



 **São Martinho**



**3Q08 Results
2007- 08 Harvest**



3Q08 – 2007-08 Harvest

SÃO MARTINHO ANNOUNCES THIRD QUARTER 2008 RESULTS

Net Revenue Reached R\$ 480.9 million and Adjusted EBITDA of R\$ 70.8 million in the 9M08

São Paulo, February 14, 2008 – SÃO MARTINHO S.A. (Bovespa: SMT03; Reuters SMT03.SA and Bloomberg: SMT03 BZ), one of the largest sugar and ethanol producers in Brazil, announces today its results for the third quarter of 2008 (3Q08) in the 2007-08 harvest. The results are presented on a consolidated basis, in accordance with Brazilian Corporate Law, including the partial consolidation of 41.67% of Usina Santa Luiza and Agropecuária Aquidaban. The year-to-date results (i.e. for the nine months ended December 31, 2007) are presented on a combined basis, since on December 31, 2006, São Martinho S.A. consolidated the results of Usina São Martinho S.A. as of May 1, 2006 (total of 8 months). More details on this comparison can be found in the explanatory notes to São Martinho's Financial Statements for the period ended December 31, 2007.

3Q08 Highlights

- On December 10, 2007, the São Martinho Group announced the transfer of the industrial operations of Usina Santa Luiza to its partners. As a result, starting in the 2008-09 harvest, crushing volume at Usina São Martinho will increase by approximately 750,000 tonnes of sugarcane that before was supplied to Usina Santa Luiza. The change is expected to result in annual cost reductions of approximately R\$ 15 million starting in fiscal year 2009.
- In 3Q08, São Martinho recorded gains of R\$ 9.2 million in the "Other Operating Revenue" line, generated by gains from tax proceedings and the sale of fixed assets, both at Copersucar.
- Net revenue in the quarter was R\$ 127.3 million, down 32.2% in relation to the 3Q07, mainly due to the lower sugar and ethanol prices and decline in export volumes.
- Adjusted EBITDA was R\$ 20.2 million in the quarter, down 54.9% against the 3Q07, owing mainly to weak sugar and ethanol prices in the period.
- Expected investments in Usina Boa Vista increased from R\$ 550 million to R\$ 700 million. The investment is to expand crushing capacity to 3.4 million tonnes by the 2010-11 harvest. The amount corresponds to 100% of the investments to acquire industrial and agricultural equipment and plant sugarcane. This increase in disbursements of 27% is due to the combination of price increases by industrial and agricultural equipment manufacturers and unanticipated expenses. These expenses are concentrated in installations and infrastructure (construction of transmission lines, road paving, etc.), with the aim of expanding the plant beyond capacity of 3.4 million tonnes over the coming years.
- The São Martinho Group crushed a total of 10.2 million tonnes of sugarcane in the 2007-08 harvest, an increase of 10.2% compared to the previous crop, mainly due to the acquisition of Usina Santa Luiza. Production totaled 306,000 m³ of anhydrous ethanol, 214,000 m³ of hydrous ethanol, and 527,000 tonnes of sugar. The production mix in the harvest was 62% ethanol and 38% sugar, in line with the Company's strategy of prioritizing ethanol production, given the strong growth in domestic demand for this product.

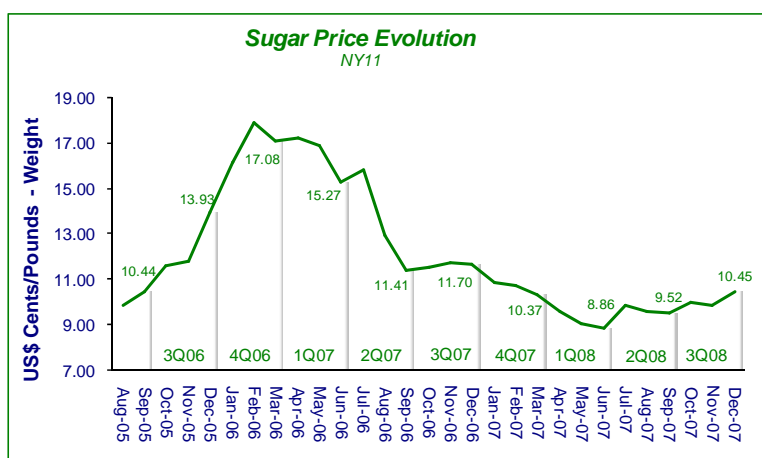


Industry Overview

Sugar

Average Sugar Prices	3Q08	2Q08	3Q07	Chg. 3Q08 x 3Q07	Chg. 3Q08 x 2Q08	9M08	9M07	Chg. 9M08 x 9M07
US\$/R\$ Exchange rate	1.79	1.92	2.15	-17.0%	-6.8%	1.89	2.17	-12.7%
NY11 US\$ cents/pound	10.11	9.68	11.65	-13.2%	4.5%	9.66	13.84	-30.2%
NY11 R\$ / 50-kilogram sack	19.90	20.44	27.63	-28.0%	-2.6%	20.17	33.10	-39.1%
London 5 US\$/ton	286.00	290.89	384.38	-25.6%	-1.7%	301.56	425.41	-29.1%
London 5 R\$/50-kilogram sack	25.53	27.87	41.36	-38.3%	-8.4%	28.57	46.15	-38.1%
Sugar ESALQ Net R\$/50-kilogram sack	19.74	20.85	30.87	-36.0%	-5.3%	21.66	36.46	-40.6%

The NY11 sugar contract began to recover in the 3Q08, and since then has been rising. On January 31, 2008, the contract for March 2008 reached USD 12.36 cents/pound, representing an increase of 22.2% compared to the average year to date price (nine months ended December 31, 2007). The main drivers of this recovery are: 1) the prospects of lower sugar production in India in the 2007-08 and 2008-09 crop; 2) the devaluation in the U.S. dollar in relation to the currencies of the main producing countries, Brazil and India, which increased production costs in these countries; 3) the expectation that higher sugarcane crushing volumes in Brazil will be allocated to ethanol production, which would keep sugar production stable at approximately 32 million tonnes over the coming years; 4) the strong increase in the volume of open positions in sugar contracts, betting on a recovery in prices on the expectation of lower supply going forward.



India produced 30.4 million tonnes of sugar in the 2006-07 harvest according to LMC International, up 45.8% in relation to the 2005-06 crop. The main driver of this sharp increase in output was the high sugar prices in the period (average price of USD 17.1 cents/pound in the first quarter of 2006), which encouraged expansion in planted area.

In the 2008-09 harvest, instead of replanting sugarcane, many Indian producers may opt to plant more profitable crops, given the strong hikes in the prices of some agricultural commodities in the past 24 months, such as wheat and corn, which experienced price increases of 170% and 124%, respectively.

Brazil allocated approximately 55% of its crushed sugarcane to ethanol production by the end of 2007, according to UNICA. As a result, the increase in sugarcane production in the 2007-08 harvest in relation to the previous harvest in Brazil's Center-South region was only 1.4%, despite the increase of approximately 14.5% in crushing volumes.

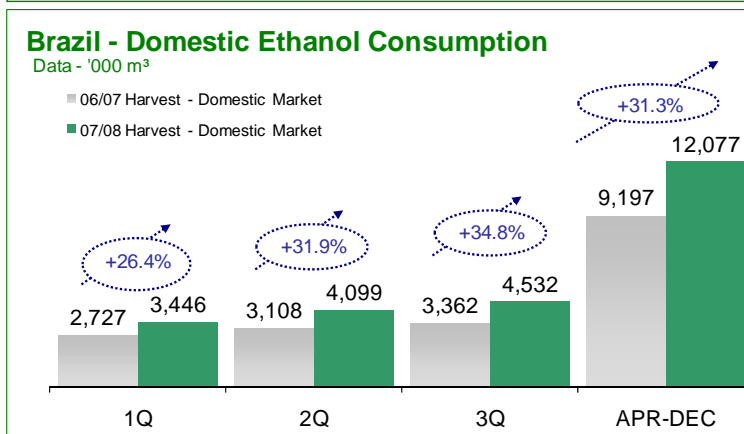
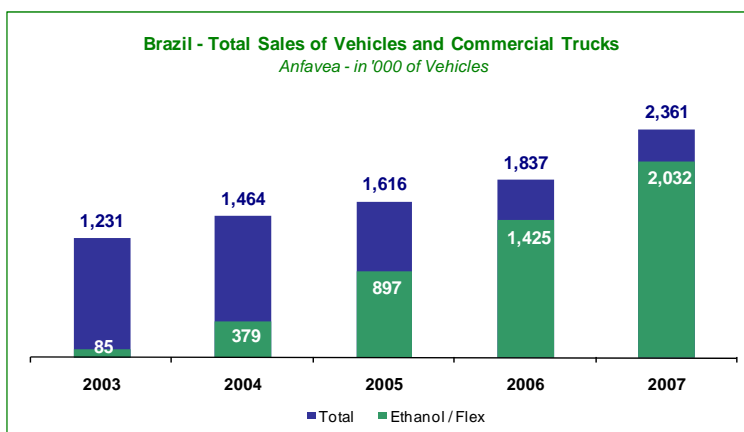


Ethanol

Average Ethanol Prices / Oil	3Q08	2Q08	3Q07	Chg. 3Q08 x 3Q07	Chg. 3Q08 x 2Q08	9M08	9M07	Chg. 9M08 x 9M07
Anhydrous ESALQ, Net DM R\$/ (m ³)	774.48	664.35	859.94	-9.9%	16.6%	771.94	949.78	-18.7%
Hydrous ESALQ, Net DM - R\$/ (m ³)	685.89	582.24	766.80	-10.6%	17.8%	669.33	835.45	-19.9%
Anhydrous ESALQ EM R\$/ (m ³)	658.83	689.37	1,029.72	-36.0%	-4.4%	715.80	1,029.94	-30.5%
Hydrous ESALQ EM - R\$/ (m ³)	642.88	663.61	912.99	-29.6%	-3.1%	698.30	890.72	-21.6%
Oil NY	90.50	75.15	60.16	50.4%	20.4%	76.96	67.16	14.6%

In the 3Q08, domestic anhydrous and hydrous ethanol prices rose by 16.6% and 17.8%, respectively, in relation to the previous quarter. The main factors of such price recovery were a combination of strong demand in the domestic market and the onset of the off-harvest period.

However, compared to the same quarter a year ago (3Q07), domestic anhydrous and hydrous ethanol prices fell by 9.9% and 10.6%, respectively, chiefly due to the expansion in ethanol supply of approximately 3.6 million m³ in the 2007-08 crop in the Center-South region. In addition, year to date through December 2007 we observed a reduction of 584,000 m³ in Brazilian ethanol exports versus the 2006-07 harvest, mainly due to the higher supply in the ethanol market in the United States, which in turn imported less ethanol, with a direct impact on Brazil's exports of the product.



The higher supply of ethanol is seeking to meet the growing demand in Brazil caused by the strong growth in the number of flex-fuel vehicles, which reached 4.8 million units in December 2007, an increase of 70% if compared to 2006.

In 2008, we expect the size of the flex-fuel fleet in Brazil to continue growing, given the higher income levels and continued credit growth in the country. In January this year, the automakers set an all-time high for production in the month, selling 205,000 vehicles, of which 87.5% were flex-fuel.



3Q08 – 2007-08 Harvest

Operating Performance

Operating Highlights

Operating Data(*)	9M08	9M07	Chg %
Crushed Sugarcane ('000 tonnes)	10,218	9,276	10.2%
Own	6,673	6,191	7.8%
Third Parties	3,545	3,085	14.9%
Mechanized Harvest (%)	75.0%	73.1%	1.9 p.p.
Production			
Sugar ('000 tonnes)	527	678	-22.2%
Anhydrous Ethanol ('000 m ³)	306	212	44.5%
Hydrous Ethanol ('000 m ³)	214	182	17.6%
RNA - Ribonucleic Acid ('000 Kg)	293	295	-0.8%

(*) Considers Santa Luiza and Aquidaban figures in the proportion of 41.67%.

Financial Performance

Operating Revenue

Net Revenues Breakdown						
R\$ Thousand	3Q08	3Q07	Chg.-% 3Q08 x 3Q07	9M08	9M07	Chg.-% 9M08 x 9M07
Domestic Market	95,432	90,729	5.2%	260,516	304,603	-14.5%
Sugar	22,663	31,175	-27.3%	61,904	106,746	-42.0%
Hydrous Ethanol	33,932	30,769	10.3%	82,503	92,817	-11.1%
Anhydrous Ethanol	34,112	25,289	34.9%	94,724	86,145	10.0%
Other	4,725	3,497	35.1%	21,384	18,895	13.2%
Export Market	31,854	96,872	-67.1%	220,404	338,169	-34.8%
Sugar	21,635	65,788	-67.1%	137,346	212,885	-35.5%
Hydrous Ethanol	1,953	7,388	-73.6%	19,409	24,471	-20.7%
Anhydrous Ethanol	6,419	17,894	-64.1%	56,160	88,724	-36.7%
RNA	1,847	5,802	-68.2%	7,488	12,089	-38.1%
Other	-	-	n.m.	-	-	n.m.
Net Revenue	127,286	187,601	-32.2%	480,920	642,772	-25.2%
Sugar	44,298	96,963	-54.3%	199,251	319,631	-37.7%
Hydrous Ethanol	35,885	38,156	-6.0%	101,913	117,288	-13.1%
Anhydrous Ethanol	40,530	43,183	-6.1%	150,884	174,869	-13.7%
RNA	1,847	5,802	-68.2%	7,488	12,089	-38.1%
Other	4,725	3,497	35.1%	21,384	18,895	13.2%

Accounting Criteria - Copersucar

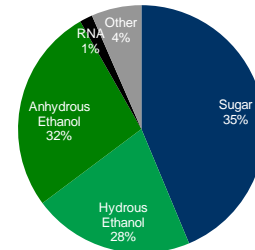
Revenue and expenses from product sales and Copersucar's operations are apportioned among the cooperative members according to the volume provided, irrespective of the volume actually withdrawn from their warehouses. Cooperative members are kept informed of Copersucar's revenues and expenses, including inventories to be booked under COGS, through specific reports that detail each type of event on a monthly basis.



Net Revenue

Net revenue fell 32.2% in the 3Q08 in relation to the 3Q07, and declined by 25.2% in the nine months ending on December 31, 2007 versus the same period a year earlier. The lower revenue was due to the sharp declines in sugar and ethanol prices in the periods, as described in the section "Industry Overview".

3Q08 Sales Breakdown



Sales Performance - Quarter

Products	3Q08	3Q08 (*)	3Q07	Chg.% 3Q08 x 3Q07	Chg.% 3Q08 (*) x 3Q07
Domestic Market					
Sugar (tonnes)	57,802	53,597	53,377	8.3%	0.4%
Hydrous Ethanol (m ³)	49,372	45,602	42,625	15.8%	7.0%
Anhydrous Ethanol (m ³)	44,211	40,361	30,425	45.3%	32.7%
Export Market					
Sugar (tonnes)	52,252	48,043	113,418	-53.9%	-57.6%
Hydrous Ethanol (m ³)	2,710	2,135	7,661	-64.6%	-72.1%
Anhydrous Ethanol (m ³)	7,941	7,264	15,820	-49.8%	-54.1%
RNA (Kg)	52,000	52,000	133,900	-61.2%	-61.2%
Consolidated					
Sugar (tonnes)	110,054	101,640	166,795	-34.0%	-39.1%
Hydrous Ethanol (m ³)	52,082	47,737	50,285	3.6%	-5.1%
Anhydrous Ethanol (m ³)	52,152	47,625	46,245	12.8%	3.0%
RNA (Kg)	52,000	52,000	133,900	-61.2%	-61.2%

Sales Performance - 9M

Products	9M08	9M08 (*)	9M07	Chg.% 9M08 x 9M07	Chg.% 9M08 (*) x 9M07
Domestic Market					
Sugar (tonnes)	146,762	136,637	156,734	-6.4%	-12.8%
Hydrous Ethanol (m ³)	129,989	124,374	117,182	10.9%	6.1%
Anhydrous Ethanol (m ³)	123,866	113,004	89,511	38.4%	26.2%
Export Market					
Sugar (tonnes)	299,841	279,155	329,436	-9.0%	-15.3%
Hydrous Ethanol (m ³)	25,225	24,135	24,900	1.3%	-3.1%
Anhydrous Ethanol (m ³)	69,515	63,420	82,926	-16.2%	-23.5%
RNA (Kg)	195,000	195,000	288,360	-32.4%	-32.4%
Consolidated					
Sugar (tonnes)	446,604	415,792	486,169	-8.1%	-14.5%
Hydrous Ethanol (m ³)	155,214	148,509	142,082	9.2%	4.5%
Anhydrous Ethanol (m ³)	193,382	176,424	172,436	12.1%	2.3%
RNA (Kg)	195,000	195,000	288,360	-32.4%	-32.4%

(*) Excludes figures from the partial consolidation of Santa Luiza and Aquidaban.



Average Prices						
	3Q08	3Q07	Chg.% 3Q08 x 3Q07	9M08	9M07(**)	Chg.% 9M08 x 9M07
Domestic Market						
Sugar (R\$/tonnes)	392.08	584.06	-32.9%	421.80	681.06	-38.1%
Hydrous Ethanol (R\$/m ³)	687.27	721.85	-4.8%	634.70	792.08	-19.9%
Anhydrous Ethanol (R\$/m ³)	771.56	831.16	-7.2%	764.73	962.40	-20.5%
Export Market						
Sugar (R\$/tonnes)	414.06	569.72	-27.3%	458.06	498.92	-8.2%
Hydrous Ethanol (R\$/m ³)	720.76	964.36	-25.3%	769.46	982.76	-21.7%
Anhydrous Ethanol (R\$/m ³)	808.32	1,131.13	-28.5%	807.88	1,069.92	-24.5%
RNA (R\$/Kg)	35.52	43.33	-18.0%	38.40	41.92	-8.4%
Consolidated						
Sugar (R\$/tonnes)	402.52	574.31	-29.9%	446.15	557.64	-20.0%
Hydrous Ethanol (m ³)	689.01	758.80	-9.2%	656.60	825.50	-20.5%
Anhydrous Ethanol (m ³)	777.16	933.78	-16.8%	780.24	1,014.11	-23.1%
RNA (R\$/Kg)	35.52	43.33	-18.0%	38.40	41.92	-8.4%

(**) Considers average prices net of taxes before the impact of the revenue (expenses) from the pricing of sugar on the international market, passed through by Copersucar.

Sugar

Net revenue from sugar sales contracted by 54.3% to R\$ 44.3 million in the 3Q08, from R\$ 97 million in the 3Q07.

In addition to the sharp declines in sugar prices in the comparison period of approximately 32.9% and 27.3% in the domestic and international markets, respectively, sugar export volumes also contracted by 53.9%.

The lower sugar exports in the quarter are reflected in 2007-08 due to the Company's strategy of directing a greater part of the production mix to ethanol at the expense of sugar.

Ethanol

Hydrous

Net revenue from hydrous ethanol totaled R\$ 35.9 million in the 3Q08, down 6.0% on the R\$ 38.1 million recorded in the 3Q07. The main driver of this lower revenue was the decline in the average price between the two periods of 4.8% and 25.3% in the domestic and international markets, respectively. A positive driver, however, was the 15.8% increase in domestic hydrous ethanol sales, underpinned by the robust growth in demand for the product in Brazil in 2007.

Hydrous ethanol revenue year to date (nine months ended December 31) fell by approximately 13.1%, driven by the 20.5% drop in average price, and partially mitigated by the growth in volumes of some 9.2%.



Anhydrous

Net revenue from anhydrous ethanol was R\$ 40.5 million in the quarter, down 6.1% in relation to the 3Q07. The main negative drivers were the declines in average price and exports between the periods of 28.5% and 49.8%, respectively. These declines were mainly due to the growth in ethanol production in the U.S. market in the 2007-08 crop, which led to lower prices in that market, making imports unviable.

Net revenue year-to-date from anhydrous ethanol fell by approximately 13.7%, driven by the 23.1% drop in average price and partially mitigated by the volume growth of roughly 12.1%. This growth in anhydrous ethanol sales is directly related to the company's strategy of prioritizing ethanol production in the 2007-08 harvest at the expense of sugar.

Ribonucleic Acid (RNA) Sodium Salt

Net revenue in the quarter from this product was R\$ 1.8 million, down 68.2% from the 3Q07. Year to date, revenue from RNA sales was R\$ 7.5 million, 38.1% lower than in the first nine months of fiscal year 2007. The main negative driver was the contraction in volumes of 61.2% when comparing 3Q08 and 3Q07. This drop is due to the change in the timetable for RNA shipments implemented in the first half of 2008.

Other Products and Services

Net revenue from the "Other Products and Services" line totaled R\$ 4.7 million in the quarter and R\$ 21.4 million year to date, representing year-on-year increases of 35.1% and 13.2%, respectively.

The main factor supporting this higher revenue was the sale of inputs to sugarcane suppliers. São Martinho eventually purchases higher quantities of inputs and resells them to suppliers, since it obtains better prices due to larger scale.

This policy seeks to lower our suppliers cost and increase the loyalty of sugarcane suppliers.

Inventories

Inventories *			
	3Q08	3Q07	Chg 3Q08 x 3Q07
Sugar (Tonnes)	164,083	267,623	-38.7%
Hydrous Ethanol (m ³)	58,760	39,806	47.6%
Anhydrous Ethanol (m ³)	135,180	66,317	103.8%

(*) Includes inventories of Santa Luiza e Aquidaban in the proportion of 41.67%

As the above item "Operational Performance" shows, the Group prioritized the production of ethanol in the 2007-08 crop, with 62% of total TRS (Total Recoverable Sugar) equivalent produced allocated to ethanol production, compared to 38% for sugar. We also opted to concentrate our ethanol sales in the period after December 2007. Thus, the strong variation in inventories shown in the above table is due to the combination of these factors.



Cost of Goods Sold

The table below provides a breakdown of COGS, excluding depreciation (cash cost):

Breakdown of Cost of Goods Sold (COGS) - Excluding Depreciation										
R\$ Thousand	3Q08	%	3Q07	%	Chg.%	9M08	%	9M07	%	Chg.%
Agricultural Costs	63,081	80%	91,011	84%	-30.7%	232,855	79%	276,105	82%	-15.7%
Suppliers	28,064	36%	40,868	38%	-31.3%	98,110	33%	130,092	39%	-24.6%
Partnerships	5,253	7%	9,537	9%	-44.9%	21,561	7%	31,293	9%	-31.1%
Own Sugarcane	29,764	38%	40,605	37%	-26.7%	113,185	38%	114,720	34%	-1.3%
Industrial	9,609	12%	10,824	10%	-11.2%	38,636	13%	33,222	10%	16.3%
Other Products	5,838	7%	6,861	6%	-14.9%	22,759	8%	25,347	8%	-10.2%
Total COGS (*)	78,528	100%	108,696	100%	-27.8%	294,250	100%	334,675	100%	-12.1%
Santa Luiza e Aquidaban reconciliation	6,454	-	-	-	-	25,594	-	-	-	-
Total COGS	84,982	-	108,696	-	-21.8%	319,844	-	334,675	-	-4.4%

(*) Excludes partial consolidation of Santa Luiza and Aquidaban..

As the table shows, COGS in cash cost terms declined by 21.8% in the quarter versus the 3Q07, mainly due to the positive impacts from lower costs in the items "Suppliers" and "Partners", which fell by 31.3% and 44.9%, respectively. The decline was due to the lower sugar and ethanol prices in the period as well as the lower sales volume.

The main negative impacts were concentrated in the items "Industrial Costs" and "Own Sugarcane Agricultural Costs". Given the lower sugar and ethanol prices in the 3Q08, inventories were reduced at market value, leading to a loss in the period of R\$ 1.7 million in the "Own Sugarcane Agricultural Costs" item and of R\$ 1 million in the "Industrial Costs" item. Year to date, the adjustments to market value were R\$ 4.7 million and R\$ 2.7 million, respectively.

Gross Income and Gross Margin

As a result of the above factors, São Martinho's gross income in the quarter was R\$ 12.8 million, down 71.8% in relation to the 3Q07.

Selling Expenses

Selling Expenses Breakdown						
R\$ Thousand	3Q08	3Q07	Chg.%	9M08	9M07	Chg.%
Port Costs	(1,436)	(3,915)	-63.3%	(8,710)	(11,795)	-26.2%
Packaging	(264)	(572)	-53.9%	(1,192)	(1,459)	-18.3%
Freight	(2,435)	(5,828)	-58.2%	(15,997)	(19,164)	-16.5%
Other	(320)	(3,337)	-90.4%	(3,079)	(9,465)	-67.5%
Selling Expenses (*)	(4,455)	(13,652)	-67.4%	(28,978)	(41,881)	-30.8%
% of Net Revenue	3.5%	7.3%	-3.78 p.p.	6.0%	6.5%	-0.49 p.p.
Santa Luiza e Aquidaban reconciliation	(494)	-	n.m.	(2,164)	-	n.m.
Selling Expenses	(4,949)	(13,652)	-63.7%	(31,142)	(41,881)	-25.6%
% of Net Revenue	3.9%	7.3%	-3.39 p.p.	6.5%	6.5%	-0.04 p.p.

(*) Excludes partial consolidation of Santa Luiza and Aquidaban.

Selling expenses contracted by 63.7% in the quarter versus the 3Q07, and year to date declined by 25.6% versus the nine months ended December 31, 2006. The lower volume of ethanol and sugar exports in the compared periods was the main factor behind the lower expenses.



General and Administrative Expenses

General and Administrative Expenses Breakdown						
R\$ Thousand	3Q08	3Q07	Chg.%	9M08	9M07	Chg.%
Personnel	(5,710)	(5,335)	7.0%	(16,940)	(16,543)	2.4%
Taxes, Fees and Contributions	(1,416)	(1,989)	-28.8%	(6,211)	(6,644)	-6.5%
Provisions for Contingencies	(2,763)	(4,926)	-43.9%	(7,748)	(10,939)	-29.2%
General Expenses and Third-Party Services	(2,620)	(4,737)	-44.7%	(9,709)	(11,842)	-18.0%
Copersucar Share	(3,016)	(2,975)	1.4%	(9,090)	(10,166)	-10.6%
Management fee	(1,795)	(2,344)	-23.4%	(6,377)	(5,773)	10.5%
Total General and Administrative Expenses (*)	(17,320)	(22,305)	-22.3%	(56,075)	(61,907)	-9.4%
Santa Luiza e Aquidaban reconciliation	(3,220)	-	n.m.	(7,273)	-	n.m.
Total General and Administrative Expenses	(20,540)	(22,305)	-7.9%	(63,348)	(61,907)	2.3%

(*) Excludes partial consolidation of Santa Luiza and Aquidaban.

G&A expenses totaled R\$ 20.5 million in the quarter, down 7.9% from the 3Q07. Excluding the effects of the proportional consolidation of Santa Luiza and Aquidaban, G&A expenses would have declined by 22.3%.

The main positive impacts were the “General and Third-Party Expenses” and the “Provisions for Contingencies” lines. The variation in third-party expenses was due to expenses with the Company’s IPO issue, which had an impact on the previous fiscal year, while the reduction in contingencies reflects an effort by the Group to reduce tax and labor liabilities.

Bear in mind that the entire administrative areas of Santa Luiza and Aquidaban will be absorbed in proportion to the interest held by São Martinho. Accordingly, in fiscal year 2009 we expect a reduction of roughly R\$ 6.4 million in administrative expenses at the two companies, which, combined with the other gains from synergies, will result in annual cost reductions of R\$ 15 million at São Martinho S.A.

Other Operational Revenue (Expenses)

Other Operating Revenues (Expenses) Reconciliation						
R\$ Thousand	3Q08	3Q07	Chg.%	9M08	9M07	Chg.%
Provision Reversal (Copersucar)	7,389	-	n.m.	7,389	-	n.m.
Sale of Real Estate(Copersucar)	1,813	-	n.m.	1,813	-	n.m.
Tax Lawsuit Gain (Copersucar)	-	13,306	n.m.	-	13,306	n.m.
ICMS Installment	-	-	n.m.	(17,607)	-	n.m.
IPO Expenses	-	(1,169)	n.m.	(206)	(1,558)	-86.8%
Goodwill Amortization	(700)	-	n.m.	(1,052)	-	n.m.
Others	881	528	66.8%	1,100	949	15.9%
Other Operating Revenues (Expenses)	9,383	12,665	-25.9%	8,563	12,697	n.m.

The main impact of the “Other Operating Expenses” line relates to nonrecurring revenue from the sale of fixed assets and the reversal of provisions for tax risks, both of which at Copersucar and passed on to cooperative members.



EBITDA

EBITDA Reconciliation						
R\$ Thousand	3Q08	3Q07	Chg.%	9M08	9M07	Chg.%
Adjusted EBITDA	20,174	44,695	-54.9%	70,861	233,785	-69.7%
<i>Adjusted EBITDA Margin</i>	<i>15.8%</i>	<i>24.0%</i>	<i>-8.1 p.p.</i>	<i>14.7%</i>	<i>35.1%</i>	<i>-20.4 p.p.</i>
Pricing Adjustment Net Revenue	-	(1,172)	n.m.	-	22,811	n.m.
Pricing adjustment Sales Expenses	-	2,392	n.m.	698	5,715	-87.8%
Other Operational Revenue (Expense) - Non recurring	9,203	12,137	n.m.	(8,611)	11,748	n.m.
Administrative expenses - non recurring	(2,479)	-	n.m.	(2,479)	-	n.m.
EBITDA	26,898	55,611	-51.6%	59,073	217,006	-72.8%
<i>EBITDA Margin</i>	<i>21.1%</i>	<i>29.6%</i>	<i>-8.5 p.p.</i>	<i>12.3%</i>	<i>33.8%</i>	<i>-21.5 p.p.</i>
(-) Depreciation and Amortization	(32,914)	(34,647)	-5.0%	(131,249)	(104,918)	25.1%
(-) Financial Revenue (Expense)	(2,795)	(9,628)	-71.0%	(661)	(21,210)	-96.9%
(=) Operating Income (Loss)	(8,811)	11,337	n.m.	(72,837)	90,879	n.m.

As the table shows, adjusted EBITDA declined by 54.9% in the quarter versus the 3Q07. The main factor was the drop in sugar and ethanol prices between the two periods (see comments in section "Industry Overview").

Expenses with the shutdown of Usina Santa Luiza and Agropecuária Aquidaban totaled R\$ 2.48 million in December 2007. Since these expenses are nonrecurring, we opted to exclude them from our EBITDA calculation.

Net Financial Result

Net Financial Result Breakdown						
R\$ Thousand	3Q08	3Q07	Chg.%	9M08	9M07	Chg.%
Financial Revenue	19,113	11,119	71.9%	58,574	52,470	11.6%
Financial Expense	(22,015)	(20,212)	8.9%	(58,923)	(70,826)	-16.8%
Exchange Variation	210	(535)	n.m.	306	(2,854)	n.m.
Net Financial Result (*)	(2,692)	(9,628)	-72.0%	(44)	(21,210)	-99.8%
Santa Luiza e Aquidaban reconciliation	(103)	-	n.m.	(617)	-	n.m.
Net Financial Result	(2,795)	(9,628)	-71.0%	(661)	(21,210)	-99.8%

(*) Excludes partial consolidation of Santa Luiza and Aquidaban.

São Martinho's net financial result improved from a net financial expense of R\$ 9.6 million in 3Q07 to a net financial expense of R\$ 2.8 million in 3Q08. Financial expenses remained stable, while financial income increased by 71.9%. The main reason for this improvement were the gains from U.S. dollar derivative operations effected at Copersucar and passed on to cooperative members, with the objective of locking in the U.S. dollar exchange rate for the Company's sugar and ethanol exports.

Income Tax and Social Contribution Tax

At the close of the 3Q08, São Martinho recorded a tax credit (income and social contribution taxes) of R\$ 1.8 million, versus a tax expense of R\$ 7 million in the 3Q07. Year to date, the Company recorded a deferred tax credit of R\$ 22.8 million, compared to an expense of R\$ 35.6 million in the nine months ended December 31, 2006. The generation of deferred tax credits in fiscal year 2008 is due to the tax losses recorded as a result of the sharp declines in sugar and ethanol prices.



Net Income (Loss)

São Martinho posted a net loss of R\$ 6.7 million in the quarter, versus net income of R\$ 15.6 million in the 3Q07, primarily due to the weak environment for sugar and ethanol prices. This was also the main factor in the Company's net loss of R\$ 49.2 million in the nine months ended December 31, 2007, compared to net income of R\$ 65.1 million in the nine months ended December 31, 2006.

Debt

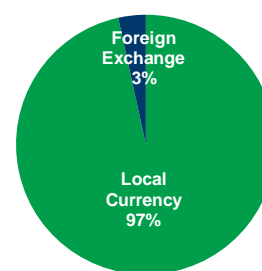
Debt R\$ Thousand	Dec/07	Sep/07	Chg; %.
PESA	117.419	115.818	1,4%
Rural Credit	68.102	60.179	13,2%
Finame / Automatic BNDES	362.596	290.814	24,7%
Working Capital	20.629	283	7,189.4%
FRN (Commercial Paper)	-	9.332	n.m.
Other	1.252	-	n.m.
Total Gross Debt (Market)	569.998	476.426	19,6%
Other Financial Liabilities - Copersucar			
Financial Debt with Copersucar	98.224	48.316	103,3%
Total Copersucar's Debt	98.224	48.316	103,3%
Gross Debt	668.222	524.742	27,3%
Cash and Cash Equivalents	148.696	185.992	-20,1%
Net Debt	519.526	338.750	53,4%

On December 31, 2007, São Martinho's gross debt totaled R\$ 668.2 million, an increase of 27.3% compared with the close of the previous quarter.

On the same date, cash and cash equivalents amounted to R\$ 148.7 million, down 20.1% on the R\$ 185.9 million recorded at the close of the 2Q08. The main reasons for this increase of R\$ 180.7 million in net debt was the investment of R\$ 101.9 million in the Boa Vista Mill in the quarter and the investments to maintain current mills.

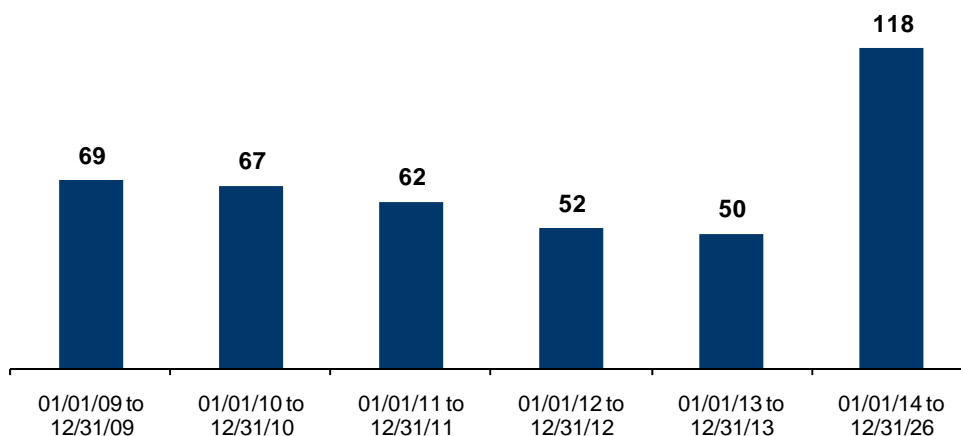
São Martinho's debt is almost fully denominated in Brazilian Real (97%), as shown in the above chart. In terms of the maturity schedule, as of December 31, 2007, 62% of the debt was classified as long-term, as shown below.

3Q08 Debt Breakdown





Long Term Debt Repayment Schedule - R\$ MN



The above schedule includes all our PESA bank debt

Debt with Copersucar

On December 31, 2007, the Company recognized debt of R\$ 220.3 million with Copersucar. The portion related to financial debt contracted through Copersucar is booked under "Financial Debt with Copersucar's" and included in the Company's gross debt, as mentioned above.

Capital Expenditures

CAPEX Breakdown R\$ Thousand	3Q08	3Q07	Chg.%	9M08	9M07	Chg.%
Sugarcane Planting	14,034	17,974	-21.9%	37,663	40,943	-8.0%
Industrial / Agricultural	27,537	25,043	10.0%	45,735	41,895	9.2%
Sub Total	41,571	43,017	-3.4%	83,398	82,838	0.7%
Upgrading, Mechanization and Expansion						
Industrial / Agricultural	3,494	9,757	-64.2%	10,790	39,976	-73.0%
Other	15	-	n.m.	70	13,850	n.m.
Sub Total	3,509	9,757	-64.0%	10,861	53,826	-79.8%
Boa Vista Mill (Greenfield)						
Sugarcane Planting	9,324	8,519	9.4%	45,442	10,652	326.6%
Industrial / Agricultural	84,399	13,984	503.6%	205,101	34,147	500.6%
Deferred Expenses	8,190	-	n.m.	17,800	-	n.m.
Sub Total	101,913	22,502	352.9%	268,344	44,799	499.0%
Santa Luiza and Aquidaban						
Acquisitions / Investments	1,180	-	n.m.	115,072	-	n.m.
Sub Total	1,180	-	n.m.	115,072	-	n.m.
Total	148,173	75,277	96.8%	477,676	181,462	163.2%

The bulk of investment in 3Q08 was for the ongoing construction at the Boa Vista Mill, given the operational startup of production in May 2008. As we mentioned in the 3Q08 Highlights above, we increased expected investment in the Boa Vista Mill from R\$ 550 million to R\$ 700 million to



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achieve crushing capacity of 3.4 million tonnes by the 2010-11 harvest. The amount corresponds to 100% of the investments to acquire industrial and agricultural equipment and sugarcane plantation. This increase in disbursements of 27% is due to the combination of price increases by manufacturers of industrial and agricultural equipment and unanticipated expenses. These expenses are concentrated in installations and infrastructure (construction of transmission lines, road paving, etc.), and seek to expand the plant beyond capacity of 3.4 million tonnes over the coming years.

The new schedule envisages investment of R\$ 130 million in the 4Q08, R\$ 150 million in the 2008-09 harvest, and R\$ 50 million in the 2009-10 harvest.

Recent Events

Contracting of Market Maker: On November 22, 2007, we hired Banco UBS Pactual S.A. to act as market maker. The objective is to increase trading liquidity in the Company's common shares ("SMT03") listed on the *Novo Mercado* corporate governance segment of the São Paulo Stock Exchange (Bovespa). The initial contract is for a period of 12 months.

Shutdown of Usina Santa Luiza and Agropecuária Aquidaban: On December 10, 2007, we communicated to the market the decision of the shareholders to shut down the subsidiaries Usina Santa Luiza S.A. and Agropecuária Aquidaban S.A. at the end of the 2007-08 harvest. We also informed on the extinction (spin-off followed by merger) of Etanol Participações S.A., a holding company created in April 2007 by Usina São Martinho S.A (41,67%), Cosan S.A Indústria e Comércio (33,33%) and Usina Santa Cruz S.A. Açúcar e Álcool (25%) to acquire Santa Luiza and Aquidaban. The decision seeks to maximize the operating and administrative synergies for the controlling shareholders and their respective Groups.

Inclusion of São Martinho on the IBrX: On January 8, 2008, we announced that São Martinho's shares were included in the Brazil Index (IBrX) of the São Paulo Stock Exchange (Bovespa) in effect in the period from January 2 to April 30, 2008. The IBrX is an index that measures the return of a theoretical portfolio composed of 100 stocks selected from among the Bovespa-listed stocks with the highest trading volume and number of trades. To be included in the IBrX, São Martinho stock met the following criteria: was one of the 100 most liquid stocks in the 12 months prior to the portfolio review, and was traded in at least 70% of the trading sessions held in the same 12-month period.

Upcoming Events

3Q08 Earnings Conference Call

Portuguese

Date: 2/15/2008

Time: 2:00 pm (Brasília Time) / 11:00 am (U.S. ET)

Phone: +55 (11) 2188-0188

Code: São Martinho

Replay: +55 (11) 2188-0188

Webcast with slides: www.saomartinho.ind.br/ri

English

Date: 2/15/2008

Time: 3:30 pm (Brasília Time) / 12:30 pm (U.S. ET)

Phone: +1 (973) 935-8893

Code: 32008290

Replay: +1 (706) 645-9291

Webcast with slides: www.saomartinho.ind.br/ir



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Disclaimer

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

About São Martinho

São Martinho S.A. is one of the largest producers of sugar and ethanol in Brazil, and the Group has sugarcane crushing capacity of 11.0 million tonnes per year. São Martinho produces sugar and ethanol at two mills: the Iracema Unit and the São Martinho Unit.

São Martinho also began construction of a third mill, Boa Vista, in the municipality of Quirinópolis, Goiás state, which is expected to start operations in the 2008-09 harvest, crushing roughly 1.2 million tonnes of sugarcane to produce about 113,000 m³ of ethanol in the season.

São Martinho will increase its annual sugarcane processing capacity to 3.4 million tonnes and its annual ethanol production capacity to 325,000 m³ by the 2010-11 harvest, with the potential for further expansion. The third mill is initially expected to produce only hydrous ethanol: 30% for export to Japan's industrial market and 70% for use in flex-fuel and ethanol-powered vehicles. For more information, please visit the IR website at www.saomartinho.ind.br/ir.



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Income Statement

R\$ Thousand	3Q08	3Q07	Chg %	9M08	9M07	Chg %
	Oct/07 - Dec/07	Oct/06 - Dec/06		Apr/07 - Dec/07	Apr/06 - Dec/06	
Gross Revenue	145.164	205.838	-29,5%	530.188	705.392	-24,8%
Deductions from Gross Revenue	(17.878)	(18.237)	-2,0%	(49.268)	(62.620)	-21,3%
Net Revenue	127.286	187.601	-32,2%	480.920	642.772	-25,2%
Cost of Goods Sold (COGS)	(114.451)	(142.100)	-19,5%	(438.269)	(435.890)	0,5%
Gross Profit	12.835	45.501	-71,8%	42.651	206.882	-79,4%
<i>Gross Margin (%)</i>	10,1%	24,3%	-14,2 p.p	8,9%	32,2%	-23,3 p.p
Operating Expenses	(18.851)	(24.536)	-23,2%	(114.827)	(94.793)	21,1%
Sales Expenses	(4.949)	(13.652)	-63,7%	(31.142)	(41.881)	-25,6%
General and Administrative Expenses	(21.490)	(21.205)	1,3%	(68.745)	(59.836)	14,9%
Management Fees	(1.795)	(2.344)	-23,4%	(6.377)	(5.773)	10,5%
Other Operating Expenses, Net	9.383	12.665	-25,9%	(8.563)	12.697	n.m.
Operating Profit, before financial effects	(6.016)	20.965	n.m.	(72.176)	112.089	n.m.
Financial Result	(2.795)	(9.628)	-71,0%	(661)	(21.210)	-96,9%
Financial Revenue	20.340	11.119	82,9%	62.398	52.470	18,9%
Financial Expenses	(23.345)	(20.212)	15,5%	(63.365)	(70.826)	-10,5%
Monetary and Exchange Variation - Assets	998	1.536	-35,0%	8.160	16.258	-49,8%
Monetary and Exchange Variation - Liabilities	(788)	(2.071)	-62,0%	(7.854)	(19.112)	-58,9%
Operating Result	(8.811)	11.337	n.m.	(72.837)	90.879	n.m.
Non-operating Result	284	11.325	-97,5%	802	10.136	-92,1%
Income Before Income and Social Contribution Taxes	(8.527)	22.662	n.m.	(72.035)	101.015	n.m.
Income Tax and Social Contribution	(1.688)	(5.533)	-69,5%	(1.688)	(30.863)	-94,5%
Deferred Income Tax and Social Contribution	3.475	(1.476)	n.m.	24.504	(4.732)	n.m.
Net income from split assets	-	-	n.m.	-	(276)	n.m.
Net Income	(6.740)	15.653	n.m.	(49.219)	65.144	n.m.
<i>Net Margin (%)</i>	-5,3%	8,3%	n.m.	-10,2%	10,1%	n.m.
Net Income per Share (in R\$)	(0,06)	0,14	n.m.	(0,44)	0,58	n.m.



Balance Sheet (Assets)

São Martinho S.A. - Consolidated Balance Sheet - ASSETS		
R\$ thousand		
ASSETS	Dec/07	Sep/07
SHORT-TERM ASSETS		
Cash and Cash Equivalents	59,344	25,740
Short Term Investments	89,352	160,252
Accounts Receivable - Copersucar	26,902	34,210
Inventories	313,151	316,804
Tax receivable	37,493	39,987
Other Assets	27,772	20,526
TOTAL SHORT-TERM ASSETS	554,014	597,519
LONG-TERM ASSETS		
Related Parties	20	1
Deferred Income Tax and Social Contribution	112,808	85,423
Other assets	51,395	13,522
Property Plant and Equipment		
Investments	38,629	49,102
Fixed assets	2,132,111	2,072,213
Deferred	26,149	17,296
TOTAL LONG-TERM ASSETS	2,361,112	2,237,557
TOTAL ASSETS	2,915,126	2,835,076



Balance Sheet (Liabilities)

São Martinho S.A. - Consolidated Balance Sheet - LIABILITIES		
R\$ Thousand		
LIABILITIES	Dec/07	Sep/07
SHORT TERM		
Loans and Financing	151,992	119,828
Suppliers	58,615	88,669
Accounts Payable - Copersucar	91,853	39,779
Payroll and social contribution	21,074	36,604
Tax payable	6,523	8,355
Related parties	103	6
Dividends Payable	1	1
Other Liabilities	1,568	1,390
TOTAL	331,729	294,632
LONG TERM LIABILITIES		
Loans and Financing	418,006	356,598
Accounts Payable - Copersucar	226,726	239,210
Tax Installments	9,130	8,959
Income Tax and Social Contribution	230,160	226,064
Provision for Contingencies	67,865	71,187
Other Liabilities	1,638	1,814
TOTAL	953,525	903,832
MINORITY SHAREHOLDERS	7,611	7,611
SHAREHOLDERS' EQUITY		
Capital Stock	360,000	360,000
Capital Reserve	1,177,380	1,185,953
Legal Reserve	5,079	5,079
Capital Budget Reserve	95,427	95,427
Accumulated Profits	(15,625)	(17,458)
TOTAL	1,622,261	1,629,001
TOTAL LIABILITIES	2,915,126	2,835,076



3Q08 – 2007-08 Harvest

Cash Flows

São Martinho S.A. - Statement of Cash Flows		
R\$ Thousand	3Q08	9M08
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income in the period	(6,740)	(49,219)
Adjustments to reconcile net income to the cash generated on operating activities:		
Depreciation and amortization	32,914	131,249
Residual cost of fixed assets - write off	1,750	2,317
Financial expenses and exchange variation - related parties, loans and financing and tax payable	6,468	30,360
Provision (Reversal) for contingencies	2,112	2,843
Write-off (provision) for deferred income tax and social contribution	(3,475)	(17,908)
(Increase) decrease in operating assets:		
Accounts receivable - Copersucar	7,308	(4,194)
Inventories	6,918	(102,281)
Tax receivable	3,109	(15,659)
Other short term assets	(7,246)	(6,122)
Other non-current assets	(2,849)	(5,090)
Increase (decrease) in operating liabilities:		
Suppliers	(30,054)	3,147
Wages and social contribution	(15,530)	1,010
Tax payable	(2,447)	(975)
Tax Installments	171	9,130
Related parties	97	57
Other short term liabilities	178	(1,446)
Provision for contingencies	(1,880)	(6,768)
Other liabilities	(176)	(70)
Cash flows from operating activities	(9,372)	(29,619)
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Investments	(10)	(25)
Investments- Goodwill (plus future rentability)	-	(87,549)
Fixed Assets and deferred acquisition	(148,163)	(365,102)
Increase in fixed and deferred assets made from investments in the Usina Santa Luiza and Agropecuária Aquidaban	-	(25,000)
Cash flows from investment activities	(148,173)	(477,676)
CASH FLOWS FROM FINANCING ACTIVITIES		
Financing from the Proportional Consolidation Santa Luiza Mill and Agropecuária Aquidaban	-	18,402
Liabilities from the Proportional Consolidation of the Santa Luiza Mill and Agropecuária Aquidaban	-	10,304
Financing - third parties	135,276	346,348
Accounts payable - Copersucar	36,683	76,280
Loans payable	(51,710)	(142,308)
Dividends Payment	-	(19,999)
Cash flows from financing activities	120,249	289,027
INCREASE (REDUCTION) IN CASH AND CASH EQUIVALENTS BALANCE	(37,296)	(218,268)
CASH AND CASH EQUIVALENTS		
Initial balance	185,992	366,964
Final balance	<u>148,696</u>	<u>148,696</u>
INCREASE IN CASH AND CASH EQUIVALENTS BALANCE	(37,296)	(218,268)
ADDITIONAL INFORMATION		
Interest paid during the quarter	(12,004)	(29,303)
Suppliers payable related to fixed assets acquisition	20,434	20,434