

EARNINGS RELEASE 1Q19

AUGUST 13th, 2018

1Q19 Adjusted EBITDA of R\$401.4 million - EBITDA margin of 52.0%

- ✓ The sugar and ethanol sales strategy in the quarter combined with the 23% decline in the sugar price are the main reasons for the reduction in financial indicators in the period. A summary of main indicators follow:
 - ✓ Adjusted EBITDA of **R\$401.4 million** in 1Q19 (-15.6%), with Adjusted EBITDA margin of 52.0%;
 - ✓ Adjusted EBIT of **R\$198.1 million** in 1Q19 (-27.5%), with Adjusted EBIT margin of 25.7%;
 - ✓ Net Income before taxes of **R\$153.8 million** (-4.4%);
 - ✓ Net Income of **R\$104.0 million** (-11.0%);
 - ✓ Ethanol stocks ended the quarter at 348,000 m³, **63% higher than in 1Q18**;
- ✓ Sugarcane crushing volume reached 9.5 million tons, with TRS increasing 5.5% in 1Q19 compared to 1Q18. Sugar and ethanol production volume in the quarter already represents 43% of the guidance;
- ✓ On June 30, 504.5 thousand tons of sugar for the 2018/19 crop year was hedged at an average price of USD 14.49 ¢/lb, which represents approximately 87% of own cane, and US\$122.7 million in NDFs were contracted at the average exchange rate of R\$3.41/USD (~71% of own sugarcane).

Executive Summary	1Q19	1Q18	Chg. (%)
Net Revenue ¹	771,166	867,856	-11.1%
Adjusted EBITDA	401,390	475,340	-15.6%
Adjusted EBITDA Margin	52.0%	54.8%	-2.7 p.p.
Adjusted EBIT	198,124	273,193	-27.5%
Adjusted EBIT Margin	25.7%	31.5%	-5.8 p.p.
Adjustment to Maturity of Hedge Accounting/PPA	(10,305)	(55,509)	-81.4%
Net Income before taxes	153,825	160,879	-4.4%
Net Income	103,959	116,873	-11.0%
Cash Income	157,827	230,196	-31.4%
Net Debt / EBITDA	1.41 x	1.52 x	-7.1%

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

June 29, 2018

SMT03
R\$17.85 per share

Market Cap:
R\$6,498 million

Earnings Conference Call

August 14, 2018 (Tuesday)

3:00 p.m., Brasília time + 55 11 3193-1001
2:00 p.m., New York time +1 646 828-8246

Code: São Martinho
[Click here](#) to access the webcast

COMPANY OVERVIEW

Operating Highlights

OPERATIONAL DATA	1Q19	1Q18	Chg.(%)
Crushed Sugarcane ('000 tons)	9,508	8,739	8.8%
Own	6,527	5,966	9.4%
Third Parties	2,981	2,773	7.5%
Mechanized Harvest	100.0%	99.8%	0.12 p.p.
Agricultural Yield (ton/ha)	79.6	86.0	-7.4%
Average TRS (kg/ton)	131.9	125.0	5.5%
Production			
Sugar ('000 tons)	406	504	-19.4%
Ethanol ('000 m ³)	486	329	47.8%
Cogeneration ('000 MWh)	327	300	9.1%
TRS Produced	1,254	1,092	14.8%
Mix Sugar - Ethanol	34% - 66%	48% - 52%	

The Company processed 9.5 million tons of sugarcane in the first quarter of the 2018/19 crop year, representing growth of 8.8% compared to the same period last crop year. The higher sugarcane crushing volume combined with the 5.5% increase in average TRS supported an increase of 14.8% in total TRS produced, which represents approximately 43% of expected sugar and ethanol production in the 2018/19 crop year.

Financial Indicators

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

	1Q19	1Q18	Chg. (%)
São Martinho - Consolidated			
Net Revenue ¹	771,166	867,856	-11.1%
Adjusted EBITDA	401,390	475,340	-15.6%
Adjusted EBITDA Margin	52.0%	54.8%	-2.7 p.p.
Adjusted EBIT	198,124	273,193	-27.5%
Adjusted EBIT Margin	25.7%	31.5%	-5.8 p.p.
Consolidated Balance Sheet Indicators			
Total Assets	9,506,614	9,170,454	3.7%
Shareholders' Equity	3,233,527	3,214,610	0.6%
EBITDA (LTM)	1,875,161	1,763,463	6.3%
Net Debt	2,651,458	2,684,594	-1.2%
Net Debt / EBITDA (LTM)	1.41 x	1.52 x	-7.1%
Net Debt / Shareholders' Equity	82%	84%	

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

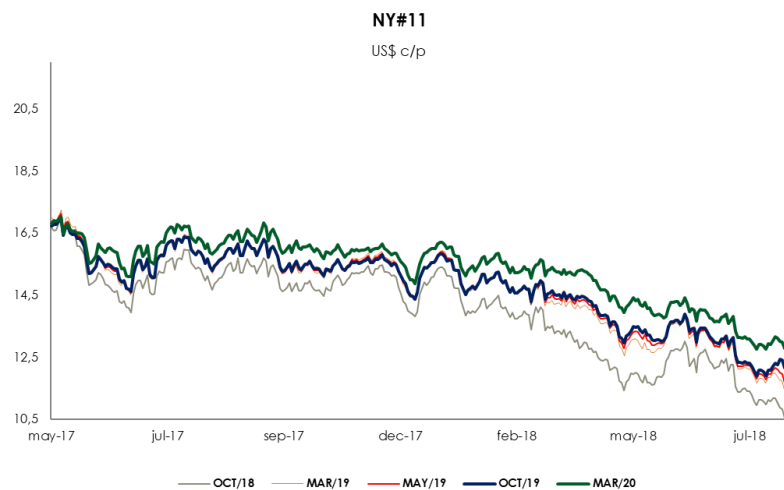
INDUSTRY OVERVIEW

According to the report issued by the Sugarcane Industry Association (UNICA), since the start of the crop year until August 1, 2018, the Center-South region processed 314.8 million tons of sugarcane, 5.5% more than in the same period of the previous crop year, reflecting the dry weather observed since the start of the crop year, which benefitted the cane harvest.

Average TRS ended the quarter at 134.7 kg/ton, 5.2% higher than in the same period of the previous crop year, of which 36.5% was allocated to sugar production and 63.5% to ethanol production.

Sugar

According to data from UNICA, since the start of the crop year, Brazil's Center-South produced around 14.8 million tons of sugar, 16.3% less than in the prior-year period. The lower production is mainly due to the shift in the production mix to a higher share of ethanol, given the decline in the international sugar price in recent months, which is explained by the surplus in world sugar production, as shown in the chart on the right.



Despite the increase observed in recent months in global sugar production, we believe that global production cannot be sustained at these levels, given current price quotes, which are significantly below production costs in all producing regions.

Given the above, combined with the weather factors being observed, such as (i) the intense heat in Europe and (ii) the persistent drought in Brazil's Center-South, which should anticipate the end of the crop year and considerably lengthen the inter-crop period, we understand that there is support for sugar prices, close to the current level.

In view of this scenario and as detailed in the "Hedge" section of this release, we have prices hedged for approximately 110,000 tons of sugar for 2019/20 crop year, which represents approximately 16% of own cane.

Ethanol

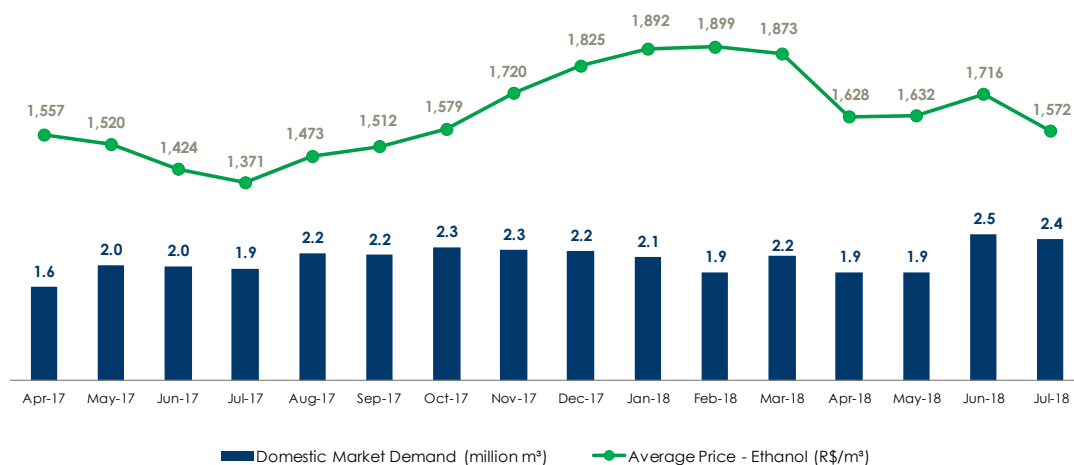
According to data from UNICA, until August 1, 2018, ethanol production in Brazil's Center-South region increased 38.3% from the same period last crop year, with the production mix heavily tilted towards hydrous ethanol production (+69.2%).

Starting July/2018, ethanol prices have been dropping weekly at ESALQ, despite the stability of the gasoline price at the pump. We believe that this drop reflects the strong volume of ethanol production given the speed of the harvesting so far vis-à-vis the tankage capacity of the product in the mills.

São Martinho has tankage capacity for 70% of ethanol production and should adopt the same sales strategy in recent years - accelerate the sale of the product after September.

Based on ANP data, the market share of hydrous ethanol consumption increased from 26% to 36% in January to May 2018 compared to the same period last crop year when we take into account as well the consumption of C gasoline in key consumer states, such as São Paulo, Minas Gerais and Goiás. The significant increase in hydrous ethanol consumption reflects the parity with C gasoline at the pump, which currently stands around 60%.

The following chart shows monthly ethanol consumption and the average prices practiced, based on data from ESALQ.



FINANCIAL PERFORMANCE

NET REVENUE BREAKDOWN	1Q19	1Q18	Chg. (%)
R\$ '000			
Domestic Market	479,211	342,452	39.9%
Sugar	34,823	42,118	-17.3%
Ethanol	353,768	220,718	60.3%
Energy	75,707	66,212	14.3%
Real Estate Development	1,312	1,106	18.6%
Others	13,601	12,298	10.6%
Export Market	291,955	525,404	-44.4%
Sugar	272,644	510,535	-46.6%
Ethanol	19,311	11,998	61.0%
Others	-	2,871	n.m
Net Revenue¹	771,166	867,856	-11.1%
Sugar	307,467	552,653	-44.4%
Ethanol	373,079	232,716	60.3%
Energy	75,707	66,212	14.3%
Real Estate Development	1,312	1,106	18.6%
Others	13,601	15,169	-10.3%

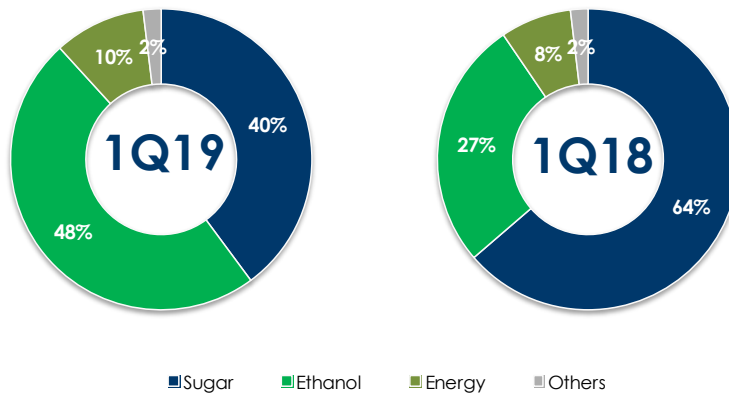
1 - Excludes the effects from Hedge Accounting of foreign-denominated debt and PPA.

Net Revenue

In the first quarter of the 2018/19 crop year, the Company's net revenue amounted to R\$771.2 million, decreasing 11.1% from the same period last crop year. This is mainly due to the lower average sugar price and lower sugar sales volume (see more details below in the explanations by product).

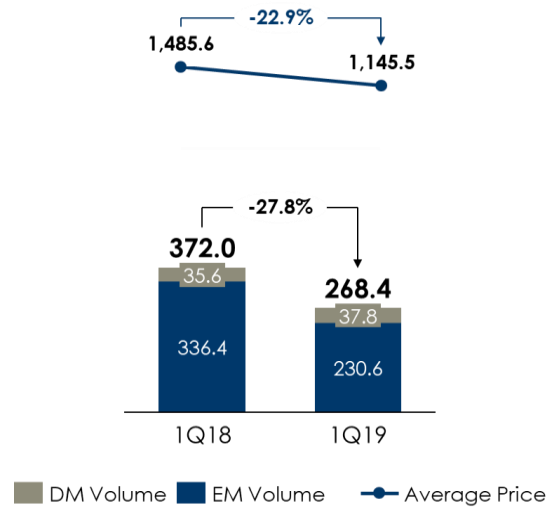
The following charts present a breakdown of the Company's net revenue by product:

Net Revenue Breakdown



Sugar

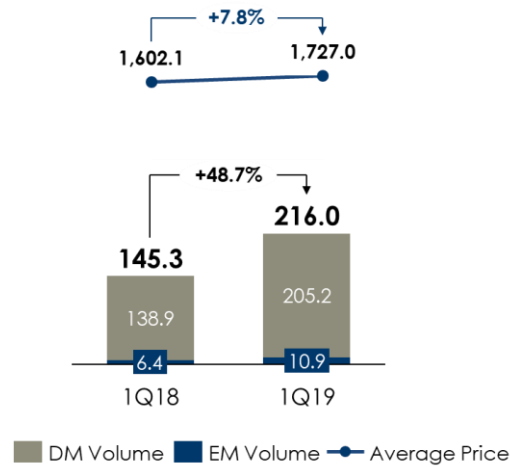
Volume ('000 tons) and Average Price (R\$/ton)



Net revenue from sugar sales amounted to R\$307.5 million in 1Q19, down 44.4% on the same period of the previous crop year. This revenue decline mainly reflects the 22.9% decrease in the average sugar sales price in the quarter, due to sharp drop in the commodity's price, and the 27.8% reduction in sugar sales volume, in line with the strategy to allocate a higher share of the production mix to ethanol this crop year.

Ethanol

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



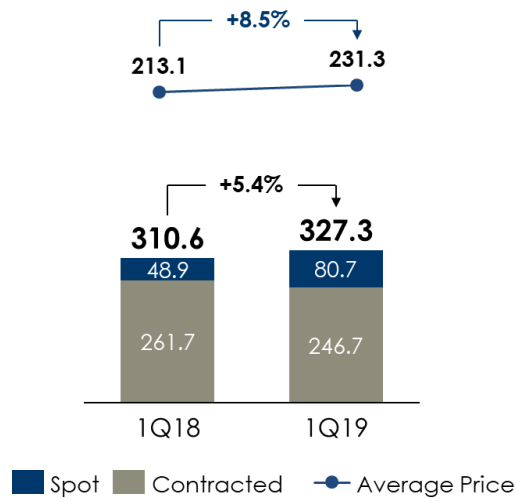
Net revenue from ethanol sales amounted to R\$373.1 million in 1Q19, up 60.3% from 1Q18, mainly due to the higher ethanol sales volume in the period (+48.7%) and the 7.8% increase in the average ethanol sales price compared to 1Q18. A comparison of the average price in 1Q19 in relation to the average ESALQ price for the period shows that the price practiced by São Martinho was approximately 4.1% higher.

The Company maintains its strategy of carrying over ethanol inventories for sale after the end of the Center-South crop year, when the product's prices typically remunerate production more adequately.

As detailed below (see the “Inventories” section), until the end of the crop year we have approximately 980,000 m³ of ethanol to sell, which corresponds to 87% of total annual production.

Cogeneration

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



Net revenue from cogeneration sales in 1Q19 amounted to R\$75.7 million, increasing 14.3% from the same period of the previous crop year. The improvement reflects the higher volume of energy sold in the period (+5.4%) and the higher average sales price (+8.5%) in the period, which mainly reflects the higher spot prices.

Real Estate Development

The following table presents an overview of these projects and their percentage of completion (POC) and sales since their launch as of June 2018.

Real Estate Development	Type	Town	Area (m ²)	Launched date	Total lots Sold	POC Position
Recanto das Paineiras	Residence	Iracemápolis	376,567	June-14	99.5%	100.0%
Park Empresarial	Industrial	Iracemápolis	182,684	September-14	76.1%	100.0%
Park Empresarial - II	Industrial	Iracemápolis	133,794	October-17	23.6%	71.9%
Nova Pradópolis - Fase I	Residence	Pradópolis	246,937	December-15	97.1%	100.0%
Nova Pradópolis - Fase II	Residence	Pradópolis	255,750	July-17	47.1%	100.0%

In 1Q19, the Company recognized net revenue of R\$1.3 million and cash generation of R\$2.8 million.

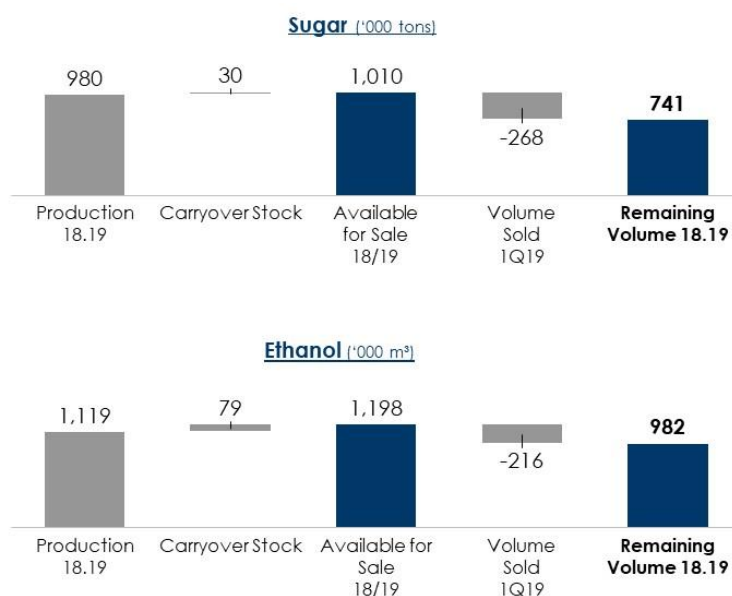
Real Estate Development	Net Revenue 1Q19	Cash Generation 1Q19	Portfolio June/18
Current Projects	1,312	2,785	31,539
Land Monetization	0	0	3,096
Total	1,312	2,785	34,635

INVENTORIES

The following table presents inventories figures at the end of 1Q19:

INVENTORIES	1Q19	1Q18	Chg. (%)
Sugar (tons)	167,802	142,337	17.9%
Ethanol (m ³)	347,854	213,798	62.7%

For a better understanding of the forecast for sugar and ethanol sales through the end of the 2018/19 crop year, details on remaining volume follow.



EBITDA AND EBITDA COST BY PRODUCT

EBITDA BY PRODUCT - 1Q19	SUGAR	ETHANOL	COGEN	REAL ESTATE	OTHERS	TOTAL
R\$ '000						
Net Revenues ¹	307,467	373,079	75,707	1,312	13,601	771,166
COGS (Cash)	(130,145)	(165,177)	(8,742)	(46)	(5,117)	(309,227)
Gross Profit (Cash)	177,322	207,902	66,965	1,266	8,484	461,939
Gross Margin (Cash)	57.7%	55.7%	88.5%	96.5%	62.4%	59.9%
Sales Expenses	(18,778)	(2,016)	(2,890)	-	(146)	(23,830)
G&A Expenses (Cash)	(15,499)	(20,360)	(5,112)	-	-	(40,971)
Other Revenues (Expenses)	-	-	-	-	4,252	4,252
Adjusted EBITDA	143,046	185,526	58,963	1,266	12,590	401,390
Adjusted EBITDA Margin	46.5%	49.7%	77.9%	96.5%	92.6%	52.0%
EBITDA Cost ²	(612.6)	(868.2)	(51.2)			

¹ - Excludes Hedge Accounting effects of foreign-denominated debt and PPA USC (R\$ - 3.9 million).

² - Sugar in R\$/Ton

Ethanol in R\$/m³

Cogeneration in R\$/MWh

EBITDA BY PRODUCT - 1Q18	SUGAR	ETHANOL	COGEN	REAL ESTATE	OTHERS	TOTAL
R\$ '000						
Net Revenues ¹	552,653	232,716	66,212	1,106	15,169	867,856
COGS (Cash)	(186,545)	(120,190)	(8,058)	(163)	(7,569)	(322,524)
Gross Profit (Cash)	366,108	112,526	58,154	943	7,600	545,332
Gross Margin (Cash)	66.2%	48.4%	87.8%	85.2%	50.1%	62.8%
Sales Expenses	(24,760)	(1,502)	(2,372)	-	(380)	(29,014)
G&A Expenses (Cash)	(22,274)	(14,351)	(5,031)	(704)	-	(42,360)
Other Revenues (Expenses)	-	-	-	-	1,383	1,383
Adjusted EBITDA	319,075	96,673	50,751	239	8,603	475,340
Adjusted EBITDA Margin	57.7%	41.5%	76.6%	21.6%	56.7%	54.8%
EBITDA Cost ²	(627.9)	(936.6)	(49.8)			

¹ - Excludes Hedge Accounting effects of foreign-denominated debt and PPA USC (R\$ - 3.9 million).

² - Sugar in R\$/Ton

Ethanol in R\$/m³

Cogeneration in R\$/MWh

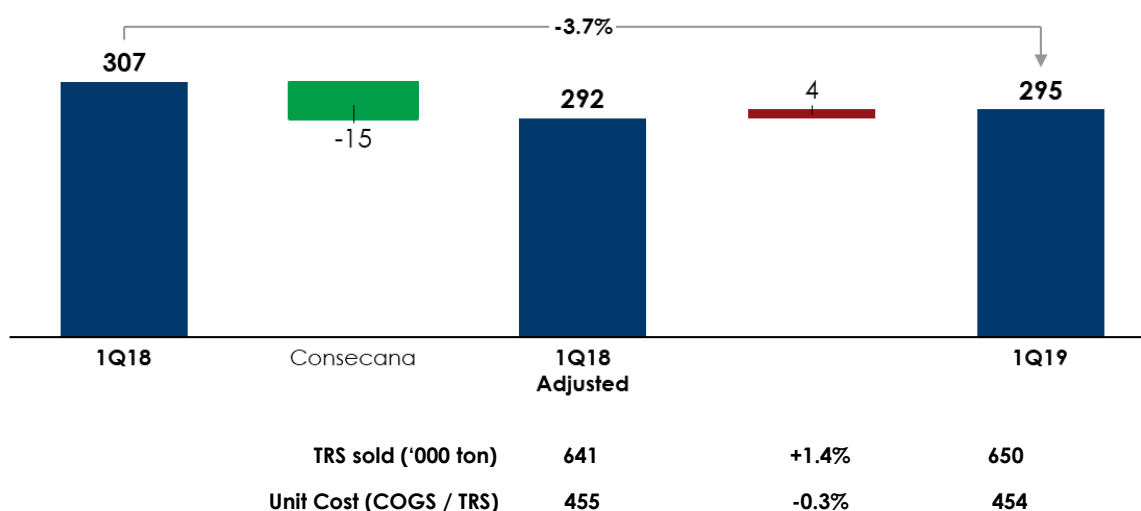
In 1Q19, sugar accounted for 35.6% of the Company's Adjusted EBITDA, while ethanol accounted for 46.1% and cogeneration for 14.7%. Sugar EBITDA margin contracted 11.2 p.p. compared to the same period last crop year, mainly due to the lower average sales price. Ethanol EBITDA margin expanded 8.2 p.p., supported mainly by the higher average sales price.

CASH COGS

CASH COGS	1Q19	1Q18	Chg. (%)
R\$ '000			
Agricultural Costs	256,438	277,909	-7.7%
Suppliers	134,076	148,126	-9.5%
Partnerships	61,497	64,364	-4.5%
Own Cane	60,865	65,419	-7.0%
Industrial	41,516	37,338	11.2%
Other Products	14,336	15,915	-9.9%
Reintegra	(3,064)	(8,638)	-64.5%
Total COGS	309,226	322,524	-4.1%
TRS Sold (000 Tons)	650	641	1.4%
Unit Cost (Sugar and Ethanol Cash COGS / TRS Sold)	454	478	-5.2%

In 1Q19, Cash COGS came to R\$309.2 million, down 4.1% from the same period of the previous crop year, mainly due to: (i) the lower Consecana price in the period (-5.2%) and (ii) the higher dilution of fixed costs, as detailed below.

The following chart shows the change in cost considering only sugar and ethanol in 1Q19 compared to 1Q18, excluding the effects from the Consecana price in the period.



The following table presents details on the variation in average unit cash COGS for both sugar and ethanol, which decreased from the same period last crop year, by 3.3% and 7.6%, respectively.

AVERAGE CASH COST PER UNIT	1Q19	1Q18	Chg. (%)
R\$ '000			
COGS (Cash)	295,322	306,734	-3.7%
Sugar	130,145	186,545	-30.2%
Ethanol	165,177	120,190	37.4%
Average Cash Cost Per Unit¹			
Sugar Cash Cost	484.9	501.5	-3.3%
Ethanol Cash Cost	764.6	827.4	-7.6%

¹ - Sugar in R\$/Ton

Ethanol in R\$/m³

For a better understanding of average production cost in 1Q19, the following table presents a breakdown of cost taking into account (i) maintenance capex, (ii) selling expenses, and (iii) administrative expenses.

1Q19	Sugar	Ethanol	Energy	Others	Total
R\$ '000.000					
Cost of Goods Sold	205	275	12	8	500
Selling Expenses	19	2	3	0	24
General and Administrative Expenses	20	25	-	-	44
(-) Depreciation/Amortization	(79)	(114)	(4)	(3)	(199)
Chgs. in Fair Value of Biological Assets	2	3	-	-	5
Cash Costs and Expenses	167	191	12	5	375
(+) Maintenance CAPEX	63	101			164
Total	230	292	12	5	539
Average Price (in R\$/unit¹.)	1,145	1,727	231		
Average Cost (in R\$/unit¹.)	858	1,351	36		
Operating Margin (%)	25%	22%	85%		
Sold Volumes ('000 unit¹)	268	216	327		

1 - Unit: Sugar: tons, Ethanol: m³, Energy: MWh

SELLING EXPENSES

	1Q19	1Q18	Chg. (%)
R\$ '000			
Port Costs / Freight	19,251	25,638	-24.9%
Other - Non-recurring Costs	4,579	3,376	35.6%
Selling Expenses	23,830	29,014	-17.9%
TRS Sold ('000 Tons)	650	641	1.4%
% of Net Revenues	3.1%	3.3%	-0.3 p.p.

In 1Q19, selling expenses amounted to R\$23.8 million, down 17.9% from the same period last crop year, mainly due to the lower sugar sales volume in the period.

CASH GENERAL & ADMINISTRATIVE EXPENSES

	1Q19	1Q18	Chg. (%)
R\$ Thousand			
Personnel and Management Fee	27,289	28,388	-3.9%
Taxes, Fees, Contributions and Contingencies	3,000	2,812	6.7%
General Expenses and Third-Party Services	10,682	11,160	-4.3%
Total General and Administrative Expenses	40,971	42,360	-3.3%

EBITDA

EBITDA RECONCILIATION	1Q19	1Q18	Chg. (%)
R\$ '000			
Adjusted EBITDA	401,390	475,340	-15.6%
Adjusted EBITDA Margin	52.0%	54.8%	-2.7 p.p.
Adjustment to Maturity of Hedge Accounting / PPA USC	10,305	55,509	-81.4%
Equity Income	849	(94)	n.m.
Non-recurring Operating Revenues (Expenses)	-	1,742	n.m.
Biological Assets	(5,431)	15,539	n.m.
Book EBITDA	395,667	402,644	-1.7%
EBITDA Margin	52.3%	49.6%	2.7 p.p.
(-) Depreciation and Amortization	(203,266)	(202,147)	0.6%
(-) Financial Expenses, net	(38,576)	(39,618)	-2.6%
(=) Operating Income	153,825	160,879	-4.4%

Adjusted EBITDA

Adjusted EBITDA amounted to R\$401.4 million in 1Q19 (Adjusted EBITDA margin of 52.0%), down 15.6% compared to 1Q18, mainly due to: (i) the lower sugar sales volume and lower average sugar sales price, which were partially offset by (ii) the higher ethanol and cogeneration sales volume, with higher average prices in relation to 1Q18 and (iii) the lower unit production cost for both sugar and ethanol.

Main Adjustments to EBITDA in 1Q19

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

- Debt maturity (Hedge Accounting): Expense related to exchange variation on debt settled in 1Q19 that was previously designated as Hedge Accounting at a USD/BRL exchange rate of R\$2.4. Considering that the exchange rate used for the purposes of cash flow in the period was R\$3.5/USD, we adjusted the amount of R\$10.3 million in net revenue and EBITDA to provide a better understanding of the Company's cash generation in the period.
- Price Purchase Allocation (PPA): Noncash expense of R\$3.7 million, reflecting the amortization of goodwill paid for the future profitability of the cogeneration volume of the Santa Cruz Mill in 1QT9.

2) Biological Assets

- Positive noncash effect of R\$5.4 million on accounting costs (COGS) in 1Q19 from the mark-to-market adjustment of biological assets.

Operating Cash Generation (Adjusted EBIT)

	1Q19	1Q18	Chg.%
R\$ '000			
Adjusted EBIT	198,124	273,193	-27.5%
Adjusted EBIT Margin	25.7%	31.5%	-5.8 p.p.
(-) Depreciation and Amortization	(203,266)	(202,147)	0.6%
Adjusted EBITDA	401,390	475,340	-15.6%
Adjusted EBITDA Margin	52.0%	54.8%	-2.7 p.p.
Adjustment to Maturity of Hedge / PPA USC	10,305	55,509	-81.4%
Equity Income	849	(94)	n.m.
Non-recurring Operating Revenues (Expenses)	-	1,742	n.m.
Biological Assets	(5,431)	15,539	n.m.
Book EBITDA	395,667	402,644	-1.7%
EBITDA Margin	52.3%	49.6%	2.7 p.p.

EBIT in 1Q19 came to R\$198.1 million (EBIT margin of 25.7%), down 27.5% from 1Q18. The reduction in Adjusted EBIT in the periods is due to the same factors that adversely affected EBITDA.

HEDGE

A summary of our sugar and U.S. dollar hedge positions as of June 30, 2018 follows.

Sugar

	Volume Hedged ('000 tons)	Avg. Price (US\$ c/p)	Avg. Price (R\$/Ton)
Sugar			
2018/2019 crop year	504,519	14.49	1,098.3
2019/2020 crop year	110,038	13.93	1,182.7

On June 30, 2018, sugar prices for the 2018/19 crop year were hedged for 504,500 tons at USD14.49 ¢/lb, **which represents the hedging of approximately 87% of own cane and 69% of total sugar, considering the remaining sugar volume to be sold until the end of the crop.**

Sugar prices for the 2019/20 crop year were hedged for 110,000 tons at USD13.93 ¢/lb, which represents the hedging of approximately 16% of own cane.

U.S. Dollar

On June 30, 2018, the Company held open positions through Non-Deliverable Forwards (NDFs) and derivative instruments, which are used to hedge its exports, for the 2018/19 and 2019/20 crop years, as follows:

	TOTAL		SUGAR		ETHANOL	
	US\$ '000	Average Price (R\$/US\$)	US\$ '000	Average Price (R\$/US\$)	US\$ '000	Average Price (R\$/US\$)
2018/2019 crop year	126,677	3.43	122,701	3.41	3,976	3.84
2018/2019 crop year	30,159	3.85	30,159	3.85	-	-

The volume of NDFs in U.S. dollar on said date represented approximately 71% of own cane or 53% of total cane hedged for the 2018/19 crop year. For the 2019/20 crop year, the volume of NDFs in U.S. dollar represented 14% of own cane.

Hedge Accounting

Effect on Shareholders' Equity

Starting 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 June 2018, we recorded a reduction in shareholders' equity of R\$148.0 million.

Effect on Income Statement

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

In 1Q19, a total of US\$9.6 million in debt was recognized at the exchange rate of R\$2.4/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\$3.5/US\$, we made an adjustment of R\$10.3 million in net revenue and EBITDA to provide a better understanding of the Company's operating cash generation in the period.

NET FINANCIAL RESULT

FINANCIAL RESULTS	1Q19	1Q18	Chg.%
R\$ '000			
Financial Revenues	27,139	44,817	-39.4%
Financial Expenses	(73,576)	(92,132)	-20.1%
Financial Result before Exchange Var. and Hedge	(46,437)	(47,315)	-1.9%
Hedge Result/Exchange Variation	12,857	10,861	18.4%
Copersucar	(4,996)	(3,164)	57.9%
Net Financial Result	(38,576)	(39,618)	-2.6%

The net financial result in 1Q19 was an expense of R\$38.6 million, which represents a 2.6% improvement compared to 1Q18. As mentioned in the previous quarter, the improvement in Company's financial result mainly reflects the lower interest rates in Brazil.

COPERSUCAR

Obligations

On June 30, 2018, São Martinho recognized the amount of R\$209.7 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\$209.7 million on a consolidated basis.

Rights

As disclosed by Copersucar in its financial statements of March 31, 2018, the Judiciary condemned the Union to indemnify the cooperative for damages caused to its members resulting from the fixing of lagged prices on sales of sugar and ethanol made in the 1980s. There was a request for payment in the order of R\$5.6 billion (R\$730.5 million in proportion to the Company). The payment of a supplementary balance in the order of R\$12.8 billion (R\$1.7 billion in proportion) is pleaded, and the Federal Government claimed an excess of R\$2.2 billion (R\$286.3 million in proportion to the Company), in a manifestation dated May 4, 2018.

The decision on the issuance of the pre-order related to the R\$10.6 billion (R\$1.4 billion proportional to the Company), considered complementary to the uncontroversial part, is still pending publication. The same is blocked and subject to the lodging of appeals by the Union and will follow the rite of judicial installments ("precatórios").

At the date of preparation of this interim financial information, Management maintains the classification of this credit as probable, but not under its control, which is why the credit right remains unrecorded and is being disclosed.

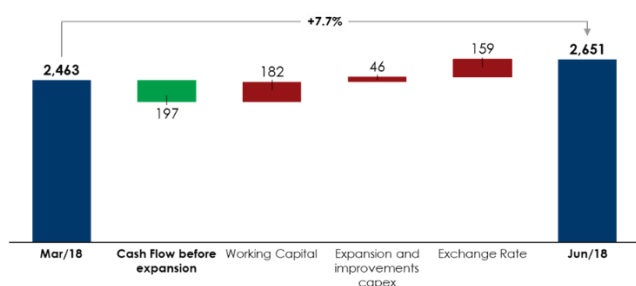
INDEBTEDNESS

	Jun/18	Mar/18	Chg.%
R\$ '000			
PESA	23,974	29,225	-18.0%
Rural Credit	760,449	509,214	49.3%
BNDES / FINAME	551,262	582,203	-5.3%
Working Capital	293,177	397,336	-26.2%
International Finance Corporation (IFC)	348,493	303,797	14.7%
PPE (Export prepayment)	871,352	734,471	18.6%
NCE (Export Credit Note)	2,349	8,101	-71.0%
Agribusiness Certificate of Receivables (CRA)	1,365,774	1,360,550	0.4%
Obligations from Acquisitions - LOP	50,253	50,256	0.0%
Gross Debt	4,267,083	3,975,153	7.3%
Cash and Cash Equivalents	1,615,625	1,512,385	6.8%
Net Debt	2,651,458	2,462,768	7.7%
Net Debt / LTM EBITDA - R\$	1,41 x	1,26 x	12.0%
Net Debt / LTM EBITDA - USD¹	1,22 x	1,22 x	-0.5%
Adjusted EBITDA LTM	1,875,161	1,949,994	-3.8%

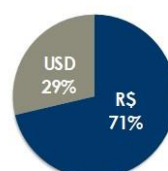
¹ – Net Debt PTAX:
March/18: R\$3.32
June/18: R\$3.86

Average Daily EBITDA PTAX (LTM):
March/18: R\$3.22
June/18: R\$3.32

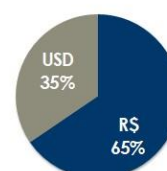
On June 2018, the Company increased its net debt in 7.7%, totaling R\$2.7 billion. The following chart presents the main items impacting debt.



CURRENCY-GROSS

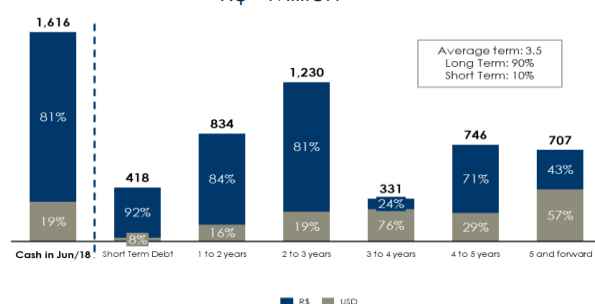


CURRENCY-NET



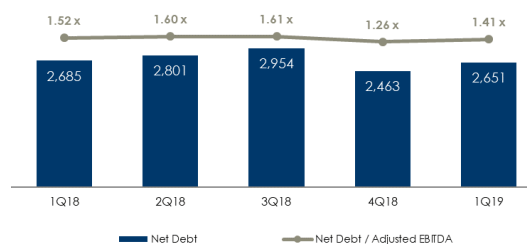
Debt Amortization Schedule

R\$ - Million



Net Debt / EBITDA LTM

Changes



CAPEX

(Maintenance)	1Q19	1Q18	Chg.%
R\$ '000			
Sugarcane Planting - Rehabilitation	56,779	46,502	22.1%
Inter-crop Period Maintenance (Industrial/Agricultural)	1,538	3,016	-49.0%
Crop Treatment	106,142	103,392	2.7%
Total	164,459	152,911	7.6%
(Operational Improvements)	1Q19	1Q18	Chg.%
R\$ '000			
Equipment/Replacements	14,505	30,585	-52.6%
Total	14,505	30,585	-52.6%
(Upgrading/Expansion)	1Q19	1Q18	Chg.%
R\$ '000			
Cane Plantation - Expansion	3,563	2,363	50.8%
Projects (Industrial/Agricultural)	23,457	10,202	129.9%
Total	27,020	12,566	115.0%
Grand Total	205,984	196,061	5.1%

The Company's maintenance CAPEX amounted to R\$164.5 million in 1Q19, increasing 7.6% from the previous crop year, basically due to the higher investments in planting.

Operational improvement CAPEX (investments in replacing agricultural and industrial equipment to boost yields) amounted to R\$14.5 million in 1Q19, down 52.6% compared to the same period last crop year. This reduction reflects the one-off investments made in 1Q18 to renew part of the agricultural fleet at the Boa Vista and São Martinho units, which already were provided for in the Company's investment plan due to the growth in crushing volume in recent years.

Expansion CAPEX amounted to R\$27.0 million in 1Q19, or 115.0% higher than in the year-ago period. This increase is mainly explained by the projects started in the previous crop year: the digital transformation in agricultural operations (COA) and the use of pre-sprouted seedlings and intercropping technologies.

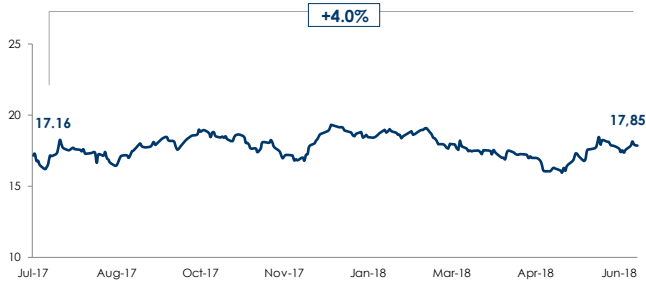
CASH NET INCOME

São Martinho's cash net income in 1Q19 amounted to R\$157.8 million, decreasing 31.4% from 1Q18. The reduction is mainly explained by the lower adjusted EBITDA in the period.

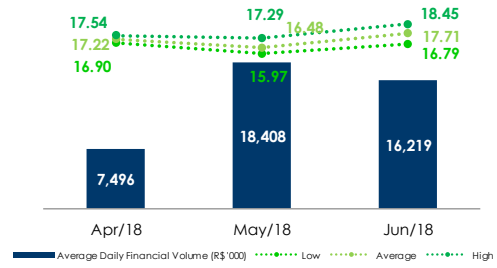
Cash Income	1Q19	1Q18	Chg. (%)
Net Income	103,959	116,873	-11.0%
Income Tax	49,866	44,006	13.3%
Income Tax paid	(872)	(1,731)	-49.6%
Biological Asset	(5,431)	15,539	n.m.
Maturity of Hedge / PPA	10,305	55,509	-81.4%
Cash Income	157,827	230,196	-31.4%
Total Ex-treasury Shares ('000)	350,803	358,580	-2.2%
Cash Income per Share	0.45	0.64	-29.9%

CAPITAL MARKETS

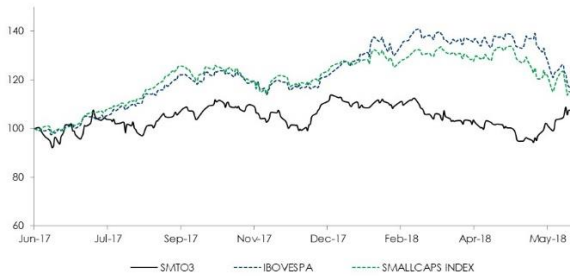
SMT03 Performance – 12 months



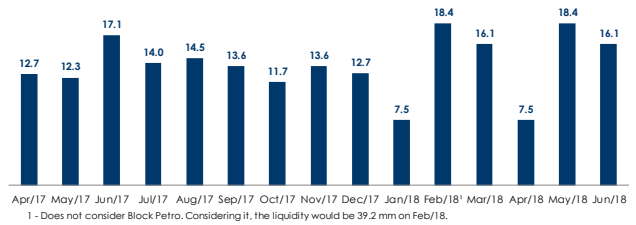
Price and Volume



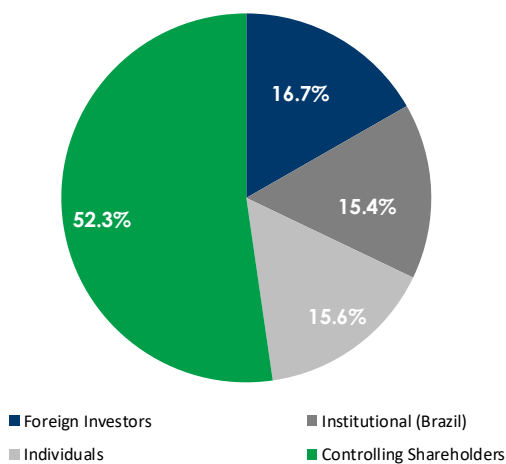
Performance SMT03 vs. Stock Indexes Base 100



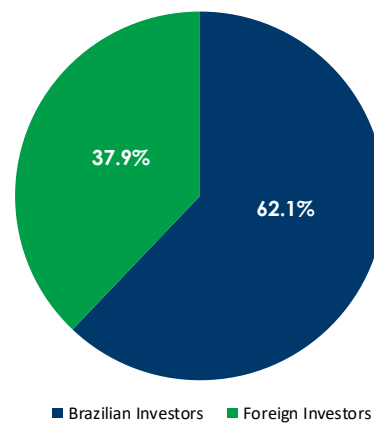
Average Daily Trading Volume R\$ million



Ownership Structure Base: June 30, 2018



Free-Float Composition



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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	1Q19	1Q18	Chg. (%)
R\$ '000			
Gross Revenue	831,972	932,439	-10.8%
Deductions from Gross Revenue	(74,788)	(120,173)	-37.8%
Net Revenue	757,184	812,266	-6.8%
Cost of Goods Sold (COGS)	(500,153)	(536,880)	-6.9%
Gross Profit	257,031	275,386	-6.7%
Gross Margin (%)	33.9%	33.9%	0.0 p.p
Operating Expenses	(64,630)	(75,188)	-14.0%
Selling Expenses	(23,830)	(29,014)	-17.9%
General and Administrative Expenses	(44,202)	(44,966)	-1.7%
Equity Income	(849)	(1,892)	-55.1%
Other Operating Expenses, Net	4,251	684	521.5%
Operating Profit, Before Financial Effects	192,401	200,198	-3.9%
Financial Result, Net	(38,576)	(39,287)	-1.8%
Financial Revenues	27,139	44,794	-39.4%
Financial Expenses	(78,571)	(94,940)	-17.2%
Monetary and Exchange Variations - Net	28,752	2,519	1041.4%
Derivatives Results	(15,896)	8,340	n.m.
Income (Loss) Before Income and Social Contribution Taxes	153,825	160,911	-4.4%
Income Tax and Social Contribution - Current	13,299	(20,905)	n.m.
Income Tax and Social Contribution - Deferred	(63,165)	(23,133)	173.4%
Net Income	103,959	116,873	-11.0%
Net Margin (%)	13.7%	14.4%	-0.7 p.p

BALANCE SHEET (ASSETS)

SÃO MARTINHO S.A. CONSOLIDATED - ASSETS			
R\$ '000			
ASSETS		jun/18	mar/18
SHORT-TERM ASSETS			
Cash and Cash Equivalents		313,808	140,865
Marketable Securities		1,255,489	1,320,851
Trade Receivables		215,030	177,893
Derivative Financial Instruments		63,959	69,173
Inventories		727,079	334,654
Biological Assets		572,720	581,725
Taxes Recoverable		23,761	36,093
Income Tax and Social Contribution		21,483	9,687
Other Assets		19,204	16,917
TOTAL SHORT-TERM ASSETS		3,212,533	2,687,858
LONG-TERM ASSETS			
Long-term Receivables			
Marketable Securities		46,328	50,669
Inventories		125,291	111,135
Related Parties		2,500	5,834
Derivative Financial Instruments		2,571	3,617
Trade Receivables		25,507	24,869
Receivables from Copersucar		9,355	9,355
Taxes Recoverable		123,926	122,200
Income Tax and Social Contribution		115,805	117,442
Judicial Deposits		27,390	28,673
Other Assets		439	439
		479,112	474,233
Investments		32,007	32,552
Property, plant and equipment		5,319,715	5,449,912
Intangible Assets		463,247	470,157
TOTAL LONG-TERM ASSETS		6,294,081	6,426,854
TOTAL ASSETS		9,506,614	9,114,712

BALANCE SHEET (LIABILITIES)

SÃO MARTINHO S.A. CONSOLIDATED- LIABILITIES			
R\$ '000			
LIABILITIES AND SHAREHOLDERS' EQUITY		jun/18	mar/18
SHORT-TERM LIABILITIES			
Borrowings		406,281	686,630
Derivative Financial Instruments		63,307	8,862
Trade Payables		234,734	154,146
Payables to Copersucar		8,583	8,583
Salaries and Social Contributions		191,821	137,155
Taxes Payable		25,698	16,877
Income Tax and Social Contribution		5,637	4,167
Dividends Payable		148,341	148,341
Advances from Customers		2,116	16,406
Aquisition of Investment		11,743	11,746
Other Liabilities		9,484	28,287
TOTAL SHORT-TERM LIABILITIES		1,107,745	1,221,200
LONG-TERM LIABILITIES			
Borrowings		3,810,549	3,238,267
Derivative Financial Instruments		8,665	930
Payables to Copersucar		201,166	201,787
Taxes Payable in Installments		2,558	2,656
Deferred Income Tax and Social Contribution		992,925	1,007,923
Provision for Contingencies		99,788	99,122
Aquisition of Investment		38,510	38,510
Other Liabilities		11,181	14,542
TOTAL LONG-TERM LIABILITIES		5,165,342	4,603,737
SHAREHOLDERS' EQUITY			
Share Capital		1,549,302	1,549,302
Capital Reserves		9,418	9,418
Treasury Shares		(234,100)	(234,100)
Stock options granted		-	11,578
Adjustments to Book Value		969,261	1,120,319
Profit Reserves		850,894	833,258
Retained Earnings		88,752	-
TOTAL SHAREHOLDERS' EQUITY		3,233,527	3,289,775
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		9,506,614	9,114,712

CONSOLIDATED CASH FLOW

SÃO MARTINHO S.A.	1Q19	1Q18
R\$ '000		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income in the period	103,959	116,873
Adjustments		
Depreciation and amortization	70,894	80,341
Harvested biological assets (depreciation)	128,695	121,714
Variation in fair value of biological assets	(5,431)	15,539
Amortization of intangible assets	-	219
Amortization of energy contracts	3,677	3,290
Equity Income	849	1,892
Gain (loss) on investment and PPE disposed of	1,908	141
Interest, monetary and foreign exchange variations, net	41,182	47,407
Derivatives Financial Instruments	(1,547)	(45,464)
Constitution of provision for contingencies, net	2,149	2,992
Deferred income tax and social contribution	49,866	44,038
Adjustments to present value and others	5,925	1,373
Income (loss) from ownership diverstment		
	402,126	390,355
Changes in asset and liabilities		
Trade receivables	(30,726)	(130,671)
Inventories	(255,446)	(215,604)
Taxes recoverable	2,603	(2,972)
Derivatives Financial Instruments	12,981	71,244
Other assets	(473)	(6,699)
Trade payables	86,735	88,079
Salaries and social charges	36,814	39,329
Taxes payable	24,464	(19,531)
Obligations with Copersucar	(3,302)	(3,163)
Taxes payable in installments	(105)	(606)
Provision for contingencies - settlements	(4,171)	(8,256)
Other liabilities	(33,094)	1,557
	238,406	203,062
Cash provided by operations		
Interest paid	(61,051)	(76,224)
Income tax and social contribution paid	(872)	(1,731)
Net cash provided by operating activities	176,483	125,107
CASH FLOW FROM FINANCING ACTIVITIES		
Financial resources used in investments	(781)	(2,361)
Additions to property and intangible assets	(45,409)	(44,244)
Additions to biological assets (planting and crop treatment)	(166,484)	(152,257)
Marketable Securities	88,020	(195,944)
Proceeds from sale of property, plant and equipment	1,569	1,058
Dividends received	(333)	(1,000)
Net cash used in investing activities	(123,418)	(394,748)
CASH FLOW FROM FINANCING ACTIVITIES		
New borrowing - third parties	981,355	825,461
Repayment of borrowing - third parties	(861,477)	(618,488)
Advance for future capital increase	-	-
Net cash provided by financing activities	119,878	206,973
Increase (decrease) in cash and cash equivalents	172,943	(62,668)
Cash and cash equivalents at the beginning of the period	140,865	142,454
Cash and cash equivalents at the end of the period	313,808	79,786