



 **São Martinho**



**2Q08 Results
2007 / 08 Harvest**



SÃO MARTINHO ANNOUNCES RESULTS FOR SECOND QUARTER OF 2008

Net Revenue of R\$353.6 million and Adjusted EBITDA of R\$50.5 million in First-Half 2008

São Paulo, November 12, 2007 – SÃO MARTINHO S.A. (Bovespa: SMTO3; Reuters SMTO3.SA and Bloomberg: SMTO3 BZ), one of the largest sugar and ethanol producers in Brazil, announces today its results for the second quarter of 2008 (2Q08) – 2007-08 Harvest. The results are presented on a consolidated basis, in accordance with the Brazilian Corporate Law, including the partial consolidation of 41.67% of Etanol Participações S.A., a holding company that controls Usina Santa Luiza and Agropecuária Aquidaban. Results for the 2Q07 and 6M07 are presented on a combined basis, since as of 9/30/2007 Usina São Martinho S.A. was not fully consolidated in São Martinho S.A. Further comparability details are detailed in the September 30, 2007 financial statements explanatory notes.

2Q08 Highlights

- Net revenue fell by 31.0% over the 2Q08 to R\$179.1 million, due to the decline in average sale prices for sugar and ethanol in the domestic and international markets.
- Net Financial Result in the quarter was practically stable if compared to 2Q07 decreasing only 2.5%. In the first half of the year (6M08), the net financial result improved significantly, from a net expense of R\$11.6 million to net financial income of R\$2.1 million.
- Adjusted EBITDA of R\$22.7 million in the 2Q08, down 74.0% against the 2Q07, owing mainly to the negative environment for sugar and ethanol prices in the period.
- On October 22, 2007, the Company announced the hiring of Mr. Fábio Venturelli for the position of Vice President, with more than 18 years of experience in corporate management, global business management, sales management, and marketing and sales in the chemicals and plastics industry. Mr. Venturelli will be charged with expanding the company's operations in the domestic and international markets, and seeking new business alternatives to reduce the seasonality of the sugar and ethanol industry.
- On October 22, 2007, Usina São Martinho concluded its crushing for the 2007-08 crops, processing a total of 6,762,247 tonnes of sugar cane, practically unchanged from the 6,735,073 tonnes crushed in the 2006-07 harvest. Effective daily crushing reached an all-time high of 41,787 tonnes, supported by investments in increasing efficiency levels in the industrial units.
- Ethanol sales in the first half of the year accounted for approximately 46% of the total available (in sugar equivalent terms) in the 2007-08 crops, with only 54% remaining for sale in the 6M08.



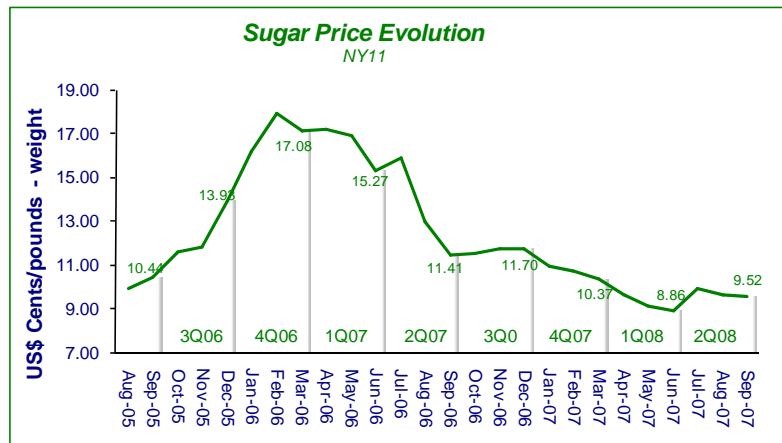
Industry Overview

Sugar

Average Sugar Prices	2Q08	1Q08	2Q07	Chg. (%) 2Q08 x 2Q07	Chg. (%) 2Q08 x 1Q08	6M08	6M07	Chg. (%) 6M08 x 6M07
US\$/R\$ Exchange rate	1.92	1.98	2.17	-11.8%	-3.3%	1.95	2.18	-10.5%
NY11 US\$ cents/pound	9.68	9.19	13.42	-27.9%	5.3%	9.43	14.94	-36.8%
NY11 R\$ / 50-kilogram sack	20.44	20.08	32.11	-36.3%	1.8%	20.27	35.87	-43.5%
London 5 US\$/ton	290.89	327.80	427.15	-31.9%	-11.3%	309.34	445.93	-30.6%
London 5 R\$/50-kilogram sack	27.87	32.48	46.37	-39.9%	-14.2%	30.14	48.57	-37.9%
Sugar ESALQ Gross R\$/50-kilogram sack	24.89	29.12	44.11	-43.6%	-14.5%	27.01	46.87	-42.4%

Sugar prices quoted in New York (NY 11) in the period corresponding to the 2Q08 improved slightly in relation to the 1Q08, but are still at levels significantly lower than the average prices registered in the 2Q07 and 6M07.

In early July 2007, sugar prices began to recover, closing the month at US\$ 10.33 cents/pound. This slight improvement in prices



was chiefly related to the news on Brazilian production. Bad weather conditions and a sugarcane production mix with greater allocation to ethanol production in this harvest are some of the factors that helped support sugar prices above the level of US\$ 9.00 cents/pound. However, despite expectations of lower sugar production in Brazil, according to LMC International, sugar output in India produced 30.4 million tonnes for the 2007-08 crops, ended in September, 2007 (+45% on the 2005-06 crops) and will produce 32.6 million tonnes in 2007-08. The higher supply is having an adverse affect on the recovery in sugar prices in the near term.

Moreover, though no less important, the sugar and ethanol industry is being negatively impacted by the appreciation in the Brazilian real against the U.S. dollar, with local currency appreciation of 11.8% in the 2Q08 versus the 2Q07 and of 10.5% in the 6M08 versus the 6M07.

Note that the dollar has depreciated against almost all other currencies, affecting the main players in the sugar industry. In the case of India, the rupee appreciated against the dollar by 12.61% in the 2Q07 versus 2Q08, and by 10.97% in the 6M07 versus 6M08. Given that the weakening dollar is not isolated to the Brazilian economy, we believe Brazil still has the world's lowest sugar production costs, and should continue to serve as a reference for price formation over the long term.

For the coming quarters in the 2007-08 harvest, we expect sugar prices to remain above US\$ 10 cents/pound, supported by the following factors: 1) Efforts by the Indian government to reduce sugar oversupply in the country, recently mandating the addition of 5% ethanol to the gasoline blend as of October 2007, with the blend rising to 10% in October 2008; 2) lower sugar production in Brazil due to the change in the sugarcane production mix, with greater allocation to ethanol production; 3) Lower production in Brazil's Center-South, with a decline of approximately 4% in the TRS/tonne item, due to weather factors.



2Q08 – 2007/08 Harvest

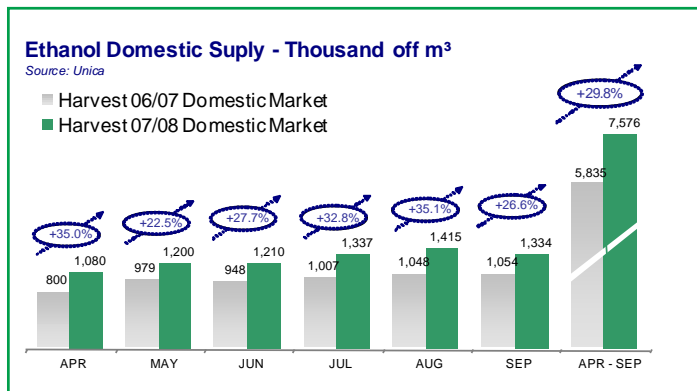
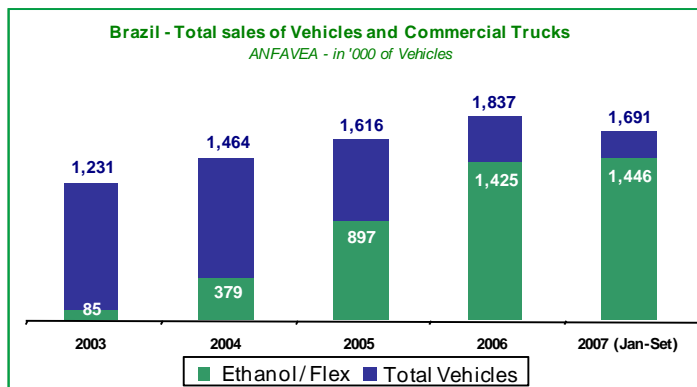
Ethanol

Average Ethanol Prices	2Q08	1Q08	2Q07	Chg. (%) 2Q08 x 2Q07	Chg. (%) 2Q08 x 1Q08	6M08	6M07	Chg. (%) 6M08 x 6m07
Anhydrous ESALQ, Net DM R\$ / M³	664.35	876.99	956.29	-30.5%	-24.2%	770.67	994.71	-22.5%
Hydrous ESALQ, Net DM - R\$ / M³	582.24	739.86	824.37	-29.4%	-21.3%	661.05	869.78	-24.0%
Anhydrous ESALQ EM R\$ / M³	689.37	799.22	1,021.75	-32.5%	-13.7%	744.29	1,030.05	-27.7%
Hydrous ESALQ EM - R\$ / M³	663.61	788.40	926.23	-28.4%	-15.8%	726.01	879.58	-17.5%
Oil NY	75.15	65.02	70.60	6.4%	15.6%	70.09	70.66	-0.8%

In the 2Q08, average prices for anhydrous and hydrous ethanol in the domestic and international markets registered sharp declines if compared to levels in the 2Q08 and 2Q07.

The decline was due to the following drivers: 1) Higher ethanol supplies due to the greater allocation of sugarcane production to ethanol instead of sugar; 2) Start of operations in the 2007-08 season of 17 plants dedicated exclusively to ethanol production; 3) Working capital requirements of some plants that sold high volumes in the ethanol market during the harvest period; 4) Bottlenecks in storage capacity, leading to oversupply during the harvest season.

Within this context of higher ethanol demand, domestic consumption has been growing faster than expected, driven by both the greater number of flex-



fuel vehicles and the lower ethanol prices at the pump. According to Unica¹, year to date through the first half of October this year, ethanol sales stood at approximately 8.3 billion liters in the domestic market. The amount represents an increase of 30% in relation to the same period of last year. In addition, according to Datagro estimates, ending stocks this harvest should be approximately 254 million liters, down 27% from the ending stocks in 2006-07. Thus, a stronger demand and lower ending stocks are expected to help support higher ethanol prices in the inter-harvest period.

¹ Unica: Sugar Cane Industry Union of the State of São Paulo



2Q08 – 2007/08 Harvest

Operating Performance

Operating Highlights

Operating Data	6M08	6M07	Change %
Crushed Sugarcane ('000 tonnes)	7,878	8,636	-8.8%
Own	4,946	5,651	-12.5%
Third Parties	2,932	2,985	-1.8%
Mechanized Harvest (%)	78.9%	73.4%	5.4 p.p
Production			
Sugar ('000 tonnes)	400	633	-36.8%
Anhydrous Ethanol ('000 m ³)	212	193	9.8%
Hydrous Ethanol ('000 m ³)	174	167	4.2%
RNA - Ribonucleic Acid ('000 KG)	143	128	11.7%

(*) Excludes Etanol Participações

Financial Performance

Operating Revenue

Net Revenues Breakdown						
R\$ Thousand	2Q08	2Q07	Chg.% 2Q08 x 2Q07	6M08	6M07	Chg.% 6M08 x 6M07
Domestic Market	83,137	99,629	-16.6%	165,084	213,874	-22.8%
Sugar	18,805	39,134	-51.9%	39,241	75,571	-48.1%
Hydrous Ethanol	28,222	30,073	-6.2%	48,571	62,048	-21.7%
Anhydrous Ethanol	24,390	21,876	11.5%	60,612	60,856	-0.4%
Other	11,721	8,546	37.1%	16,659	15,399	8.2%
Export Market	95,934	159,913	-40.0%	188,550	241,297	-21.9%
Sugar	59,443	98,581	-39.7%	115,711	147,097	-21.3%
Hydrous Ethanol	9,512	9,323	2.0%	17,456	17,083	2.2%
Anhydrous Ethanol	23,951	47,961	-50.1%	49,742	70,830	-29.8%
RNA	3,028	4,047	-25.2%	5,641	6,287	-10.3%
Other	-	-	n.m.	-	-	n.m.
Net Revenue	179,071	259,541	-31.0%	353,634	455,171	-22.3%
Sugar	78,248	137,715	-43.2%	154,952	222,668	-30.4%
Hydrous Ethanol	37,734	39,396	-4.2%	66,028	79,132	-16.6%
Anhydrous Ethanol	48,341	69,837	-30.8%	110,354	131,686	-16.2%
RNA	3,028	4,047	-25.2%	5,641	6,287	-10.3%
Other	11,721	8,545	37.1%	16,659	15,399	8.2%

Accounting Criteria – Copersucar

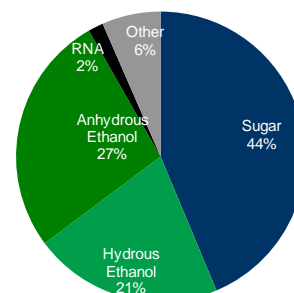
Revenue and expenses from product sales and Copersucar's operations are apportioned among the cooperative members according to the volume provided, irrespective of the volume actually withdrawn from their warehouses. Cooperative members are kept informed of Copersucar's revenues and expenses, including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



Net Revenue

Net revenue fell 31% in the 2Q08 in relation to the 2Q07, and by 22.3% in the 6M08 versus the 6M07. The driver of the lower revenue was the strong drop in sugar and ethanol prices in the periods, as described in the section "Industry Overview".

2Q08 Sales Breakdown



Sales Performance - Quarter

Products	2Q08	2Q08(*)	2Q07	Chg.% 2Q08 x 2Q07	Chg.% 2Q08(*) x 2Q07
Domestic Market					
Sugar (tonnes)	45,474	42,321	57,282	-20.6%	-26.1%
Hydrous Ethanol (m ³)	48,975	48,235	36,949	32.5%	30.5%
Anhydrous Ethanol (m ³)	36,544	32,844	22,948	59.2%	43.1%
Export Market					
Sugar (tonnes)	127,108	118,297	126,886	0.2%	-6.8%
Hydrous Ethanol (m ³)	12,497	12,332	9,302	34.3%	32.6%
Anhydrous Ethanol (m ³)	29,783	26,805	45,078	-33.9%	-40.5%
RNA (Kg)	78,000	78,000	94,960	-17.9%	-17.9%
Consolidated					
Sugar (tonnes)	172,582	160,619	184,168	-6.3%	-12.8%
Hydrous Ethanol (m ³)	61,472	60,566	46,251	32.9%	31.0%
Anhydrous Ethanol (m ³)	66,327	59,649	68,026	-2.5%	-12.3%
RNA (Kg)	78,000	78,000	94,960	-17.9%	-17.9%



2Q08 – 2007/08 Harvest

Sales Performance - Half Year

Products	6M08	6M08 (*)	6M07	Chg.% 6M08 x 6M07	Chg.% 6M08 (*) x 6M07
Domestic Market					
Sugar (tonnes)	88,960	83,040	103,357	-13.9%	-19.7%
Hydrous Ethanol (m ³)	80,617	78,772	74,557	8.1%	5.7%
Anhydrous Ethanol (m ³)	79,655	72,644	59,085	34.8%	22.9%
Export Market					
Sugar (tonnes)	247,590	231,111	216,017	14.6%	7.0%
Hydrous Ethanol (m ³)	22,515	22,000	17,240	30.6%	27.6%
Anhydrous Ethanol (m ³)	61,575	56,155	67,106	-8.2%	-16.3%
RNA (Kg)	143,000	143,000	154,460	-7.4%	-7.4%
Consolidated					
Sugar (tonnes)	336,550	314,151	319,374	5.4%	-1.6%
Hydrous Ethanol (m ³)	103,132	100,772	91,796	12.3%	9.8%
Anhydrous Ethanol (m ³)	141,230	128,799	126,191	11.9%	2.1%
RNA (Kg)	143,000	143,000	154,460	-7.4%	-7.4%

(*) Excludes partial consolidation of Etanol Participações S.A.

Average Prices (**)

	2Q08	2Q07	Chg. (%) 2Q08 x 2Q07	6M08	6M07	Chg. (%) 6M08 x 6M07
Domestic Market						
Sugar (R\$/tonnes)	413.53	683.19	-39.5%	441.11	731.16	-39.7%
Hydrous Ethanol (R\$/m ³)	576.25	813.91	-29.2%	602.50	832.23	-27.6%
Anhydrous Ethanol (R\$/m ³)	667.40	953.27	-30.0%	760.94	1,029.98	-26.1%
Export Market						
Sugar (R\$/tonnes)	467.66	786.16	-40.5%	467.35	791.97	-41.0%
Hydrous Ethanol (R\$/m ³)	761.14	1,002.18	-24.1%	775.32	990.94	-21.8%
Anhydrous Ethanol (R\$/m ³)	804.19	1,063.97	-24.4%	807.83	1,055.49	-23.5%
RNA (R\$/Kg)	38.82	42.62	-8.9%	39.44	40.70	-3.1%
Consolidated						
Sugar (R\$/tonnes)	453.40	754.13	-39.9%	460.41	772.29	-40.4%
Hydrous Ethanol (m ³)	613.84	851.78	-27.9%	640.23	862.03	-25.7%
Anhydrous Ethanol (m ³)	728.82	1,026.63	-29.0%	781.38	1,043.54	-25.1%
RNA (R\$/Kg)	38.82	42.62	-8.9%	39.44	40.70	-3.1%

(**) 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 43.2% to R\$78.2 million in the 2Q08, from R\$137.7 million in the 2Q07.

In addition to the sharp drop in prices of approximately 39.5% and 40.5% in the domestic and international markets, respectively, domestic sugar sales volume contracted by 20.6%.

Given this scenario, the lower sugar sales were also 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\$ 37.7 million in the 2Q08, 4.2% down on the R\$39.4 million recorded in the 2Q07. The main driver of this decline was the decline in the average price between the two periods of 29.2% and 24.1% in the domestic and international markets, respectively. A positive driver was the higher sales of hydrous ethanol in the domestic and international markets of 32.5% and 34.3%, respectively.

Revenue from hydrous ethanol in the 6M08 versus 6M07 fell by approximately 16.6%, driven by the 25.7% drop in average price, which was partially mitigated by the increase in volumes of some 12.3%.

Bear in mind that the comparison of volumes between the two periods is distorted because in 2006-07 ethanol sales accounted for 44% of net revenue.

For the 2007-08 harvesting, the Company adopted the strategy of increasing its ethanol production by approximately 22%. It is expected to have approximately 186,482 m³ of anhydrous ethanol and 98,046 m³ of hydrous ethanol for sale in the 6M08, representing approximately 17% more ethanol (in sugar equivalent terms) compared to the volume of ethanol sold in the first half of 2008.

Anhydrous

Net revenue from anhydrous ethanol was R\$48.3 million in the quarter, down 30.8% in relation to the 2Q07, mainly driven by the 29% decline in the average price between the periods.

The strategy of favoring anhydrous ethanol sales during the inter-harvest period is similar to the one explained in the section "Hydrous Ethanol" above.

Ribonucleic Acid (RNA) Sodium Salt

RNA is a flavor enhancer used in the food industry and also in the pharmaceutical industry as a raw material. São Martinho exports all of its output to the Mitsubishi Corporation through a long-term contract, which means that 100% of the production is exported. Net revenue in the quarter was R\$3.0 million, down 25.2% from the 2Q07. In the 6M08, total revenue from RNA sales was R\$5.6 million, 10.3% lower than in the 6M07. The unfavorable exchange rate compared to last year adversely affected RNA sales in this harvest. RNA volumes in the quarter fell by 17.9% in relation to the 2Q07, and in the 6M08 declined by 7.4% versus the 6M07.



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Other Products and Services

Net revenue from the “Other Products and Services” item totaled R\$11.7 million in the quarter and R\$ 16.6 million in the 6M08, 37.2% and 8.2% higher, respectively, against the same periods a year ago.

The drivers of this higher revenue were the increased sales of soil preparation services to suppliers and isolated sales of soybean in the 2Q08, produced under a crops rotation scheme for the sugarcane operations. The main products comprising the other revenue line are: yeast, fusel oil and sugarcane bagasse.

Inventories and Production Estimates

Inventories/ Production Estimates	Inventories	Production	Total Inventories
	2Q08	2S08(*)	2S08
Sugar (Tonnes)	128,928	117,095	292,243
Hydrous Ethanol (m ³)	25,225	23,090	98,243
Anhydrous Ethanol (m ³)	83,467	71,630	186,482

(*) Production estimate from October until the end of the 2007/2008 harvest

As can be analyzed in “Operating Performance” section, the group prioritized the production of ethanol in the 2007-08 crops. Based on the level of stocks in the 2Q08 and estimates for production through the end of the harvest, we will have approximately 186,482 m³ of anhydrous ethanol, 98,046 m³ of hydrous ethanol, and 292,243 tonnes of sugar available for sale in the 6M08. Such ethanol volume is 17% higher (in sugar equivalent terms) than the sales during the first half of the 07/08 harvest. On the other hand, the amount of sugar available for sale in the second half is 15% lower than the first half sales.

It's worth mentioning that we have ended the crushing season at São Martinho Mill on 10/22/2007, and therefor part of the production estimates abovementioned are effective.

Based on a comparison of the volumes produced (in sugar equivalent) in the 2007-08 and 2006-07 harvests, the Company's production is expected to decline by approximately 3%, not taking into account the higher capacity resulting from the acquisition of Santa Luíza.

The factors driven this decline in production volumes are the lower quantity of sugar per tonne of sugarcane (TRS/tonne) and the lower cane yields (ton/hectare).

The lower productivity in the TRS/tonne item was mainly due to the high rainfall in the months of June and July 2007, while the lower yield in the tonne/hectare item was mainly caused by the severe drought in the 2006-07 crops.



Cost of Goods Sold

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

Breakdown of Cost of Goods Sold (COGS) - Excluding Depreciation										
R\$ Thousand	2Q08	%	2Q07	%	Chg.%	6M08	%	6M07	%	Chg.%
Agricultural Costs	88,471	79%	114,366	84%	-22.6%	169,775	79%	185,095	82%	-8.3%
Suppliers	42,573	38%	61,274	45%	-30.5%	70,046	32%	89,224	39%	-21.5%
Partnerships	6,761	6%	11,090	8%	-39.0%	16,308	8%	21,756	10%	-25.0%
Own Sugarcane	39,137	35%	42,003	31%	-6.8%	83,420	39%	74,115	33%	12.6%
Industrial	12,319	11%	11,212	8%	9.9%	29,027	13%	22,397	10%	29.6%
Other Products	10,510	9%	11,370	8%	-7.6%	16,921	8%	18,485	8%	-8.5%
Total COGS (*)	111,300	100%	136,949	100%	-18.7%	215,722	100%	225,978	100%	-4.5%
Etanol Participações S.A. reconciliation	10,463	-	-	-	-	19,141	-	-	-	-
Total COGS	121,763	-	136,949	-	-11.1%	234,863	-	225,978	-	3.9%

(*) Excludes partial consolidation of Etanol Participações S.A.

As the table shows, COGS, in cash cost terms declined by 11.1% in the quarter versus the 2Q07, mainly due to the positive impacts from lower costs in the items "Suppliers" and "Partners", which fell by 30.5% and 39%, respectively. These expenses were directly related to the evolution of sugar and ethanol prices, which registered similar declines between the two periods.

The main negative impacts were concentrated in the items "Industrial Costs" and "Own Sugarcane Agricultural Costs" due to the combination of two factors: 1) less dilution of fixed costs due to lower production volumes in the half-year period (-15.5% production in sugar equivalent terms), increasing unit production costs; 2) given the lower sugar and ethanol prices in the 6M08, stocks were reduced at market value, leading to a loss in the period of R\$3 million in the "Own Sugarcane Agricultural Costs" item and of R\$1.8 million in the "industrial Costs" item.

Gross Income and Gross Margin

As a result of the above factors, gross income in the quarter was R\$ 13.7 million, down 84.9% in relation to the 2Q07.

It is worth mentioning that Gross Profit and Gross Margin were also impacted by an increase in depreciation for the fiscal year of 2008, due to an asset revaluation occurred in March 2007. In 2Q08, depreciation amounted to R\$ 43.6 million in "Cost of Products Sold", from which R\$ 32.3 million in the 2Q07. For the first half of 2008, depreciation represented R\$ 88.9 million in "Cost of Products Sold" while in 6M07, this figure was R\$ 67.8 million.

Selling Expenses

Selling Expenses Breakdown						
R\$ Thousand	1Q08	1Q07	Chg.%	6M08	6M07	Chg. (%)
Port Costs	(3,710)	(5,276)	-29.7%	(7,274)	(7,880)	-7.7%
Packaging	(526)	(634)	-17.1%	(928)	(887)	4.7%
Freight	(5,766)	(8,290)	-30.4%	(13,562)	(13,336)	1.7%
Other	(1,389)	(4,634)	-70.0%	(2,759)	(6,128)	-55.0%
Selling Expenses (*)	(11,390)	(18,834)	-39.5%	(24,523)	(28,229)	-13.1%
% of Net Revenue	-6.4%	7.3%	-0,90 p.p.	6.9%	6.2%	0,73 p.p.
Etanol Participações S.A. Reconciliation	(899)	0	n.m.	(1,670)	0	n.m.
Selling Expenses	(12,289)	(18,834)	-34.8%	(26,193)	(28,229)	-7.2%
% of Net Revenue	6.9%	7.3%	-0,39 p.p.	7.4%	6.2%	1.20 p.p.

(*) Excludes partial consolidation of Etanol Participações S.A.



Selling expenses contracted by 34.8% in the quarter versus the 2Q07, and declined by 7.2% in the 6M08 versus the 6M07. The main drivers of these lower selling expenses were the lower sugar exports in fiscal year 2008, which generated a positive impact through lower customs, freight and related costs.

General and Administrative Expenses

General and Administrative Expenses Breakdown						
In R\$ Thousand	2Q08	2Q07	Chg. (%)	6M08	6M07	Chg. (%)
Personnel	(5,872)	(6,036)	-2.7%	(11,229)	(11,208)	0.2%
Taxes, Fees and Contributions	(3,689)	(3,561)	3.6%	(4,795)	(4,655)	3.0%
Provisions for Contingencies	(1,704)	(1,660)	2.7%	(4,985)	(6,013)	-17.1%
General Expenses and Third-Party Services	(2,669)	(4,817)	-44.6%	(7,089)	(7,105)	-0.2%
Copersucar Share	(3,348)	(2,919)	14.7%	(6,075)	(7,190)	-15.5%
Management fee	(2,680)	(1,766)	51.8%	(4,583)	(3,429)	33.6%
Total General and Administrative Expenses (*)	(19,962)	(20,758)	-3.8%	(37,754)	(39,602)	-2.1%
Etanol Participações S.A. Reconciliation	(2,342)	-	n.m.	(4,054)	-	n.m.
Total General and Administrative Expenses	(22,303)	(20,758)	7.4%	(42,808)	(39,602)	8.1%

(*) Excludes partial consolidation of Etanol Participações S.A.

G&A expenses totaled R\$22.3 million in the 2Q08, up 7.4% on the 2Q07. Excluding the effects of the consolidation of Etanol Participações S.A., G&A expenses would have declined by 3.8%.

The main positive impact was in the line "General and Outsourcing Expenses", since in the 2Q07 we were forced to pay additional storage for sugar due to higher production in 2006-07. As already explained, in the 2006-07 crops we reduced sugar production and increased ethanol production. Given that the São Martinho Group has ethanol storage capacity for approximately 80% of its production, we will not need to incur costs related to additional storage.

Other Operational Revenue (Expenses)

Other Operating Revenues (Expenses) Reconciliation						
R\$ Thousand	2Q08	2Q07	Chg. (%)	6M08	6M07	Chg. (%)
ICMS Installment	(17,607)	-	n.m.	(17,607)	-	n.m.
Goodwill Amortization	(211)	-	n.m.	351	-	n.m.
Others	41	34	n.m.	12	32	n.m.
Other Operating Revenue (Expenses)	(17,777)	34	n.m.	(17,946)	32	n.m.

The main impact of the "Other Operating Expenses" line relates to **non-recurring** expenses with tax provisions.

The São Martinho Group and Copersucar each were involved in judicial proceedings related to ICMS tax applicable on ethanol sales since 1997, which were assessed by legal advisors as only potential risks, and as such were not provisioned for.

In the second quarter of 2008, the State of São Paulo implemented certain tax benefits, such as a reduction of 40% in interest and 50% in penalties for taxpayers foregoing these proceedings.

As a result, given the recent shift on this matter by Brazil's Supreme Court (STF) to an unfavorable scenario for taxpayers, the group and Copersucar decided to terminate these judicial proceedings with the objective of taking advantage of the benefits offered by the São Paulo State Government.



The amounts that as of the close of September 2007 could be included in the monthly repayment plan offered by the São Paulo State Government were provisioned for by the Group, including a portion that will be shared with Copersucar in October 2007.

EBITDA

EBITDA Reconciliation						
R\$ Thousand	2Q08	2Q07	Chg. (%)	6M08	6M07	Chg.%
Adjusted EBITDA	22.757	87.437	74.0%	50.481	188.610	-73.2%
<i>Adjusted EBITDA Margin</i>	12.7%	33.5%	-28.9 p.p.	14.3%	39.4%	-25.1 p.p.
Pricing adjustment Net Revenue	-	1.172	n.m.	-	23,983	n.m.
Pricing adjustment Sales Expenses	-	3.233	n.m.	698	3.233	-78.4%
Other Operational Revenue (Expense) - Non recurring	(17,607)	-	n.m.	(17,607)	-	n.m.
EBITDA	5.149	83.033	-98.8%	32,175	161,394	-80.1%
<i>EBITDA Margin</i>	2.9%	32.0%	-29.1 p.p.	9.1%	35.5%	-26.4 p.p.
(-) Depreciation and Amortization	(48,811)	(33,395)	46.2%	(98,335)	(70,271)	39.9%
(-) Financial Revenue (Expense), net	(4,274)	(4,171)	2.5%	2,134	(11,582)	n.m.
(=) Operating Income	(47,936)	45,468	n.m.	(64,026)	79,542	n.m.

As the table shows, adjusted EBITDA declined by 74.0% in the quarter versus the 2Q07. The main factor was the drop in sugar and ethanol prices between the two periods (see comments in section "Industry Overview").

Net Financial Result

Net Financial Result Breakdown						
R\$ Thousand	2Q08	2Q07	Chg.%	6M08	6M07	Chg.%
Financial Revenue	15,215	17,185	-11.5%	39,461	41,351	-4.6%
Financial Expense	(18,591)	(21,326)	-12.8%	(36,908)	(50,614)	-27.1%
Exchange Variation	(378)	(30)	n.m.	95	(2,319)	n.m.
Net Financial Result (*)	(3,755)	(4,171)	-10.0%	2,647	(11,582)	n.m.
Etanol Participações S.A. Reconciliation	(519)	-	n.m.	(513)	-	n.m.
Net Financial Result	(4,274)	(4,171)	2.5%	2,134	(11,582)	n.m.

(*) Excludes partial consolidation of Etanol Participações S.A.

The Net Financial Result was fairly stable compared to 2Q07, with slight decrease of only 2.5%. In the 6M08, this result improved significantly, from a net expense of R\$11.6 million to net financial income of R\$2.1 million.

The main reasons for the improvement between the two half-year periods were the gains from Copersucar's hedge operations and the increase in financial revenue resulting from the Company's IPO in February 2007, which raised R\$243 million net of commissions.

Income Tax and Social Contribution Tax

At the close of the 2Q08, São Martinho had a tax credit of R\$15.9 million, versus an expense of R\$15.8 million in the 2Q07. In the 6M08, the company had a tax credit of R\$21.0 million, compared to an expense of R\$28.5 million in the 6M07. The generation of tax credits in fiscal year 2008 is mainly due to the losses generated by the sharp declines in sugar and ethanol prices.



Net Income (Loss)

São Martinho posted a net loss of R\$31.9 million, versus R\$30.7 million in the 2Q07, primarily due to the unfavorable environment for sugar and ethanol. Due to the same factor, the Company posted a net loss of R\$42.5 million in the 6M08, compared to net income of R\$49.5 million in the 6M07.

Indebtedness

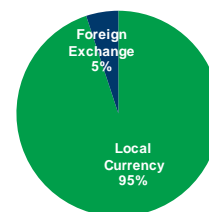
Debt	Sep/07	Jun/07	Chg%.
R\$ Thousand			
PESA	115,818	118,226	-2.0%
Rural Credit	60,179	50,304	19.6%
Finame / BNDES Automatic	290,814	197,541	47.2%
Working Capital	283	5,855	-95.2%
FRN (Commercial Paper)	9,332	9,992	-6.6%
Total Gross Debt (Market)	476,426	381,918	24.7%
<u>Other Financial Liabilities - Copersucar</u>			
Copersucar's Working Capital	48,316	49,432	-2.3%
Total Copersucar's Debt	48,316	49,432	-2.3%
Gross Debt	524,742	431,350	21.7%
Cash and Cash Equivalents	185,992	253,969	-26.8%
Debt with Copersucar	338,750	177,381	91.0%

On September 30, 2007, São Martinho's gross debt totaled R\$524.7 million, 21.7% higher than at the close of the previous quarter.

On the same date, cash and cash equivalents amounted to R\$185.9 million, 26.8% down on the R\$ 253.9 million recorded at the close of the 1Q08. The main reasons for this increase in net debt in the amount of R\$161.3 million are the investment of R\$98.4 million in the Boa Vista Mill in the quarter, and the higher working capital requirements in the period due to seasonality, given the approach of the end of the harvest season.

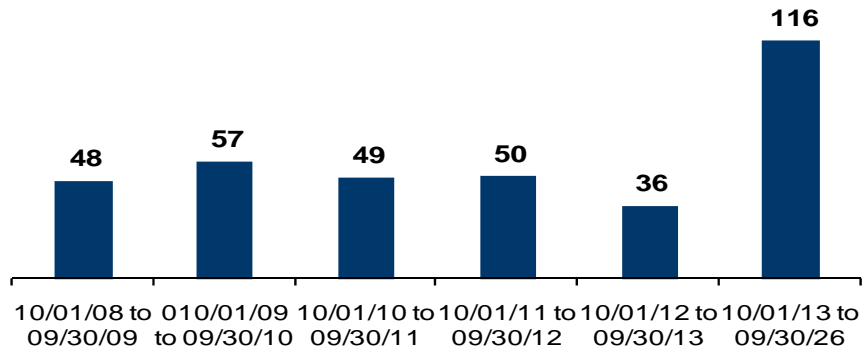
São Martinho's debt is practically all denominated in Real (95%), as shown in the chart. Regarding debt terms, as of September 30, 2007, 68% of the debt was classified as long-term, as shown below.

2007 Debt Breakdown





Long Term Debt Repayment Schedule R\$ MM



The above schedule includes all our Pesa bank debt.

Debt with Copersucar

On September 30, 2007, the Company recognized a debt of R\$ 230.7 million with Copersucar. The portion related to financial debt contracted through Copersucar is booked under “Copersucar’s Working Capital” and included in the Company’s gross debt, as previously mentioned.



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Capital Expenditure

CAPEX Breakdown						
In R\$ Thousand	2Q08	2Q07	Chg.%	6M08	6M07	Chg.%
Sugarcane Planting	12,506	10,674	17.2%	23,629	22,968	2.9%
Industrial / Agricultural	6,128	5,187	18.1%	18,171	16,852	7.8%
Sub Total	18,633	15,862	17.5%	41,800	39,820	5.0%
Upgrading, Mechanization and Expansion						
Industrial / Agricultural	1,162	6,280	-81.5%	7,269	30,219	-75.9%
Other	848	-	n.m.	15	13,850	n.m.
Sub Total	2,010	6,280	-68.0%	7,311	44,069	-83.4%
Boa Vista Mill (Greenfield)						
Sugarcane Planting	15,703	1,990	n.m.	36,119	2,133	n.m.
Industrial / Agricultural	76,670	18,861	n.m.	120,702	20,163	n.m.
Deferred Expenses	6,057	-	n.m.	9,610	-	n.m.
Sub Total	98,430	20,851	372.1%	166,431	22,296	646.5%
Etanol Participações S.A						
Acquisitions / Investments	-	-	n.m.	113,750	-	n.m.
Sub-Total	-	-	n.m.	113,750	-	n.m.
Total Geral	119,073	42,993	177.0%	329,292	106,186	210.1%

The bulk of investment in 2Q08 was for ongoing construction at the Boa Vista Mill, given that the unit shall startup production in May 2008. Further investment of R\$ 64 million is expected in this harvest, for a total of R\$ 230 million in the 2007/2008 season.

Recent Events

Hiring of New Vice-President: On October 22, 2007, the Company announced the hiring of Mr. Fábio Venturelli for the position of Vice President, with more than 18 years of experience in corporate management, global business management, sales management, and marketing and sales in the chemicals and plastics industry. Mr. Venturelli will be charged with expanding the company's operations in the domestic and international markets, and seeking new business alternatives to reduce the seasonality of the sugar and ethanol industry.



2Q08 – 2007/08 Harvest

Upcoming Events

2Q08 Earnings Conference Call

Portuguese

Date: 11/14/2007

Time: 10:00 am (Brazil)

Phone: (11) 2188-0188

Code: São Martinho

Replay: (+55 11) 2188-0188

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

English

Date: 11/14/2007

Time: 12:00 pm (Brazil) / 9:00 am (US EST)

Phone: (+1 973) 935-8893

Code: 9323323

Replay: (+1 973) 341-3080

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. Currently, the Group's sugarcane crushing capacity is 11.0 million tones per year, considering Etanol Participações S.A. The Company produces sugar and ethanol at two mills, Unidade Itacema and Unidade São Martinho, and recently acquired 41.67% of the capital stock of Usina Santa Luiza and Agropecuária Aquidaban.

The Company also began construction of a third mill, the Boa Vista Mill, in the municipality of Quirinópolis, Goiás state, which is expected to start operating in the 2008-09 harvest, crushing roughly 1.0 million tonnes of sugarcane to produce about 94,600 m³ of ethanol in the season.

The Company will increase its annual sugarcane processing capacity to 3.4 million tonnes and 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 website www.saomartinho.ind.br/ir



Income Statement

São Martinho S.A. - Income Statement						
In R\$ Thousand	2Q08	2Q07	Chg. %	6M08	6M07	Cgh. %
	Jul/07 - Sep/07	Jul/06 - Sep/06		Apr/07 - Sep/07	Apr/06 - Sep/06	
Gross Revenue	195,219	280,844	-30.5%	385,024	499,554	-22.9%
Deductions from Gross Revenue	(16,148)	(21,303)	-24.2%	(31,390)	(44,383)	-29.3%
Net Revenue	179,071	259,541	-31.0%	353,634	455,171	-22.3%
Cost of Goods Sold (COGS)	(165,393)	(169,211)	-2.3%	(323,818)	(293,790)	10.2%
Gross Profit	13,678	90,330	-84.9%	29,816	161,381	-81.5%
<i>Gross Margin (%)</i>	7.6%	34.8%	-27.2 p.p	8.4%	35.5%	-27.0 p.p
Operating Expenses	(57,340)	(40,691)	40.9%	(95,976)	(70,257)	36.6%
Sales Expenses	(12,289)	(18,834)	-34.8%	(26,193)	(28,229)	-7.2%
General and Administrative Expenses	(24,596)	(20,125)	22.2%	(47,255)	(38,631)	22.3%
Management Fees	2,679	(1,766)	51.7%	(4,583)	(3,429)	33.7%
Other Operating Expenses, Net	(17,777)	34	n.m.	(17,946)	32	n.m.
Operating Profit, before financial effects	(43,662)	49,639	n.m.	(66,160)	91,124	n.m.
Financial Result, Net	(4,274)	(4,171)	2.5%	2,134	(11,582)	n.m.
Financial Revenue	16,377	17,185	-4.7%	42,058	41,351	1.7%
Financial Expenses	(20,274)	(21,326)	-4.9%	(40,020)	(50,614)	-20.9%
Monetary and Exchange Variation - Assets	4,651	2,206	110.8%	7,162	14,722	-51.4%
Monetary and Exchange Variation - Liabilities	(5,029)	(2,236)	124.9%	(7,066)	(17,041)	-58.5%
Operating Result	(47,936)	45,468	n.m.	(64,026)	79,542	n.m.
Non-operating Result	100	1,074	n.m.	518	(1,189)	n.m.
Income Before Income and Social Contribution	(47,836)	46,542	n.m.	(63,508)	78,353	n.m.
Income Tax and Social Contribution	-	(16,789)	n.m.	-	(25,330)	n.m.
Deferred Income Tax and Social Contribution	15,927	989	n.m.	21,029	(3,256)	n.m.
Net income from split assets	-	-	n.m.	-	(276)	n.m.
Net Income	(31,909)	30,742	n.m.	(42,479)	49,491	n.m.
<i>Net Margin (%)</i>	-17.8%	11.8%	n.m.	-12.0%	10.9%	n.m.
Net Income per Share (in R\$)	(0.28)	0.27	n.m.	(0.38)	0.44	n.m.



Balance Sheet (Assets)

São Martinho S.A. - Consolidated Balance Sheet - ASSETS		
R\$ thousand		
ASSETS	Sep-07	Jun-07
SHORT-TERM ASSETS		
Cash and Cash Equivalents	25,740	28,628
Short Term Investments	160,252	225,341
Accounts Receivable - Copersucar	34,210	41,273
Inventories	316,804	215,657
Tax receivable	39,987	29,686
Other Assets	20,526	21,416
TOTAL SHORT-TERM ASSETS	597,519	562,001
LONG-TERM ASSETS		
Related Parties	1	1
Deferred Income Tax and Social Contribution	85,423	81,968
Other assets	13,522	12,261
Property Plant and Equipment		
Investments	49,102	50,731
Fixed assets	2,072,213	2,037,793
Deferred	17,296	11,273
TOTAL LONG-TERM ASSETS	2,237,557	2,194,027
TOTAL ASSETS	2,835,076	2,756,028



Balance Sheet (Liabilities)

São Martinho S.A. - Consolidated Balance Sheet - LIABILITIES		
R\$ Thousand		
LIABILITIES	Sep-07	Jun-07
SHORT TERM		
Loans and Financing	119,828	110,267
Suppliers	88,669	77,034
Accounts Payable - Copersucar	39,779	34,132
Payroll and social contribution	36,604	32,135
Tax payable	8,355	7,154
Related parties	6	19
Dividends Payable	1	20,000
Other Liabilities	1,390	1,552
TOTAL	294,632	282,293
LONG TERM LIABILITIES		
Loans and Financing	356,598	271,651
Accounts Payable - Copersucar	239,210	223,672
Tax Installments	8,959	-
Income Tax and Social Contribution	226,064	232,450
Provision for Contingencies	71,187	75,574
Other Liabilities	1,814	1,867
TOTAL	903,832	805,214
MINORITY SHAREHOLDERS	7,611	7,611
SHAREHOLDERS' EQUITY		
Capital Stock	360,000	360,000
Capital Reserve	1,185,953	1,198,947
Legal Reserve	5,079	5,079
Capital Budget Reserve	95,427	95,427
Accumulated Profits	(17,458)	1,457
TOTAL	1,629,001	1,660,910
TOTAL LIABILITIES	2,835,076	2,756,028



2Q08 – 2007/08 Harvest

Cash Flow

São Martinho S.A. - Statement of Cash Flows		
In R\$ Thousand	2Q08	6M08
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income in the period	(31,909)	(42,479)
Adjustments to reconcile net income to the generated cash		
Depreciation and amortization	48,811	98,335
Residual cost of fixed assets - write off	187	567
Financial expenses and exchange variation - related parties, loans, financing and tax payable	11,756	20,708
Provision for contingencies	(4,387)	(973)
Write-off (provision) for deferred income tax and social contribution	(9,841)	(14,433)
(Increase) decrease in operating assets:		
Accounts receivable - Copersucar	7,063	(11,502)
Inventories	(69,886)	(109,199)
Tax receivable	(10,301)	(18,768)
Other current assets	890	1,124
Other non-current assets	(1,261)	(2,241)
Increase (decrease) in operating liabilities:		
Suppliers	11,635	33,201
Wages and social contribution	4,469	16,540
Tax payable	1,201	1,472
Tax installments	8,959	8,959
Related parties	(13)	(40)
Other short term assets	(162)	(1,624)
Other non-current assets	(53)	106
Cash flows from operating activities	(32,842)	(20,247)
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Resource Application in investments	-	(15)
Investments	1,418	(49,297)
Investments- Goodwill	(120,491)	(217,614)
Increase in property, plant and equipment and deferred	-	(62,577)
Cash flows from investment activities	(119,073)	(329,503)
CASH FLOWS FROM FINANCING ACTIVITIES		
Financing for the acquisition of investments	-	18,402
Financing for the acquisition of investments - Copersucar	-	10,304
Financing - third parties	136,689	211,072
Accounts payable - Copersucar	18,421	39,597
Loans payable	(51,173)	90,598
Dividends Payment	(19,999)	(19,999)
Cash Generated by Investment Activities	83,938	168,778
INCREASE (REDUCTION) IN CASH AND CASH EQUIVALENTS BALANCE	(67,977)	(180,972)
CASH AND CASH EQUIVALENTS		
Initial balance	253,969	366,964
Ending balance	185,992	185,992
INCREASE IN CASH AND CASH EQUIVALENTS BALANCE	(67,977)	(180,972)
ADDITIONAL INFORMATION		
Interest paid during the quarter	(10,413)	(17,299)
Values paid to suppliers	7,411	7,411