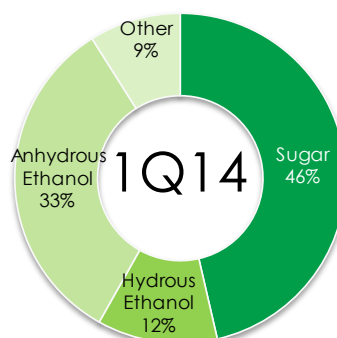
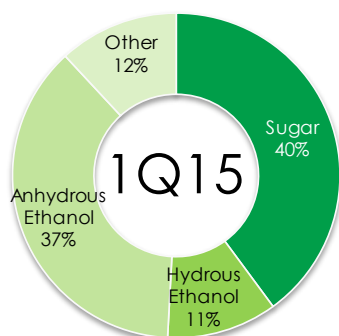
### Net Revenue

In the first quarter of the 2014/15 crop year (1Q15), the Company's net revenue amounted to R\$511.0 million, increasing 3.5% from the same period of the previous crop year. The main drivers of this growth were sales of cogeneration and anhydrous ethanol, in both cases due to higher sales prices and higher volumes. However, net revenue from sugar sales fell 11.0%, as commented in the section "Net Revenue – Sugar."

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

### Net Revenue Breakdown

1Q15 x 1Q14

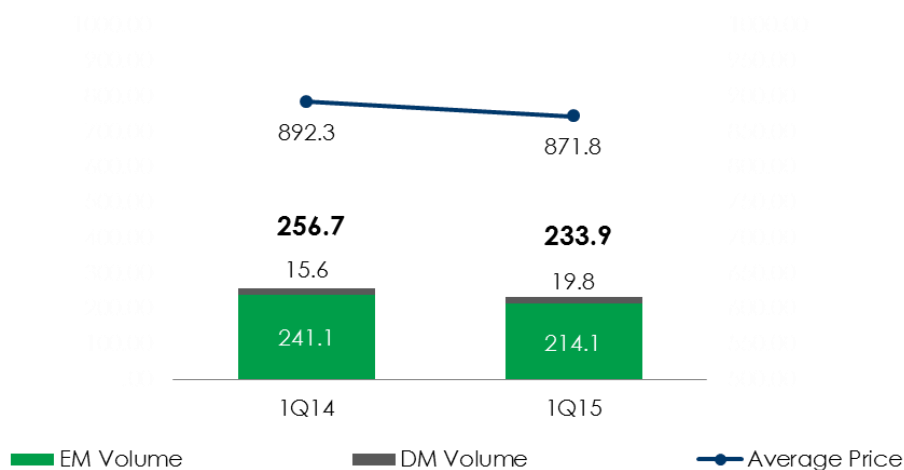




## Sugar

### Sugar

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



Net revenue from sugar sales amounted to R\$203.9 million in 1Q15, down 11.0% from the same period of the previous crop year. The decrease is mainly explained by the lower volumes sold, due to the Company's strategy to postpone sugar sales to future quarters, especially shipments for the October/14 and Mar/15 quotes.

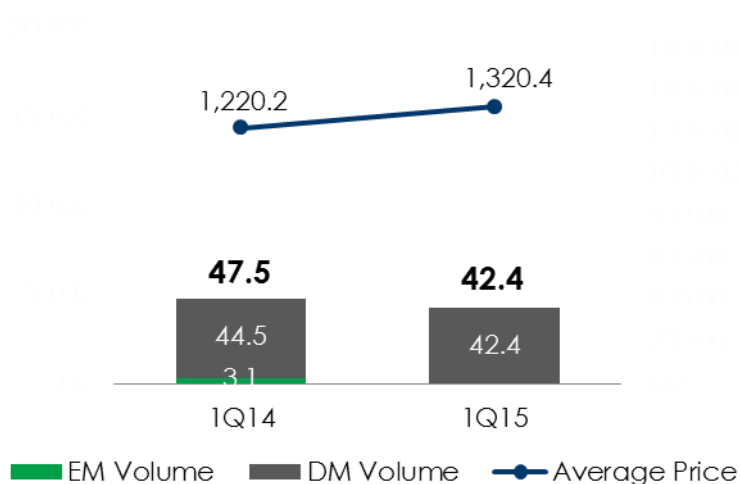




## Ethanol

### Hydrous Ethanol

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



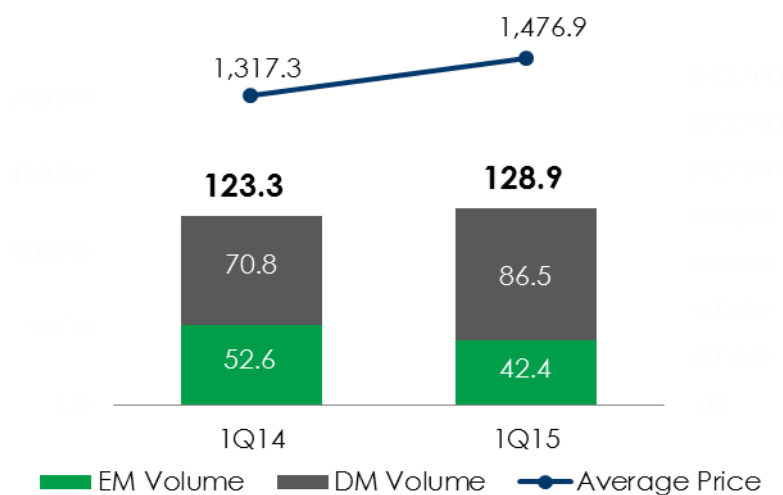
Net revenue from hydrous ethanol sales amounted to R\$56.0 million in 1Q15, decreasing 3.5% from the same quarter of the previous crop year. The decline is explained by 10.8% drop in sales volume in the quarter, particularly in exports. In 1Q14, shipments of H2 ethanol to Japan under a long-term contract with Mitsubishi were anticipated. In the current crop year, these shipments will be concentrated mostly in the second and third quarters.





## Anhydrous Ethanol

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

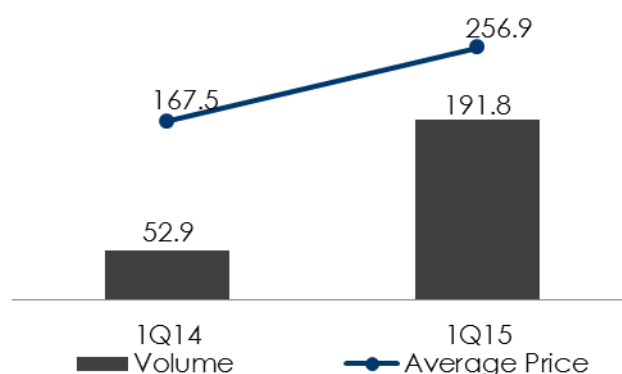


In 1Q15, net revenue from anhydrous ethanol sales increased 17.2% from 1Q14 to reach R\$190.4 million. The improvement reflects the 12.1% increase in sales prices and the 4.5% growth in sales volume as a result of the higher production volume.

## Cogen

## Cogeneration

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



Net revenue from cogeneration sales in 1Q15 amounted to R\$49.3 million, increasing 455.6% from the same period of the previous crop year. This increase is due to i) the higher cogeneration sales volume compared to the year-ago period, mainly due to the cogeneration project at Usina São Martinho, which in 1Q14 had not yet been implemented; and ii) the better prices practiced, due to higher energy prices on the spot market.

## Other Products and Services

Net revenue from the line "Other Products and Services" was R\$11.5 million in 1Q15, decreasing 67.4% from the same quarter of the previous crop year. This decrease is explained basically by the end of the partial sale of sugarcane from Usina São Carlos to Biosev, which happened exclusively in the 2013/14 crop year.

As mentioned in previous quarters, starting this crop year (2014/15), we will process the entire sugarcane related to the acquisition from Biosev, as per the Material Fact notice released in December 2012.



## INVENTORIES

INVENTORIES	1Q15	1Q14	Chg. (%)
Sugar (tons)	153,184	71,753	113.5%
Hydrous (m <sup>3</sup> )	59,350	41,385	43.4%
Anhydrous (m <sup>3</sup> )	52,777	29,628	78.1%

## EBITDA AND EBITDA COST BY PRODUCT

EBITDA BY PRODUCT - 1Q15	SUGAR	ETHANOL	OTHER	TOTAL
R\$ '000				
Net Revenue*	203,863	246,358	60,800	511,021
COGS (Cash)	(103,885)	(117,461)	(11,403)	(232,749)
Gross Profit (Cash)	99,978	128,897	49,397	278,272
Gross Margin (Cash)	49.0%	52.3%	81.2%	54.5%
Sales Expenses	(13,784)	(4,759)	(1,226)	(19,770)
G&A Expenses (Cash)	(13,414)	(16,214)	(3,292)	(32,920)
Other Revenues (Expenses)	-	-	1,464	1,464
<b>Adjusted EBITDA</b>	<b>72,780</b>	<b>107,924</b>	<b>46,342</b>	<b>227,046</b>
<b>Adjusted EBITDA Margin</b>	<b>35.7%</b>	<b>43.8%</b>	<b>76.2%</b>	<b>44.4%</b>
<b>EBITDA Cost (*)</b>	<b>(560.5)</b>	<b>(808.1)</b>	-	-

(\*) Sugar in R\$/Ton

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

\* Excludes the Hedge Accounting effect of foreign-denominated debt (R\$6.4 million), as detailed in the Hedge section of this earnings release.

EBITDA BY PRODUCT - 1Q14	SUGAR	ETHANOL	OTHER	TOTAL
R\$ '000				
Net Revenue	229,090	220,482	44,176	493,748
COGS (Cash)	(97,159)	(101,105)	(30,859)	(229,124)
Gross Profit (Cash)	131,931	119,377	13,317	264,624
Gross Margin (Cash)	57.6%	54.1%	30.1%	53.6%
Sales Expenses	(15,343)	(6,615)	(924)	(22,882)
G&A Expenses (Cash)	(13,018)	(14,281)	(3,033)	(30,332)
Other Revenues (Expenses)	-	-	229	229
<b>Adjusted EBITDA</b>	<b>103,570</b>	<b>98,481</b>	<b>9,588</b>	<b>211,639</b>
<b>Adjusted EBITDA Margin</b>	<b>45.2%</b>	<b>44.7%</b>	<b>21.7%</b>	<b>42.9%</b>
<b>EBITDA Cost (*)</b>	<b>(488.9)</b>	<b>(714.0)</b>	-	-

(\*) Sugar in R\$/Ton

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

In the first quarter, sugar accounted for 32.1% of the Group's consolidated Adjusted EBITDA, while ethanol and other products accounted for 47.5% and 20.4%, respectively. Sugar EBITDA margin contracted 9.5 p.p. from 1Q14, mainly due to the higher agricultural costs in the period (see the breakdown under "Cost of Goods Sold").



In the case of ethanol, Adjusted EBITDA margin in the first quarter of the crop year fell slightly by 0.9 p.p. compared to 1Q14, due to the same reasons as above.

AVERAGE CASH COST PER UNIT	1Q15	1Q14	Chg.%
R\$ '000			
<b>COGS</b>	<b>(232,749)</b>	<b>(229,124)</b>	<b>1.6%</b>
Sugar	(103,885)	(97,159)	6.9%
Ethanol	(117,461)	(101,105)	16.2%
Other Products	(11,403)	(30,859)	-63.0%
<b>Average Cash Cost Per Unit (*)</b>			
<b>Sugar Cash Cost</b>	<b>(444.2)</b>	<b>(378.5)</b>	<b>17.4%</b>
<b>Ethanol Cash Cost</b>	<b>(685.7)</b>	<b>(591.7)</b>	<b>15.9%</b>

(\*) Sugar in R\$/Ton

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

## COST OF GOODS SOLD

BREAKDOWN OF COGS - CASH	1Q15	1Q14	Chg.%
R\$ '000			
<b>Agricultural Costs</b>	<b>185,624</b>	<b>154,390</b>	<b>20.2%</b>
Suppliers	97,507	64,061	52.2%
Partnerships	43,055	34,603	24.4%
Own Sugarcane	45,061	55,726	-19.1%
Industrial	28,998	35,623	-18.6%
Other Products	18,127	39,111	-53.7%
<b>Total COGS</b>	<b>232,749</b>	<b>229,124</b>	<b>1.6%</b>
TRS Sold ('000 Tons)	542	565	-4.1%
Unit Cost (Sugar and Ethanol COGS/TRS)	396	336	17.7%

Cash COGS in 1Q15 increased 1.6% to R\$232.7 million, despite the 4.1% decrease in volumes sold (in terms of TRS equivalent).

The main factor in the higher costs was the anticipation of sugarcane deliveries by suppliers compared to the same quarter a year ago. As noted in the section "Operating Data," purchases of third-party sugarcane increased 67% between 1Q15 and 1Q14. Considering that the total volume of sugarcane acquired from suppliers in the crop year will be stable (30% of the total volume processed by the Group), this factor will be offset in the coming quarters.

Regarding the line Cost of Other Products, the 53.7% decrease in the quarter mainly reflects the end of sugarcane sales by Usina São Carlos to Biosev, which occurred only in 2013/14.



## SELLING EXPENSES

SELLING EXPENSES	1Q15	1Q14	Chg.%
R\$ '000			
Port / Freight Costs	18,853	22,112	-14.7%
Sales Commission	-	40	n.m.
Other - non-recurring	917	730	25.6%
<b>Selling Expenses</b>	<b>19,770</b>	<b>22,882</b>	<b>-13.6%</b>
TRS Sold ('000 Tons)	542	565	-4.1%
% of Net Revenue	3.9%	4.6%	-0.8 p.p.

In 1Q15, selling expenses amounted to R\$19.8 million, down 13.6% from 1Q14. The main reduction occurred in Port/Freight Costs, which was primarily due to the lower sugar and anhydrous ethanol export volume in the period.

## GENERAL AND ADMINISTRATIVE EXPENSES

G&A EXPENSES - (CASH)	1Q15	1Q14	Chg.%
R\$ '000			
Payroll and Related Charges	20,787	18,287	13.7%
Taxes, Fees, Contributions and Contingencies	5,315	6,437	-17.4%
General Expenses and Third-Party Services	6,107	5,079	20.2%
Stock Options Expenses	710	529	34.2%
<b>Total General and Administrative Expenses</b>	<b>32,920</b>	<b>30,332</b>	<b>8.5%</b>

G&A expenses were R\$32.9 million in 1Q15, increasing 8.5% from the same quarter of the previous crop year, mainly due to the wage increases (collective bargaining agreement) in the period. Note that in 1Q15, we anticipated the provision for wage increases. In 1Q14, the entire impact occurred in the subsequent quarter.



## EBITDA

EBITDA RECONCILIATION		Pro-Forma		
		1Q15	1Q14	Chg.%
R\$ '000				
<b>Adjusted EBITDA</b>		<b>227,046</b>	<b>211,639</b>	<b>7.3%</b>
Adjusted EBITDA Margin		44.4%	42.9%	1.6 p.p.
Adjustment to Maturity of Hedge Accounting Debt		6,387	-	n.m.
Equity Income		(513)	1,079	n.m.
Non Recurring Operating Income (Expenses)		149	24	515.4%
Biological Assets		(3,214)	(1,864)	72.4%
<b>Book EBITDA</b>		<b>224,237</b>	<b>212,400</b>	<b>5.6%</b>
EBITDA Margin		44.4%	43.0%	1.4 p.p.
(-) Depreciation and Amortization		(125,886)	(146,585)	-14.1%
(-) Financial Expense, net		(26,470)	(16,747)	58.1%
(=) Operating Income (Loss)		71,881	49,068	46.5%

### Adjusted EBITDA

In 1Q15, the São Martinho Group recorded adjusted EBITDA (adjusted by the maturity of the Hedge Accounting debt) of R\$227.0 million (Adjusted EBITDA Margin of 44.4%), which represents an increase of 7.3% and EBITDA margin expansion of 1.6 p.p. from 1Q14. In the period, Adjusted EBITDA grew driven by i) higher cogeneration sales volume; and ii) better cogeneration and ethanol sales prices.

A breakdown by business line of Adjusted EBITDA follows:

1Q15					
EBITDA BY SEGMENT	Consolidated	S&E	Cogen	Others	Consolidated - ex others
R\$ '000					
Net Revenues	511,021	450,221	49,273	11,527	499,494
Adjusted EBITDA	227,046	180,704	45,135	1,207	225,839
<b>Adjusted EBITDA Margin</b>	<b>44.4%</b>	<b>40.1%</b>	<b>91.6%</b>	<b>10.5%</b>	<b>45.2%</b>

\* Excludes the Hedge Accounting effect of foreign-denominated debt (R\$6.4 million), as detailed in the Hedge section of this earnings release.

1Q14					
EBITDA BY SEGMENT	Consolidated	S&E	Cogen	Others	Consolidated - ex others
R\$ '000					
Net Revenues	493,748	449,572	8,868	35,308	458,440
Adjusted EBITDA	211,639	202,051	7,622	1,966	209,673
<b>Adjusted EBITDA Margin</b>	<b>42.9%</b>	<b>44.9%</b>	<b>86.0%</b>	<b>5.6%</b>	<b>45.7%</b>



CPC 19				
EBITDA RECONCILIATION		1Q15	1Q14	Chg.%
R\$ '000				
<b>Book EBITDA</b>		<b>169,983</b>	<b>156,385</b>	<b>8.7%</b>
EBITDA Margin		45.0%	39.5%	5.5 p.p.
(-) Depreciation and Amortization		(78,055)	(101,792)	-23.3%
(-) Net Financial Expense		(20,917)	(1,787)	1070.5%
(=) Operating Income (Loss)		71,011	52,806	34.5%

Given the adoption of the new accounting standard IFRS 11 (CPC 19) as of the last fiscal year (13/14), 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 consolidations of Nova Fronteira Bioenergia S.A. (50.95%) and Santa Cruz S.A. (36.09%).

## HEDGING

A summary of our sugar and U.S. dollar hedge positions on June 30<sup>th</sup>, 2014 follows.

### Sugar

	Hedge Volume ('000 tons)	Average Price (US\$ c/p)	Own Sugarcane
<b>Sugar - 2014/2015 Crop Year</b>			
Jul/14 (N14)	262,496	18.15	100.0%
Oct/14 (V14)	100,487	18.52	45.6%
Mar/15 (H15)	30,481	18.80	7.8%
2014/2015 Crop year	393,464	18.30	47.3%

Note: The abovementioned sugar volumes already consider the consolidation of 100% of the sugar produced at Santa Cruz S.A.

On June 30<sup>th</sup>, 2014, sugar prices for the 2014/15 crop year were fixed at an average price of USD 18.30 cents/pound for 393,464 tons, with this volume representing 47.3% of our net exposure (i.e., total sugar production through the end of the crop year excluding our natural hedge with Consecana).

### U.S. Dollar

On June 30<sup>th</sup>, 2014, the São Martinho Group held open positions through non-deliverable forwards (NDFs), which are used to hedge its exports, with maturities through the 2015/16 crop year as follows:

Maturity	TOTAL		SUGAR		OTHERS	
Dolar	US\$ '000	Average Price (R\$/US\$)	US\$ '000	Average Price (R\$/US\$)	US\$ '000	Average Price (R\$/US\$)
2014/2015 Crop Year	111,120	2.31	83,003	2.43	28,117	1.97
2015/2016 Crop Year	14,880	2.30	-	-	14,880	2.30



## 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 2014 and June 2014, we recorded a gain in shareholders' equity of R\$40.3 million, mainly related to the appreciation in the Brazilian real against the U.S. dollar.

### Impact on Income Statement

As mentioned in the 4Q14 Earnings Release, in the coming crop years, certain foreign-denominated debts that had been designated as Hedge Accounting will mature.

In 1Q15, a total of US\$18.5 million in debt matured, with the exchange rate of R\$1.88/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\$2.23/US\$1.00, we adjusted the amount of R\$6.4 million in Net Revenue and EBITDA to provide a better understanding of the Company's cash generation.

The following table provides an updated maturity schedule for debt designated as Hedge Accounting:

	US\$ thousand	Average Price (R\$/US\$)
1Q15	18,468	1.88
2Q15	65,860	1.88
3Q15	26,615	1.87
4Q15	20,309	1.93



## NET FINANCIAL RESULT

FINANCIAL RESULT	1Q15	1Q14	Chg.%
R\$ '000			
Financial Income	16,127	9,584	68.3%
Financial Expenses	(39,311)	(34,835)	12.8%
Hedge Result	1,467	(16,545)	n.m.
Exchange Variation	(2,424)	27,032	n.m.
Copersucar Monetary Variation	(2,329)	(1,983)	17.5%
<b>Net Financial Income (Loss)</b>	<b>(26,470)</b>	<b>(16,747)</b>	<b>58.1%</b>

The São Martinho Group registered a net financial expense of R\$26.5 million in 1Q15, which represents an increase in the financial expense of 58.1% from 1Q14. The main factor in the increase in the net financial expense was the exchange variation in the period. In 1Q14, the Brazilian real depreciated by 10.0%, which had a positive effect on our cash and accounts receivable in foreign currency. In 1Q15, this variation did not occur.

## NET INCOME

In 1Q15, net income was R\$60.7 million, increasing 74.9% on the year-ago quarter. The increase is related to i) EBITDA growth; and ii) the lower depreciation in the period due to the reassessment of the life span of the Company's assets, as detailed in the 2Q14 financial statements.

## DEBT WITH COPERSUCAR

On June 30, 2014, the São Martinho Group recognized the amount of R\$235.0 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\$186.1 million on a consolidated basis.



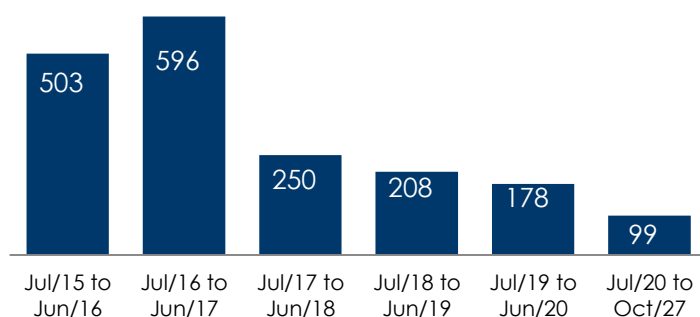
## INDEBTEDNESS

DEBT	Jun/14	Mar/14	Chg. (%)
R\$ '000			
PESA	60,722	65,083	-6.7%
Rural Credit	170,935	164,074	4.2%
BNDES / FINAME	654,239	649,618	0.7%
Working Capital	435,148	145,286	199.5%
ACC (Advances on Foreign Exchange Contracts)	91,191	93,404	-2.4%
PPE (Export prepayment)	313,769	387,846	-19.1%
NCE (Export Credit Note)	440,551	458,846	-4.0%
Others	1,758	2,031	-13.4%
Obligations from Acquisitions	21,338	10,725	99.0%
<b>Gross Debt</b>	<b>2,189,648</b>	<b>1,976,913</b>	<b>10.8%</b>
Cash and Cash Equivalents	883,017	679,928	29.9%
<b>Net Debt</b>	<b>1,306,631</b>	<b>1,296,985</b>	<b>0.7%</b>
(+) Proportional Gross Debt at Santa Cruz	273,361	243,034	12.5%
<b>Consolidated Net Debt</b>	<b>1,579,992</b>	<b>1,540,019</b>	<b>2.6%</b>
Net Debt / YTD EBITDA	2.02 x	2.01 x	

In 1Q15, the net debt of the São Martinho Group increased 2.6% from March 2014 to reach R\$1.58 billion, ending the period with a Net Debt/EBITDA ratio of 2.02 times. The main factor in the increase was the higher working capital invested at the Company due to the seasonality of the business and its strategy to build inventories for sale in future quarters.

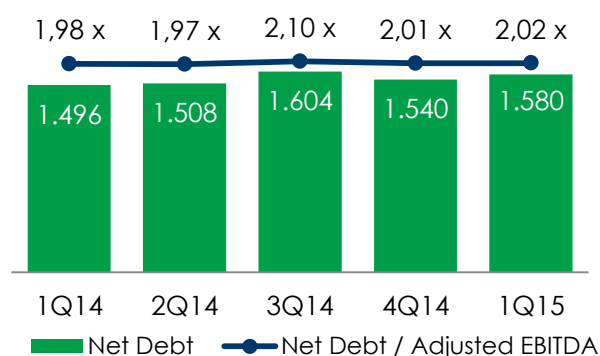
### Amortization Schedule – Long-term Debt

R\$ - Million



### Net Debt / EBITDA LTM

Evolution





## CAPITAL EXPENDITURE

(Maintenance)	1Q15	1Q14	Chg. %.
R\$ million			
Sugarcane Planting	32,025	27,420	16.8%
Off-Season Maintenance / Industrial / Agricultural	3,310	256	n.m.
Crop Treatment	54,674	46,625	17.3%
<b>Total</b>	<b>90,009</b>	<b>74,300</b>	<b>21.1%</b>

(Operational Improvements)	1Q15	1Q14	Var%.
R\$ million			
Equipment/Projects/Replacements	6,101	2,784	119.2%
<b>Total</b>	<b>6,101</b>	<b>2,784</b>	<b>119.2%</b>

(Upgrading/Expansion)	1Q15	1Q14	Var%.
R\$ million			
Sugarcane Planting	-	5,807	n.m.
Industrial / Agricultural	23,074	31,339	-26.4%
Crop Treatment	-	1,185	n.m.
<b>TOTAL</b>	<b>23,074</b>	<b>38,330</b>	<b>-39.8%</b>

The maintenance CAPEX of the São Martinho Group amounted to R\$90 million in 1Q15, increasing 21.1% from the year-ago period. The increase is related to the number of hectares planted and treated resulting from the expansion in the Group's crushing.

Operational improvement CAPEX (one-time investments in replacing agricultural and industrial equipment to boost yields) amounted to R\$6.1 million in 1Q15, increasing 119.2% from 1Q14. The increase is mainly related to investments in agricultural automation.

CAPEX invested in modernization/expansion came to R\$23.1 million in 1Q15, which was basically allocated to the vertical orientation of sugarcane and concentrated vinasse transportation. These projects should yield returns over the coming quarters through cost reductions.

For this crop year, **we expect maintenance CAPEX to reach approximately R\$560 million, already considering the full consolidation of Usina Santa Cruz in our results.**



## 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.

## ABOUT SÃO MARTINHO GROUP

The São Martinho Group is one of the largest sugar and ethanol groups in Brazil, with annual sugarcane processing capacity of 20 million metric tons. It currently operates four mills: São Martinho in Pradópolis (in the Ribeirão Preto region of São Paulo state), Itacema in Itacemópolis (in the Limeira region of São Paulo), Santa Cruz in Américo Brasiliense (in the Ribeirão Preto region) and Boa Vista (in Quirinópolis, Goiás). For more information please go to [www.saomartinho.com.br](http://www.saomartinho.com.br).



## INCOME STATEMENT

### Quarter

SÃO MARTINHO S.A. - CONSOLIDATED	CPC 19			Pro-forma		
	1Q15	1Q14	Var %	1Q15	1Q14	Var %
R\$ '000						
Gross Revenue	388,684	407,302	-4.6%	522,493	511,764	2.1%
Deductions from Gross Revenue	(10,677)	(11,060)	-3.5%	(17,859)	(18,016)	-0.9%
<b>Net Revenue</b>	<b>378,007</b>	<b>396,242</b>	<b>-4.6%</b>	<b>504,634</b>	<b>493,748</b>	<b>2.2%</b>
Cost of Goods Sold (COGS)	(259,122)	(283,219)	-8.5%	(352,891)	(371,729)	-5.1%
<b>Gross Profit</b>	<b>118,885</b>	<b>113,023</b>	<b>5.2%</b>	<b>151,743</b>	<b>122,019</b>	<b>24.4%</b>
Gross Margin (%)	31.5%	28.5%	2.9 p.p	30.1%	24.7%	5.4 p.p
<b>Operating Expenses</b>	<b>(26,957)</b>	<b>(58,430)</b>	<b>-53.9%</b>	<b>(53,392)</b>	<b>(56,204)</b>	<b>-5.0%</b>
Selling Expenses	(16,876)	(19,853)	-15.0%	(19,770)	(22,882)	-13.6%
General and Administrative Expenses	(28,034)	(27,381)	2.4%	(35,450)	(32,422)	9.3%
Equity Income	17,312	(11,769)	n.m.	513	(1,079)	n.m.
Other Operating Expenses, Net	641	573	11.9%	1,315	179	634.6%
<b>Operating Profit, Before Financial Effects</b>	<b>91,928</b>	<b>54,593</b>	<b>68.4%</b>	<b>98,351</b>	<b>65,815</b>	<b>49.4%</b>
<b>Financial Result, Net</b>	<b>(20,917)</b>	<b>(1,787)</b>	<b>1070.5%</b>	<b>(26,470)</b>	<b>(16,747)</b>	<b>58.1%</b>
Financial Income	13,177	7,600	73.4%	16,127	9,584	68.3%
Financial Expenses	(29,300)	(25,405)	15.3%	(41,640)	(36,819)	13.1%
Monetary and Exchange Variations - Net	1,015	21,745	-95.3%	1,877	16,378	-88.5%
Derivative Income (Loss)	(5,809)	(5,727)	1.4%	(2,834)	(5,890)	-51.9%
<b>Income (Loss) Before Income and Social Contribution Taxes</b>	<b>71,011</b>	<b>52,806</b>	<b>34.5%</b>	<b>71,881</b>	<b>49,068</b>	<b>46.5%</b>
Income Tax and Social Contribution - Current	(16,274)	(2,299)	607.9%	(16,411)	(2,740)	498.9%
Income Tax and Social Contribution - Deferred	5,989	(15,779)	n.m.	5,256	(11,600)	n.m.
<b>Net Income</b>	<b>60,726</b>	<b>34,728</b>	<b>74.9%</b>	<b>60,726</b>	<b>34,728</b>	<b>74.9%</b>
Net Margin (%)	16.1%	8.8%	7.3 p.p	12.0%	7.0%	5.0 p.p



## BALANCE SHEET (ASSETS)

São Martinho S.A. - ASSETS	CPC 19		Pro-forma	
R\$ '000				
ASSETS	Jun/14	Mar/14	Jun/14	Mar/14
<b>SHORT-TERM ASSETS</b>				
Cash and Cash Equivalents	761,050	551,359	873,363	670,741
Trade Receivables	142,813	72,106	172,193	95,051
Derivative Financial Instruments	27,960	33,553	30,155	37,467
Inventories	235,585	99,658	328,062	145,028
Taxes Recoverable	87,592	64,367	112,637	79,339
Income and Social Contribution Taxes	30,654	34,237	36,544	37,349
Dividends receivable	443	232	443	420
Other Assets	14,757	7,145	18,156	10,919
<b>TOTAL SHORT-TERM ASSETS</b>	<b>1,300,854</b>	<b>862,657</b>	<b>1,571,553</b>	<b>1,076,314</b>
<b>LONG-TERM ASSETS</b>				
<b>Long-term Receivables</b>				
Marketable Securities	-	-	9,654	9,187
Inventories	31,234	25,790	57,785	50,235
Related Parties	-	1,925	12	11
Deferred Income and Social Contribution Taxes	-	-	48,658	48,867
Trade Receivables	1,088	1,592	1,088	1,592
Trade Receivables from Copersucar	1,361	1,361	1,560	1,546
Taxes Recoverable	57,568	68,201	74,012	94,808
Judicial Deposits	31,843	31,969	34,402	34,479
Other Assets	120	120	344	321
	<b>123,214</b>	<b>130,958</b>	<b>227,515</b>	<b>241,046</b>
<b>Investments</b>	573,941	537,764	22,804	10,589
<b>Biological Assets</b>	576,557	596,309	835,973	863,368
<b>Property, plant and equipment</b>	2,693,000	2,717,791	3,417,273	3,432,148
<b>Intangible Assets</b>	191,864	192,917	190,961	202,486
<b>TOTAL LONG-TERM ASSETS</b>	<b>4,158,576</b>	<b>4,175,739</b>	<b>4,694,526</b>	<b>4,749,637</b>
<b>TOTAL ASSETS</b>	<b>5,459,430</b>	<b>5,038,396</b>	<b>6,266,079</b>	<b>5,825,951</b>





## BALANCE SHEET (LIABILITIES)

São Martinho S.A. - PASSIVO	CPC 19		Pro-forma	
Em milhares de Reais				
PASSIVO E PATRIMÔNIO LÍQUIDO	jun/14	mar/14	jun/14	mar/14
<b>CIRCULANTE</b>				
Empréstimos e financiamentos	441,423	439,644	606,410	592,294
Instrumentos financeiros derivativos	40,664	56,398	45,935	63,814
Fornecedores	116,124	64,429	149,028	90,602
Obrigações - Copersucar	2,040	2,040	2,238	2,234
Salários e contribuições sociais	81,440	58,847	102,429	75,720
Tributos a recolher	11,895	11,040	14,471	13,749
Imposto de renda e contribuição social	8,958	611	9,284	891
Dividendos a Pagar	32,063	32,063	32,505	32,483
Adiantamento a clientes	5,630	883	7,684	3,143
Aquisição de Participação Societária	16,166	10,725	16,166	10,725
Outros passivos	16,641	17,290	16,409	15,676
<b>TOTAL</b>	<b>773,044</b>	<b>693,970</b>	<b>1,002,559</b>	<b>901,331</b>
<b>NÃO CIRCULANTE</b>				
Empréstimos e financiamentos	1,371,066	1,151,177	1,835,261	1,616,928
Obrigações - Copersucar	206,400	206,014	232,749	230,254
Tributos parcelados	45,870	46,318	53,396	53,452
I.R e C.S diferidos	820,568	807,880	862,559	854,330
Provisão para contingências	58,520	56,649	64,326	62,048
Aquisição de Participação Societária	5,172	-	5,172	-
Adiantamento para futuro aumento de capital	-	-	31,267	31,220
Outros passivos	436	436	436	436
<b>TOTAL</b>	<b>2,508,032</b>	<b>2,268,474</b>	<b>3,085,166</b>	<b>2,848,668</b>
<b>PATRIMÔNIO LÍQUIDO</b>				
Capital social	737,200	737,200	737,200	737,200
Ajustes de avaliação patrimonial	1,152,921	1,116,709	1,152,921	1,116,709
Reservas de Lucros	230,277	230,277	230,277	230,277
Ações em Tesouraria	(11,191)	(11,839)	(11,191)	(11,839)
Opções Outorgadas	4,136	3,605	4,136	3,605
Lucros Acumulados	65,011	-	65,011	-
<b>TOTAL</b>	<b>2,178,354</b>	<b>2,075,952</b>	<b>2,178,354</b>	<b>2,075,952</b>
<b>TOTAL DO PASSIVO E PATRIMÔNIO LÍQUIDO</b>	<b>5,459,430</b>	<b>5,038,396</b>	<b>6,266,079</b>	<b>5,825,951</b>



## CONSOLIDATED CASH FLOW

SÃO MARTINHO S.A.	CPC 19		Pro Forma	
R\$ Thousand	1Q15	1Q14	1Q15	1Q14
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net Income in the period	60,726	34,728	60,726	34,728
Adjustments				
Depreciation and amortization	28,729	35,368	41,746	48,267
Harvested biological assets (depreciation)	49,326	66,424	84,141	98,318
Variation in fair value of biological assets	(1,691)	(3,429)	(3,214)	(1,864)
Amortization of intangible assets	-	-	466	513
Residual cost of investments and property, plant and equipment disposals	(17,312)	11,769	(513)	1,079
Result of investment and property, plant and equipment disposals	67	(69)	(377)	(94)
Interest, monetary and foreign exchange variations, net	28,191	28,442	35,833	45,252
Derivatives Financial Instruments	25,101	(5,596)	27,563	(3,618)
Constitution of provision for contingencies, net	2,440	5,333	3,774	5,469
Deferred income tax and social contribution	(5,989)	15,779	(5,257)	11,600
Adjustments to present value and others	1,793	3,028	1,721	3,843
	<b>171,381</b>	<b>191,777</b>	<b>246,609</b>	<b>243,493</b>
Changes in assets and liabilities				
Trade receivables	(74,071)	(39,357)	(70,143)	(52,935)
Inventories	(96,988)	(41,457)	(120,481)	(63,921)
Taxes recoverable	(8,021)	(12,269)	(9,256)	(12,822)
Financial Investments	-	-	(18)	(347)
Other assets	(3,208)	(1,449)	(7,140)	(1,824)
Trade payables	63,390	53,679	65,615	63,320
Salaries and social charges	22,593	19,299	25,957	20,225
Taxes payable	8,147	727	7,439	1,415
Taxes payable in installments	(479)	(1,211)	(459)	(1,449)
Provision for contingencies - settlements	(2,726)	(7,819)	(4,205)	(8,664)
Obligations with Copersucar	-	-	-	-
Other liabilities	3,151	8,175	1,546	8,532
Cash provided by operations	<b>83,169</b>	<b>170,095</b>	<b>135,464</b>	<b>195,023</b>
Interest paid	(31,022)	(29,290)	(47,037)	(43,777)
Income tax and social contribution paid	(47)	(281)	(77)	(317)
Net cash provided by operating activities	<b>52,100</b>	<b>140,524</b>	<b>88,350</b>	<b>150,929</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>				
Financial resources used in investments	(4,972)	-	(4,972)	-
Additions to property, plant and equipments, intangible assets and deferred charges	(31,577)	(57,685)	(41,083)	(65,339)
Additions to biological assets (planting and crop treatment)	(55,623)	(51,829)	(86,699)	(81,037)
Proceeds from sale of property, plant and equipment	246	419	734	552
Increase in cash and cash equivalents from charge in equity interest	-	-	3,146	-
Cash and cash equivalents acquired from subsidiary	-	1	-	1
Advance for future capital increase	-	(513)	-	-
Net cash used in investing activities	<b>(91,926)</b>	<b>(109,607)</b>	<b>(128,874)</b>	<b>(145,823)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
New borrowing - third parties	362,199	53,227	389,277	100,561
Repayment of borrowing - third parties	(113,935)	(144,524)	(147,496)	(160,730)
Advance for future capital increase	-	-	464	66
Purchase of treasury shares	665	-	665	-
Net cash provided by financing activities	<b>248,929</b>	<b>(91,297)</b>	<b>242,910</b>	<b>(60,103)</b>
Increase (decrease) in cash and cash equivalents	<b>209,691</b>	<b>(62,466)</b>	<b>202,622</b>	<b>(57,433)</b>
Cash and cash equivalents at the beginning of the period	<b>551,359</b>	<b>531,141</b>	<b>670,741</b>	<b>634,290</b>
Cash and cash equivalents at the end of the period	<b>761,050</b>	<b>468,675</b>	<b>873,363</b>	<b>576,857</b>



## FINANCIAL INDICATORS (100% SANTA CRUZ S.A.)

Given the recent approval by Brazil's antitrust authority CADE of the acquisition of Santa Cruz S.A., we present below a summary of the combined indicators of São Martinho and Santa Cruz in the last two fiscal years.

FINANCIAL HIGHLIGHTS (São Martinho S.A. + 100% Santa Cruz mill)		
	1Q15	1Q14
R\$ '000		
Net Revenue	592,068	568,093
Adjusted EBTIDA	264,665	247,250
Adjusted EBTIDA Margin	44.7%	43.5%
Adjusted EBIT	111,745	72,155
Adjusted EBIT Margin	18.9%	12.7%
Chg. Biological Assets and Other	2,953	(4,500)
Equity income (loss)	-	-
Financial Income (loss)	(29,419)	(30,088)
EBT	79,373	46,567
Cash	927,293	659,987
Gross Debt	2,909,328	2,577,588
Net Debt	1,982,035	1,917,601
YTD EBITDA	925,766	915,524
Net Debt / EBITDA	2.14 x	2.09 x

\* Excludes the Hedge Accounting effect of foreign-denominated debt (R\$6.4 million), as detailed in the Hedge section of this earnings release.