

SÃO MARTINHO REPORTS NET INCOME OF R\$93.2 MM IN 2009/10 HARVEST YEAR

4Q10 Earnings Conference Call

Portuguese

June 30, 2010

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São Paulo, June 29, 2010 – SÃO MARTINHO S.A. (BM&FBovespa: SMT03; Reuters SMT03.SA and Bloomberg: SMT03 BZ), one of the largest sugar and ethanol producers in Brazil, announces today its results for the fourth quarter of fiscal year 2010 (4Q10) and the 12 months of the 2009/10 harvest year (12M10).

HIGHLIGHTS

- In 12M10, the 96% growth in sugar sales volume and the improvement in ethanol and sugar prices were the main drivers of the net revenue growth from 12M09 of 52.8% to R\$1,183.3 million;
- Net revenue in 4Q10 grew by 33.0% from 4Q09, reflecting the 69.3% increase in sugar sales volume and the 32.7% increase in sugar prices. As a result, in 4Q10, Adjusted EBITDA and Hedge EBITDA were R\$120.2 million (margin of 33.8%) and R\$129.0 million (margin of 36.3%), respectively;
- In 12M10, Adjusted EBITDA stood at R\$363.7 million (margin of 30.7%), which represents a substantial increase of 90% from 12M09. In the same period, our sugar price and U.S. dollar strategy boosted net revenue by R\$29.8 million, increasing our EBITDA after hedge effects (Hedge EBITDA) to R\$393.5 million;
- With the improvement in EBITDA throughout fiscal year 2010, the São Martinho Group recorded Net Income of R\$93.2 million in 12M10, reversing the loss of R\$71.8 million in 12M09. In 4Q10, Net Income was R\$20.9 million, basically reflecting the growth in sugar sales volume;
- On March 31, 2010, the São Martinho Group had 474,400 metric tons of sugar fixed at an average price of US\$20.51 cents/pound, which corresponds to approximately 55% of the production projected for the 2010/11 harvest year;
- Based on the current scenario for sugar and ethanol prices, we forecast production in the 2010/11 harvest year of approximately 600,000 cubic meters (m³) of ethanol and 860,000 metric tons of sugar. Accordingly, approximately 54% of the sugarcane crushed in the period should be allocated to ethanol production and 46% to sugar production. This production should come from the crushing of 13.7 million metric tons of sugarcane at the Group's mills in the 2010/11 harvest year.

Partnership with Petrobras – Main Financial Impacts

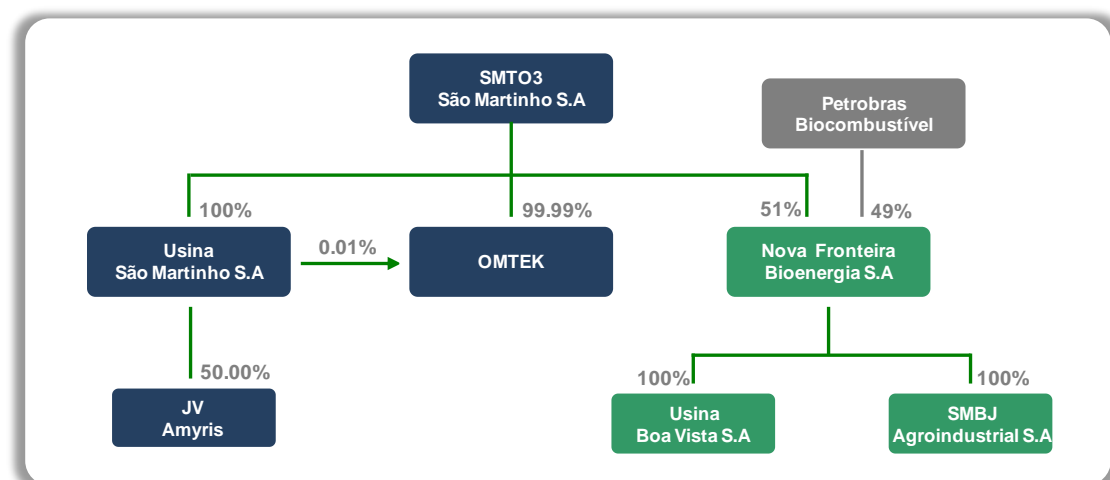
On June 21, 2010, the Group announced a strategic partnership with Petrobras to expand ethanol production in Brazil's Midwest, notably in the state of Goiás.

As part of the agreement, Petrobras will transfer R\$420.8 million in shares to the company "Nova Fronteira Bioenergia S.A." (the controlling shareholder of the Boa Vista Mill and the greenfield project SMBJ Agroindustrial S.A.) in exchange for a 49% interest in this company.

The table below presents a summary of the main impacts on our balance sheet (base date of March 31, 2010) as a result of the share transfer by Petrobras Biocombustível.

	São Martinho Group (Before partnership with Petro)	São Martinho Group (After partnership with Petro)
Crushing Capacity	14 million tons	12.8 million tons
Net Revenue	R\$ 1,183 MM	R\$ 1,097 MM
Adjusted EBITDA	R\$ 364 MM	R\$ 348 MM
Net Debt	R\$ 825 MM	R\$ 409 MM
Net Debt / EBITDA	2.27 x	1.18 x
Shareholders' Equity	R\$ 1,689,418 thousand	R\$ 1,689,755 thousand

Organizational chart post-restructuring:





FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS (R\$ Thousand)	4Q10	4Q09	Chg. (%)	12M10	12M09	Chg. (%)
São Martinho - Consolidated						
Gross Revenue	379,333	300,185	26.4%	1,282,149	867,629	47.8%
Net Revenue	355,377	267,258	33.0%	1,183,286	774,443	52.8%
Adjusted EBITDA	120,210	77,023	56.1%	363,694	189,792	91.6%
EBITDA Margin	33.8%	28.8%	5.0 p.p.	30.7%	24.5%	6.2 p.p.
Hedge Result	8,858	n.m.	n.m.	29,782	n.m.	n.m.
Hedge EBITDA	129,068	n.m.	n.m.	393,476	n.m.	n.m.
Hedge EBITDA Margin	36.3%	n.m.	n.m.	33.3%	n.m.	n.m.
Consolidated Balance Sheet Indicators						
Total Assets	3,320,554	3,394,692	-2.2%	3,320,554	3,394,692	-2.2%
Shareholders' Equity	1,689,418	1,575,201	7.3%	1,689,418	1,575,201	7.3%
EBITDA (LTM)	363,694	189,792	91.6%	363,694	189,792	91.6%
Net Debt	824,505	941,538	-12.4%	824,505	941,538	-12.4%
Net Debt / EBITDA (LTM)	2.27 x	4.96 x		2.27 x	4.96 x	
Net Debt / Shareholders' Equity	49%	60%		49%	60%	

OPERATING DATA	12M10	12M09	Chg. (%)
São Martinho - Consolidated			
Crushed Sugarcane ('000 tons)	12,923	12,001	7.7%
Own	7,584	7,212	5.2%
Third Parties	5,339	4,789	11.5%
Mechanized Harvest	84.4%	81.4%	3.0 p.p.
Production			
Sugar ('000 tons)	702	555	26.5%
Anhydrous Ethanol ('000 m ³)	226	287	-21.2%
Hydrous Ethanol ('000 m ³)	367	387	-5.1%
Ribonucleic Acid (RNA) Sodium Salt ('000 Kg)	279	274	1.9%
Energy ('000 MWh)	159	89	77.7%

Despite adverse weather conditions, the São Martinho Group crushed 12.9 million metric tons of sugarcane in the 2009/10 harvest year, achieving the crushing target it established for the period.

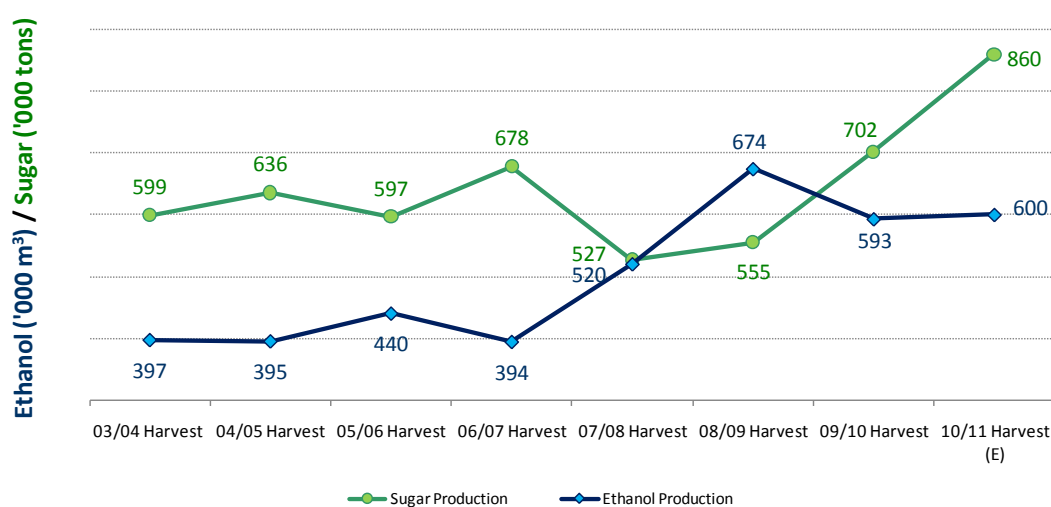
By production unit, the São Martinho Mill once again led production, crushing 8.1 million metric tons in the period and once again setting a world record for the highest crushing volume by a single mill.

Our production mix prioritized the production of sugar, ending the 2009/10 harvest year with sugar production of 702,000 metric tons, up 26.5% from the previous harvest year.

GUIDANCE FOR THE 2010/11 HARVEST YEAR

PRODUCTION GUIDANCE	Production Volume (10/11)	4Q10 Inventories	Available for sale in FY2011
Product			
Sugar ('000 tons)	860	24	884
Ethanol ('000 m ³)	600	35	635

Grupo São Martinho's Sugar and Ethanol Production Evolution



In the 2010/11 harvest year, the São Martinho Group's three mills should crush 13.7 million metric tons of sugarcane. Our production mix will seek to maximize sugar production at the São Martinho Mill and Iracema Mill, which should produce a combined total of approximately 860,000 metric tons. Combined ethanol production at the three units should amount to 600,000 m³.

The projected growth in sugar production in the 2010/11 harvest year reflects the investments announced in December 2009 to increase the flexibility of sugar and ethanol production at our units located in São Paulo state.



INDUSTRY OVERVIEW - SUGAR

AVERAGE PRICES - SUGAR	4Q10	4Q09	Chg. (%)	12M10	12M09	Chg. (%)
Market Prices						
Dollar	1.80	2.31	-22.0%	1.87	1.98	-5.5%
NY11 Cents / Pound	24.39	12.73	91.6%	20.80	12.14	71.3%
NY11 R\$ / Ton	969.15	648.78	49.4%	857.84	528.87	62.2%
Sugar ESALQ Net R\$ / Sack	59.44	36.26	63.9%	46.13	27.33	68.8%

In 4Q10, sugar set a succession of new high prices for the 2009/10 harvest year, reaching US\$29.9 ¢/pound on January 29, 2010. However, since February, we observed sharp price corrections, with sugar prices between US\$14.0 ¢/pound and US\$16 ¢/pound since April.

In 4Q10, the NY11 sugar price in BRL was 49.4% higher than in 4Q09, reflecting the price increase in USD of 91.6% and the appreciation in the BRL against the USD of 22% in the same period. In 12M10, the BRL sugar price rose by 62.2%, mainly reflecting the 71.3% increase in the USD sugar price, since the BRL appreciated against the USD by 5.5% in the period.

The high volatility in sugar prices during the 2009/10 harvest year reflected the changes in the supply scenarios in Brazil and India. Among other factors, weather conditions had different impacts on production in each country. In Brazil, the heavy rainfall adversely affected total sugarcane crushing volume and reduced the volume of total recoverable sugar (TRS), leading ethanol and sugar production to fall short of the forecasts formulated at the start of the year.

In India, sugar production volume at the end of 2009/10 surprised on the upside, since sugar production was 18 million metric tons in the period, compared with the market's initial forecast of 14 million metric tons.

Production forecasts for the 2010/11 harvest have been pressuring sugar prices since February 2010. The likely increase in sugar production in Brazil (+ 5.4 MT) combined with growth in India's production (which could reach 24.7 MT) should reestablish a surplus after two harvest years in which world supply lagged world consumption.

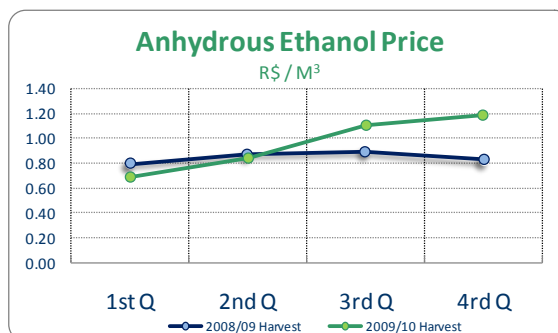
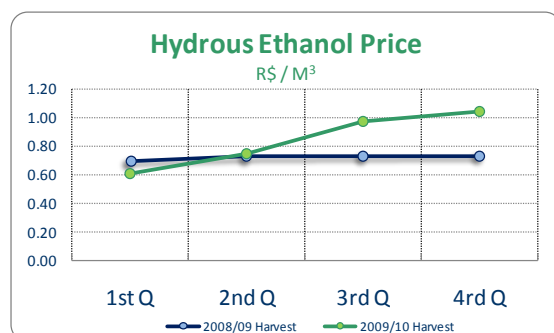
However, as the following table shows, the availability of world stocks in the 2010/11 harvest year should remain at low levels, indicating the need to rebuild stocks, which could help support a recovery in sugar prices.

SUGAR	05/06	06/07	07/08	08/09	09/10	10/11 E
Data - USDA						
World Supply ('000 tons)	223.24	238.48	242.96	230.93	231.18	238.33
World Demand ('000 tons)	142.59	152.55	152.21	154.37	154.15	157.67
Ending Stocks ('000 tons)	30.78	34.49	39.22	27.69	26.52	27.02
Stocks / Demand	21.6%	22.6%	25.8%	17.9%	17.2%	17.1%

Source: USDA - United States Department of Agriculture

INDUSTRY OVERVIEW - ETHANOL

AVERAGE PRICES - ETHANOL	4Q10	4Q09	Chg. (%)	12M10	12M09	Chg. (%)
Market Prices						
Anhydrous ESALQ, Net DM R\$/ m ³	1,186.35	825.15	43.8%	955.45	849.41	12.5%
Hydrous ESALQ, Net DM - R\$/ m ³	1,038.35	735.50	41.2%	836.18	721.94	15.8%



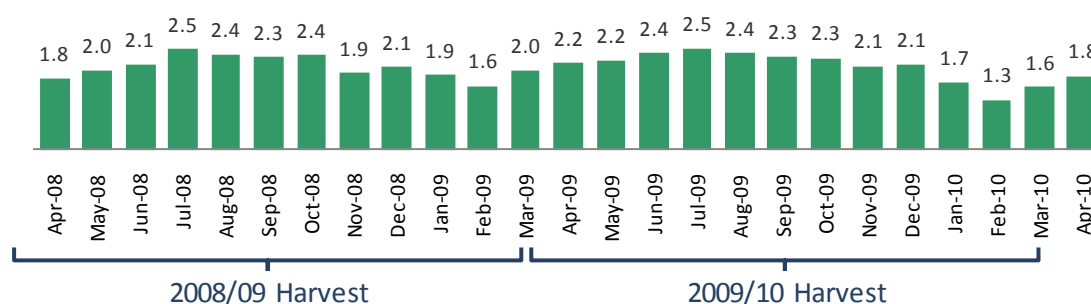
In 4Q10, hydrous and anhydrous ethanol prices increased by 43.8% and 41.2% from 4Q09, respectively, reflecting the lower production volume in Brazil's Center-South region in the period. In 12M10, prices increased by only 12.5% for anhydrous ethanol and 15.8% for hydrous ethanol, reaching the levels observed in the 2006/07 harvest year. This price scenario led to a temporary drop in ethanol demand in early 2010, as the following chart shows. However, with the onset of the crushing period in April 2010, consumption has already begun to rebound as a result of the recovery in the competitiveness of ethanol in relation to gasoline at the pump.

For the coming harvest, according to the latest forecasts made by UNICA, Brazil's Center-South region should expand its ethanol production by approximately 3.7 billion liters, reestablishing a balance in the market. The main drivers of this strong growth should probably be higher sugarcane crushing volume and better TRS levels.

A portion of the additional ethanol volume expected for the next harvest represents the operational startup of new units in the Center-South region. UNICA estimates that 10 new units will come on line in the 2010/11 harvest, which is a much lower number than in previous harvest years, with 25 new units inaugurated in 2007/08, 30 in 2008/09 and 19 in 2009/10.

Ethanol Demand – Center-South Region

Billion Liters





FINANCIAL PERFORMANCE

NET REVENUE BREAKDOWN	4Q10	4Q09	Chg. (%)	12M10	12M09	Chg. (%)
R\$ Thousand						
Domestic Market	152,252	164,556	-7.5%	561,001	498,360	12.6%
Sugar	14,848	7,965	86.4%	48,682	23,386	108.2%
Hydrous Ethanol	66,529	106,159	-37.3%	268,996	261,576	2.8%
Anhydrous Ethanol	66,650	44,657	49.2%	186,183	167,767	11.0%
Energy	-	893	n.m.	22,301	16,445	35.6%
Other	4,225	4,883	-13.5%	34,839	29,186	19.4%
Export Market	203,125	102,701	97.8%	622,285	276,083	125.4%
Sugar	184,419	80,725	128.5%	533,571	205,716	159.4%
Hydrous Ethanol	9,562	14,462	-33.9%	46,236	23,083	100.3%
Anhydrous Ethanol	-	-	n.m.	21,423	29,098	-26.4%
RNA	9,145	7,515	21.7%	21,055	18,186	15.8%
Net Revenue	355,377	267,258	33.0%	1,183,286	774,443	52.8%
Sugar	199,267	88,690	124.7%	582,252	229,102	154.1%
Hydrous Ethanol	76,091	120,620	-36.9%	315,232	284,658	10.7%
Anhydrous Ethanol	66,650	44,657	49.2%	207,606	196,864	5.5%
RNA	9,145	7,515	21.7%	21,055	18,186	15.8%
Energy	-	893	n.m.	22,301	16,445	35.6%
Other	4,225	4,883	-13.5%	34,839	29,186	19.4%

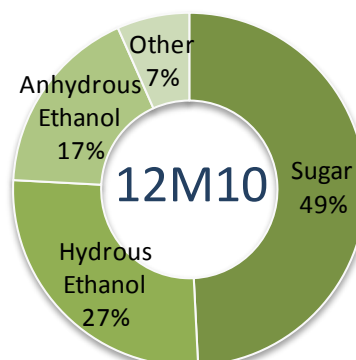
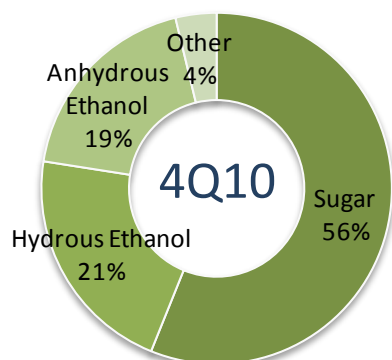
Net Revenue

In 4Q10, the São Martinho Group recorded Net Revenue growth of 33.0% from 4Q09, reflecting the 69.3% increase in sugar sales volume and the 32.7% increase in sugar sales prices. Ethanol sales revenue, however, declined by 14% from 4Q09, mainly due to the 39% reduction in sales volume, which was partially offset by the increase in the average sales price in the period.

In 12M10, net revenue increased by 52.8% from the previous fiscal year, driven primarily by the increases in both sugar sales volume and prices during the 2009/10 harvest year.

Net Revenue Breakdown

4Q10 vs. 12M10

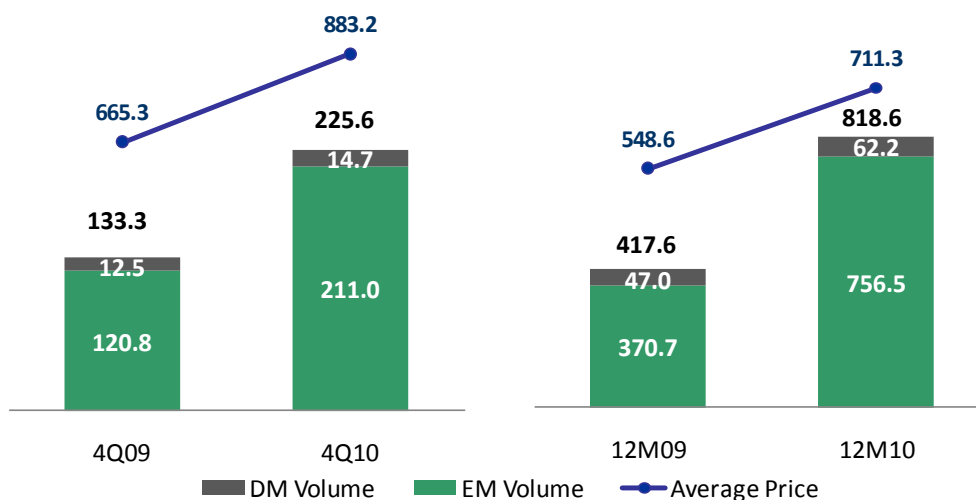




Sugar

Sugar

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



Net revenue from sugar sales totaled R\$199.2 million in 4Q10, an increase of 124.7% from R\$88.7 million in 4Q09. The increase of 69.3% in sales volume and the higher prices in both the domestic and international markets were the key drivers of the strong net revenue growth.

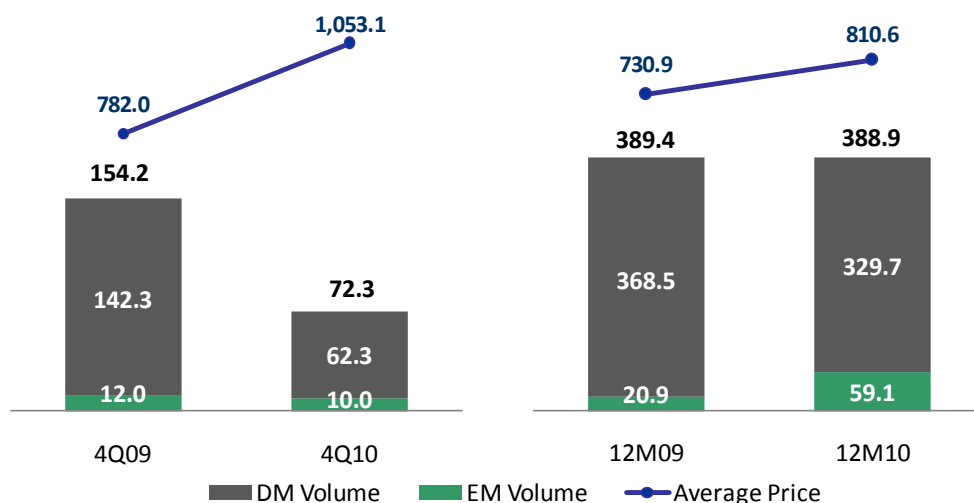
The average international sugar price stood at US\$22 cents/pound in 4Q10, an increase of 67.7% in relation to 4Q09.

In 12M10, the average sugar sale price was US\$17.25 cents/pound, reflecting the gradual recovery in sugar hedge prices since 1Q10. Note that sugar sales volume in 12M10 was 818,000 metric tons, of which 17% (approximately 141,000 metric tons) was related to ending stocks from the 2008/09 harvest year priced at under US\$13 cents/pound.

Ethanol

Hydrous Ethanol

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

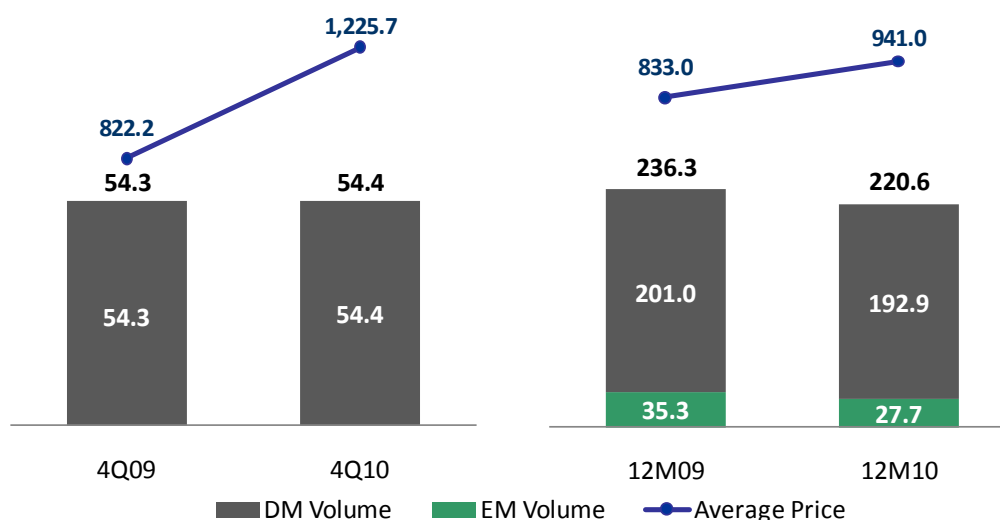


Net revenue from hydrous ethanol sales was R\$76.0 million in 4Q10, down 36.9% from 4Q09, mainly reflecting the 53.2% drop in sales volume, which was partially offset by the 34.7% improvement in the average sales prices.

In 12M10, net revenue from hydrous ethanol sales increased by 10.7% to R\$315.2 million, reflecting the 10.9% increase in the average sales price, since sales volume was practically stable from the previous harvest.

Anhydrous Ethanol

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



Net revenue from anhydrous ethanol sales in the quarter was R\$66.6 million, up 49.2% from 4Q09. The 49.1% increase in the sales price was the main driver of this product's revenue improvement, since in 4Q10 sales were virtually stable in relation to 4Q09.

In 12M10, net revenue from anhydrous ethanol sales climbed 5.5%, due to the reduction in sales volume (-6.7%), which was ultimately offset by the 13.0% increase in the price.

The decline in sales volume was mainly related to the lower yields (lower sugarcane TRS) caused by the heavy rains that adversely affected the 2009/10 crop in the Center-South region.

Ribonucleic Acid (RNA) Sodium Salt

Net revenue from RNA sodium salt amounted to R\$9.1 million in 4Q10, growing by 21.7% from 4Q09, reflecting the 56.6% increase in sales volume, which was partially offset by the reduction of 22.5% in the BRL sales price, which basically reflected appreciation in the BRL against the USD similar to the level in 4Q09.

In 12M10, revenue from RNA grew 15.8% from the previous fiscal year, explained by the 6.0% growth in sales volume and the 9.1% increase in the sales price from 12M09.

Electricity

Most electricity generation occurs during the crushing months (from April to December). Therefore, revenue from electricity sales during the fourth quarter of each harvest is only residual, as was the case in 4Q09.

In 12M10, net revenue from electricity sales increased by 35.6% on a year earlier to R\$22.3 million. Sales volume grew by 64.3%, reflecting the longer co-generation period at the Boa Vista Mill in the 2009/10 harvest year.

The price of electricity sales fell 17.5%, impacted basically by the energy spot market.

Other Products and Services

Net revenue from the "Other Products and Services" line totaled R\$4.2 million in 4Q10 and R\$34.8 million in 12M10, which represented a decrease of 13.5% and an increase of 19.4%, respectively, from the same year-ago periods. This revenue growth in 2009/10 was driven by the higher sales volume of inputs to sugarcane suppliers. In line with its policy of maintaining long-term relationships with its suppliers, the São Martinho Group occasionally buys high quantities of inputs and resells them to suppliers at cost.

INVENTORIES

INVENTORIES	4Q10	4Q09	Chg. (%)
Sugar (tons)	24,356	141,240	-82.8%
Hydrous (m ³)	9,587	31,299	-69.4%
Anhydrous (m ³)	25,579	22,043	16.0%

The lower inventories of hydrous ethanol in 4Q10 versus 4Q09 are directly related to the strategy of accelerating sales in the fourth quarter, due to the start of the harvest in March 2010, which consequently increases product supply.

The substantial reduction in sugar inventories reflects the sales strategy established at the close of the 2008/09 harvest, when the Group focused on selling inventories at prices quoted for March 2009 (with deliveries as of April 2009). As a result, a large share of sales was invoiced only in fiscal year 2010, positively affecting the inventory drawdown in 4Q10 compared with 4Q09.



EBITDA AND EBITDA COST BY PRODUCT

EBITDA BY PRODUCT - 12M10	SUGAR	ETHANOL	OTHER	TOTAL
R\$ Thousand				
Net Revenues	582,253	522,838	78,195	1,183,286
COGS (Cash)	(275,812)	(339,924)	(57,763)	(673,499)
Gross Profit (Cash)	306,441	182,914	20,432	509,787
Gross Margin (Cash)	52.6%	35.0%	26.1%	43.1%
Sales Expenses	(46,047)	(15,086)	(321)	(61,453)
G&A Expenses	(35,781)	(43,610)	(8,821)	(88,212)
Other Revenues (Expenses)	-	-	3,572	3,572
EBITDA	224,613	124,218	14,862	363,694
EBITDA Margin	38.6%	23.8%	19.0%	30.7%
EBITDA Cost (*)	436.9	654.0	-	-

(*) Sugar in R\$/Ton

Ethanol in R\$/m³

In 12M10, sugar accounted for 62% of the Group's consolidated EBITDA, while ethanol and other products accounted for 34% and 4%, respectively. The higher contribution from sugar is directly related to the product's higher profitability in all quarters reported.

In 4Q10, sugar accounted for 73% of the Group's consolidated EBITDA, while ethanol and other products accounted for 26% and 1%, respectively. Sugar EBITDA margin was 44.2% in 4Q10, higher than in 3Q10 (42.8%). This margin expansion was directly related to the better sales price obtained in 4Q10 versus 3Q10 (+21%). However, the positive impact caused by the higher prices was limited by the 18% increase in the EBITDA cost for sugar in 4Q10, which was basically due to the Consecana adjustment made at the end of the period.

Meanwhile, ethanol EBITDA margin stood at 21.9% in 4Q10, representing margin compression of 12.6 percentage points from 3Q10, which mainly reflects the 41.4% increase in EBITDA cost in 4Q10 versus 3Q10. The higher ethanol EBITDA cost is mainly related to the Consecana adjustment and the lower production volume (due to heavy rains), which adversely affected the dilution of fixed product costs.

COST OF GOODS SOLD (COGS)

BREAKDOWN OF COGS - CASH	4Q10	4Q09	Chg. (%)	12M10	12M09	Chg. (%)
R\$ Thousand						
Agricultural Costs	161,184	125,588	28.3%	548,370	356,158	54.0%
Suppliers	67,383	57,687	16.8%	246,854	151,987	62.4%
Partnerships	17,221	12,286	40.2%	55,186	31,821	73.4%
Own Sugarcane	76,579	55,615	37.7%	246,330	172,351	42.9%
Industrial	22,732	20,944	8.5%	73,000	57,510	26.9%
Other Products	10,589	10,309	2.7%	52,130	47,762	9.1%
Total COGS	194,505	156,840	24.0%	673,499	461,431	46.0%
TRS Sold ('000 Tons)	455	497	-8.4%	1,906	1,514	25.9%
Unit Cost (Sugar and Ethanol Cash COGS / TRS Sold)	404	295	37.0%	326	273	19.3%

As shown above, Cash COGS in 4Q10 increased by 24.0% or R\$37.6 million from 4Q09, mainly due to the higher costs with sugarcane suppliers and land leasing/partnerships resulting from the 25.5% increase in the Consecana price in the period, since sales volume (in TRS equivalent) declined by 8.4% from 4Q09.

SELLING EXPENSES

SELLING EXPENSES	4Q10	4Q09	Chg. (%)	12M10	12M09	Chg. (%)
R\$ Thousand						
Port Costs	1,597	1,023	56.1%	7,651	3,968	92.8%
Freight	12,101	7,916	52.9%	50,688	28,373	78.6%
Sales Commission	600	1,055	-43.1%	3,114	2,637	18.1%
Selling Expenses	14,298	9,994	43.1%	61,453	34,979	75.7%
TRS Sold ('000 Tons)	455	497	-8.4%	1,906	1,514	25.9%
% of Net Revenues	4.0%	3.7%	0.3 p.p.	5.2%	4.5%	0.7 p.p.

The increase in selling expenses in 4Q10 from 4Q09 is basically explained by 74.7% growth in sugar export volume.

Exports accounted for 57% of the São Martinho Group's net revenue in the quarter, up from 38% in 4Q09.

The strong increase in selling expenses in 12M10 is related to the growth of 96% in sugar export volume and of 55% in ethanol exports.

GENERAL AND ADMINISTRATIVE EXPENSES

G&A EXPENSES - (CASH*)	4Q10	4Q09	Chg. (%)	12M10	12M09	Chg. (%)
R\$ Thousand						
Personnel	6,103	9,653	-36.8%	27,321	31,127	-12.2%
Taxes, Fees and Contributions	1,981	1,998	-0.9%	11,877	11,716	1.4%
Provisions for Contingencies	7,969	4,196	89.9%	17,008	17,539	-3.0%
General Expenses and Third-Party Services	6,227	7,352	-15.3%	21,444	24,457	-12.3%
Management Fee	4,887	1,794	172.4%	10,562	8,472	24.7%
Total General and Administrative Expenses	27,167	24,993	8.7%	88,212	93,311	-5.5%

* Excluding Depreciation and Amortization



G&A expenses totaled R\$27.1 million in 4Q10, up 8.7% from 4Q09, basically due to: 1) the increase in provisions for contingencies (+ R\$3.7 million); 2) higher management fees (+ R\$3.0 million) due to the payment of variable compensation at the end of the harvest; and 3) inflation in the period.

In 12M10, G&A expenses declined 5.5%, due to the reduction in São Martinho's most important expense lines, namely: Personnel (- R\$3.8 million); and General and Outsourcing (- R\$3.0 million). The decrease in G&A expenses reflects the measures adopted at the start of the harvest year to improve margins.

EBITDA

EBITDA RECONCILIATION	4Q10	4Q09	Chg. (%)	12M10	12M09	Chg. (%)
R\$ Thousand						
Adjusted EBITDA	120,210	77,023	56.1%	363,694	189,792	91.6%
Adjusted EBITDA Margin	33.8%	28.8%	5.0 p.p.	30.7%	24.5%	6.2 p.p.
Non Recurring Operating Revenues (Expenses)	(848)	(27,310)	-96.9%	(3,591)	(58,238)	-93.8%
Non Cash Items Launched in the COGS	-	3,033	n.m.	(6,313)	4,851	n.m.
EBITDA	121,058	101,300	19.5%	373,598	243,179	53.6%
EBITDA Margin	34.1%	37.9%	-3.8 p.p.	31.6%	31.4%	0.2 p.p.
(-) Depreciation and Amortization	(69,357)	(64,221)	8.0%	(261,838)	(202,506)	29.3%
(-) Financial Revenue (Expense), net	(18,643)	(11,845)	57.4%	16,717	(172,489)	n.m.
(=) Operating Income	33,058	25,234	31.0%	128,477	(131,816)	n.m.

Adjusted EBITDA

In 4Q10, the São Martinho Group recorded adjusted EBITDA of R\$120.2 million, up 56.1% from 4Q09. The main positive impact was caused by the increases in sugar sales price and volume between the two quarters, as described in the "Net Revenue" section.

In 12M10, sugar sales remained the main item contributing to results, representing 62% of consolidated adjusted EBITDA, compared with only 34% for ethanol. The combination of the increases in sugar sales volume and price of 96% and 30%, respectively, was the main driver of the adjusted EBITDA of R\$364 million in 12M10.

HEDGE EBITDA

The São Martinho Group hedged approximately US\$229.1 million at an average exchange rate of R\$1.8544/US\$ for its sugar and ethanol exports in the 2010/11 harvest year through non-deliverable forwards (NDFs) and short-term debt (ACCs).

On March 31, 2010, the marking to market of these transactions generated gains of R\$64.7 million in 12M10 and an expense of R\$4.6 million in 4Q10.

On the same date, the marking to market of our sugar prices set through derivative instruments (see details in the "Sugar" section below) generated an accounting expense of R\$34.9 million in 12M10 and a gain of R\$13.4 million in 4Q10.



The table below details the composition of our EBITDA excluding the impacts of these positions at market value on March 31, 2010:

HEDGE EBITDA	1Q10	2Q10	3Q10	4Q10	12M10
R\$ Thousand					
Hedge EBITDA	67,880	94,806	101,722	129,068	393,476
Hedge EBITDA Margin	31.2%	33.1%	31.4%	36.3%	33.3%
Hedge Result - Sugar	(6,683)	(14,011)	(27,645)	13,419	(34,921)
Hedge Result - Currency	30,368	32,315	6,580	(4,561)	64,702
Adjusted EBITDA	44,195	76,502	122,787	120,210	363,694
Adjusted EBITDA Margin	20.3%	26.7%	37.9%	33.8%	30.7%

U.S. Dollar

On March 31, 2010, the São Martinho Group held a US\$140.3 million short position in USD currency futures through non-deliverable forwards (NDFs) at an average price of R\$1.8741/US\$, with maturities through January 2011.

Sugar

On March 31, 2010, the São Martinho Group held positions in derivatives and prices fixed with clients and in the futures market in the following amounts:

OPTIONS/PRICING	Maturity	Tons	Average Price	Position on 05/20/2010 (*)
Type				
Purchase of "PUT"	May/10 to Jul/10	14,224	18.27	"In-the-money"
Sale of "CALL"	May/10 to Jul/10	14,224	21.45	"Out-of-the-money"
Future Contracts - Sold	May/10 to Mar/11	72,542	19.59	
	10/11 Harvest	72,542	19.59	
Hedging directly with clients (no margin call)	09/10 and 10/11 Harvest	123,602	22.31	
	09/10 Harvest	11,532	27.25	
	10/11 Harvest	112,070	21.81	
Forward Sales (no margin call)	May/10 to Mar/11	289,814	20.24	
	10/11 Harvest	289,814	20.24	
Subtotal I	2009/10 Harvest	11,532	27.25	
Subtotal II	2010/11 Harvest	474,426	20.51	

(*) "Out-of-the-money" – Based on the current price of the futures contract, the option will not be exercised

"In-the-money" – Based on the current price of the futures contract, the option will be exercised

2009/10 Harvest Year – 11,532 metric tons of sugar hedged at an average price of US\$27.25 cents/pound, corresponding to approximately 47% of the sugar volume available in inventory in 4Q10.

2010/11 Harvest Year – 474,426 metric tons of sugar hedged at an average price of US\$20.51 cents/pound, corresponding to approximately 55% of the sugar production volume estimated for the entire harvest year (860,000 metric tons).

Hedge Accounting – Until February 2010, the Company and its subsidiaries did not adopt the so-called hedge accounting, even though derivatives were used for the

purpose of hedging, which means that the corresponding variations in the fair value of derivatives were recorded directly on the income statement under the line "Financial Result". As of March 2010, inclusive, the Company and its subsidiaries began adopting hedge accounting for these derivatives.

Hedge accounting operations are conducted in compliance with the risk policy approved by the management of the Company and its subsidiaries and are regularly subjected to both retrospective and prospective effectiveness tests. Only the portion of derivatives used for hedge protection, which are adequately aligned in terms of terms, amounts and the nature of the risk, as well as duly proven to be effective, have the associated potential results recorded under the specific balance sheet line ("Adjustments to book value"), net of deferred income tax and social contribution tax (potential gain of R\$45.8 million in March 2010).

Upon settlement of these cash flow hedge accounting operations, the respective effects are apportioned to the income statement under "Gross sales revenue" in order to minimize undesired variations in the hedge lines.

NET FINANCIAL RESULT

FINANCIAL RESULT	4Q10	4Q09	Chg. (%)	12M10	12M09	Chg. (%)
R\$ Thousand						
Financial Revenues	3,418	3,820	-10.5%	8,126	14,811	-45.1%
Financial Expenses	(20,317)	(21,882)	-7.2%	(64,182)	(97,077)	-33.9%
Hedge Result - Sugar	13,419	(1,385)	n.m.	(34,920)	9,579	n.m.
Exchange Variation	(13,843)	9,465	n.m.	113,628	(90,241)	n.m.
Copersucar Monetary Variation	(1,320)	(1,863)	-29.2%	(5,935)	(9,561)	-37.9%
Net Financial Result	(18,643)	(11,845)	57.4%	16,717	(172,489)	n.m.

In 4Q10, the financial result was impacted by a R\$13.4 million sugar hedge gain resulting from the sharp drop in international sugar prices, which impacted the marking to market of our sugar futures, forward and options contracts. This gain was offset by the R\$13.8 million loss due to the foreign exchange translation of our debt denominated in USD (38% in March 2010) and our short positions in NDFs. Most of this mark-to-market impact was realized and recorded under the Financial Result until February 28, 2010, which is the date on which Hedge Accounting was adopted, as detailed in the previous section.

In 12M10, the main impact came from the foreign exchange translation gain of R\$113.6 million. Consequently, the net financial result went from a financial expense of R\$172.5 million in 12M09 to financial income of R\$16.7 million in 12M10.

OPERATING WORKING CAPITAL

OPERATING WORKING CAPITAL	4Q09	3Q10	4Q10	4Q10 x 3Q10	4Q10 x 4Q09
R\$ Thousand					
ASSETS	394,920	585,327	331,585	253,742	63,335
Accounts receivable	45,544	62,804	41,628	21,176	3,916
Inventories	296,404	447,581	218,183	229,398	78,221
Tax receivable	52,972	74,942	71,774	3,168	(18,802)
LIABILITIES	120,786	157,390	132,320	(25,070)	11,534
Suppliers	76,150	109,211	74,172	(35,039)	(1,978)
Payroll and social contribution	34,932	35,815	41,546	5,731	6,614
Tax payable	9,704	12,364	16,602	4,238	6,898
WORKING CAPITAL	274,134	427,937	199,265	228,672	74,869

As shown above, in 4Q10, the São Martinho Group invested working capital of R\$199.2 million in its operations, which represents a reduction (cash disbursement) of approximately R\$74.9 million from 4Q09, basically due to the reduction in inventories of finished products between the two quarters.

NET INCOME (LOSS)

The São Martinho Group recorded net income of R\$20.9 million in 4Q10 and of R\$93.2 million in 12M10, reversing the net loss of R\$71.8 million in the previous harvest year (12M09). The main reasons for this improvement were: 1) the strong growth in sugar sales volume due to the higher production volume in the harvest year; 2) the increase of 29.7% in the average sugar price in BRL; and 3) the increase of 11.5% in the average ethanol price from the previous harvest.

DEBT WITH COPERSUCAR

On March 31, 2010, the São Martinho Group recognized on its balance sheet debt of R\$196.2 million with Copersucar. In view of the terms negotiated in the process to terminate the membership at Copersucar, we will continue to book under long-term liabilities in the line "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\$155.1 million on a consolidated basis.

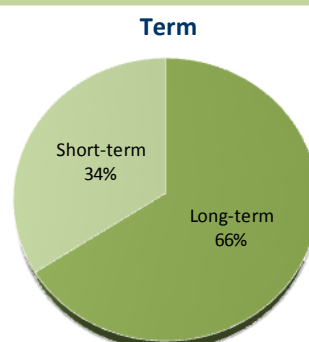
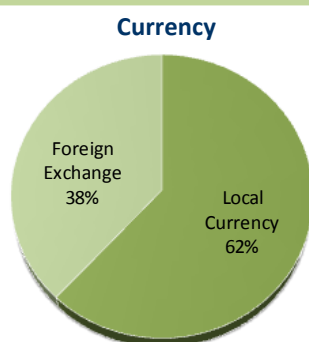
INDEBTEDNESS

DEBT	Mar/10	Mar/09	Chg. (%)
R\$ Thousand			
PESA	75,859	79,858	-5.0%
Rural Credit	48,020	42,809	12.2%
BNDES / FINAME	461,611	523,396	-11.8%
Working Capital	43,467	32,671	33.0%
ACC (Advances on Foreign Exchange Contracts)	146,979	214,280	-31.4%
PPE (Export prepayment)	178,500	237,706	-24.9%
Others	703	881	-20.2%
Gross Debt	955,139	1,131,601	-15.6%
Cash and Cash Equivalents	130,634	190,063	-31.3%
Net Debt	824,505	941,538	-12.4%
Net Debt ex. PESA	748,646	861,680	-13.1%

On March 31, 2010, the São Martinho Group's consolidated net debt stood at R\$824.5 million, representing a reduction of R\$117.0 million from a year earlier.

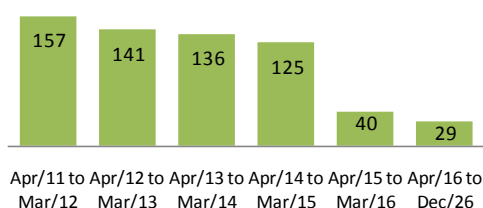
The reduction in net debt reflects the combination of the strong cash position accumulated in 12M10 and the foreign exchange translation gains on our debt denominated in USD. As a result, as the chart below shows, we ended 12M10 with a Net Debt/Adjusted EBITDA ratio of 2.3 times, which is considered a comfortable level for advancing our expansion plan.

Indebtedness Breakdown



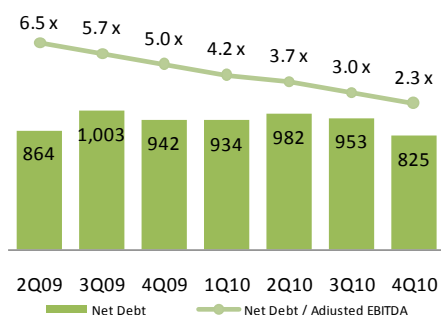
Amortization Schedule

R\$ - Million



Net Debt / EBITDA LTM

Evolution





CAPEX

SÃO MARTINHO - CONSOLIDATED	4Q10	4Q09	Chg. (%)	12M10	12M09	Chg. (%)
Capex (maintenance)						
Sugarcane Planting	16,416	30,347	-45.9%	79,256	81,967	-3.3%
Industrial / Agricultural	79,775	63,079	26.5%	115,348	102,158	12.9%
Sub Total	96,191	93,426	3.0%	194,604	184,125	5.7%
Upgrading, Mechanization and Expansion						
Industrial / Agricultural	19,540	-	n.m.	22,116	3,374	555.4%
Other	-	123	n.m.	306	11,120	-97.2%
Sub Total	19,540	123	n.m.	22,422	14,494	54.7%
Boa Vista Mill (Greenfield)						
Sugarcane Planting	11,430	13,099	-12.7%	56,040	63,159	-11.3%
Industrial / Agricultural	6,207	28,447	-78.2%	39,903	195,655	-79.6%
Sub Total	17,637	41,546	-57.5%	95,943	258,814	-62.9%
Total	133,369	135,095	-1.3%	312,970	457,433	-31.6%

The highlight in capital expenditure in 4Q10 compared with 4Q09 was the reduction in expenses with the Boa Vista Mill. In the fourth quarter of fiscal year 2010, disbursements for this mill went to expanding our own sugarcane farms and acquiring agricultural equipment, in particular for harvesting.

Another highlight was the investment of R\$18 million allocated to Modernization/ Mechanization/ Expansion related to the investment project approved to provide greater flexibility to sugar production at the São Martinho and Iracema mills, as announced in the material fact published at the end of October 2009.

DISCLAIMER

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

ABOUT SÃO MARTINHO

São Martinho S.A. is one of the largest sugar and ethanol producers in Brazil. In the 2010/11 harvest year, the Group's annual crushing capacity should reach 14.0 million metric tons as a result of the investments made during the 2009/10 season. São Martinho produces sugar and ethanol at three mills: Iracema, São Martinho and Boa Vista. www.saomartinho.ind.br/ir



INCOME STATEMENT

SÃO MARTINHO S.A. - CONSOLIDATED	4Q10	4Q09	Chg. (%)	12M10	12M09	Chg. (%)
R\$ Thousand						
Gross Revenue	379,333	300,185	26.4%	1,282,149	867,629	47.8%
Deductions from Gross Revenue	(23,956)	(32,927)	-27.2%	(98,863)	(93,186)	6.1%
Net Revenue	355,377	267,258	33.0%	1,183,286	774,443	52.8%
Cost of Goods Sold (COGS)	(261,092)	(219,805)	18.8%	(916,546)	(637,041)	43.9%
Gross Profit	94,285	47,453	98.7%	266,740	137,402	94.1%
Gross Margin (%)	26.5%	17.8%	8.8 p.p	22.5%	17.7%	4.8 p.p
Operating Expenses	(42,584)	(10,374)	310.5%	(154,980)	(96,729)	60.2%
Sales Expenses	(14,298)	(9,994)	43.1%	(61,453)	(34,979)	75.7%
General and Administrative Expenses	(24,794)	(25,645)	-3.3%	(89,882)	(100,176)	-10.3%
Management Fees	(4,887)	(1,794)	172.4%	(9,562)	(8,472)	12.9%
Other Operating Expenses, Net	1,395	27,059	-94.8%	5,917	46,898	-87.4%
Operating Profit, before financial effects	51,701	37,079	39.4%	111,760	40,673	174.8%
Financial Result, Net	(18,643)	(11,845)	57.4%	16,717	(172,489)	n.m.
Financial Revenues	51,833	16,976	205.3%	104,629	52,431	99.6%
Financial Expenses	(61,189)	(32,048)	90.9%	(171,209)	(154,748)	10.6%
Monetary and Exchange Variations - Net	(9,287)	3,227	n.m.	83,297	(70,172)	n.m.
Income (Loss) Before Income and Social Contribution Taxes	33,058	25,234	31.0%	128,477	(131,816)	n.m.
Income Tax and Social Contribution - Current	(12,323)	-	n.m.	(21,014)	(954)	n.m.
Income Tax and Social Contribution - Deferred	165	7,316	-97.7%	(11,181)	54,510	n.m.
Net Income (Loss) Before Minority Interest	20,900	32,550	-35.8%	96,282	(78,260)	n.m.
Minority Interest	-	604	n.m.	(3,086)	6,395	n.m.
Net Income	20,900	33,154	-37.0%	93,196	(71,865)	n.m.
Net Margin (%)	5.9%	12.4%	-6.5 p.p	7.9%	-9.3%	n.m.



BALANCE STATEMENT (ASSETS)

SÃO MARTINHO S.A. CONSOLIDATED- ASSETS

R\$ Thousand

ASSETS	Mar/10	Mar/09
SHORT-TERM ASSETS		
Cash and Cash Equivalents	130,634	190,063
Accounts Receivable	41,628	45,544
Derivatives Financial Instruments	58,984	6,110
Inventories	218,183	296,404
Recoverable Taxes	71,774	52,972
Other Assets	6,086	10,900
TOTAL SHORT-TERM ASSETS	527,289	601,993
LONG-TERM ASSETS		
Long-term Receivables		
Related Parties	211	3,424
Deferred Income Tax and Social Contribution	112,147	130,973
Accounts Receivable - Copersucar	4,020	24,092
Recoverable Taxes	47,390	67,578
Other Assets	191	839
	163,959	226,906
Investments	3,540	3,482
Fixed Assets	2,548,422	2,481,605
Intangible	37,167	37,887
Deferred	40,177	42,819
TOTAL LONG-TERM ASSETS	2,793,265	2,792,699
TOTAL ASSETS	3,320,554	3,394,692



BALANCE STATEMENT (LIABILITIES)

SÃO MARTINHO S.A. CONSOLIDATED- LIABILITIES

R\$ Thousand

LIABILITIES AND SHAREHOLDERS' EQUITY	Mar/10	Mar/09
SHORT-TERM LIABILITIES		
Loans and Financing	326,746	401,115
Derivatives Financial Instruments	580	6,269
Suppliers	74,172	76,150
Accounts Payable - Copersucar	2,203	2,203
Payroll and Social Contribution	41,546	34,932
Tax Payable	16,602	9,704
Related Companies	123	3,277
Dividends Payable	6,469	-
Other Liabilities	13,353	25,858
TOTAL SHORT-TERM LIABILITIES	481,794	559,508
LONG-TERM LIABILITIES		
Loans and Financing	628,393	730,486
Accounts Payable - Copersucar	194,042	216,369
Tax Installments	47,213	8,963
Deferred Income Tax and Social Contribution	224,847	208,477
Provision for Contingencies	39,309	74,127
Other Liabilities	15,538	3,318
TOTAL LONG-TERM LIABILITIES	1,149,342	1,241,740
MINORITY SHAREHOLDERS	-	18,243
SHAREHOLDERS' EQUITY		
Capital Stock	360,000	360,000
Capital Reserve	1,068,202	1,117,599
Adjustments to Book Value	45,821	-
Capital Budget Reserve	217,294	99,501
Treasury Shares	(1,899)	(1,899)
TOTAL SHAREHOLDERS' EQUITY	1,689,418	1,575,201
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3,320,554	3,394,692



CONSOLIDATED CASH FLOW

SÃO MARTINHO S.A.	12M10
R\$ Thousand	
CASH FLOW FROM OPERATING ACTIVITIES	
Net Income in period	93,196
Adjustments to reconcile net income to cash generated from operating activities:	
Depreciation and amortization	261,838
Residual cost of fixed assets - write off	3,017
Interest, monetary and foreign exchange variations, net	(27,237)
Recording of provision for contingencies, net	8,008
Deferred income tax and social contribution	11,591
Recording (reversal) of provision for inventory losses	(6,313)
Effects from the enrollment in REFIS - Law 11941	(3,659)
Minority Interest	3,086
Adjustment to present value and others	2,946
(Increase) decrease in operating assets:	
Accounts receivable	3,178
Inventories	79,916
Recoverable taxes	2,833
Related parties	59
Goods for sale	(115)
Derivative instruments	(4,488)
Other assets	25,014
Suppliers	(2,168)
Wages and social contribution	3,932
Tax payable	25,984
Tax installments	(335)
Provision for contingencies	(7,581)
Other liabilities	(378)
Cash from operations:	472,324
Interest paid	(39,618)
Income tax and social contribution on net income paid	(21,163)
Net cash provided by operating activities	411,543
CASH FLOW FROM INVESTMENT ACTIVITIES	
Investments	(22,460)
Additions to property, plant and equipment, intangible assets and deferred charges	(321,492)
Net cash used in investing activities	(343,952)
CASH FLOW FROM FINANCING ACTIVITIES	
Financing - third parties	610,008
Financing (payments) - Copersucar	(26,491)
Financing (payments) - third parties	(692,206)
Payment of dividends and interest on equity	(18,331)
Cash flow from financing activities	(127,020)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BALANCE	(59,429)
Cash and cash equivalents - initial balance	190,063
Cash and cash equivalents - final balance	130,634
	-
ADDITIONAL INFORMATION	
Suppliers payable related to fixed assets acquisition	30,768