

### 1Q11 Earnings Conference Calls

#### Portuguese

August 18, 2010  
2:00 p.m. (Brasília)  
1:00 p.m. (US EST)  
Dial-in: +55 (11) 2188-0155  
Code: São Martinho  
Replay: +55 (11) 2188-0155  
Webcast with Slides:  
[www.saomartinho.ind.br/ri](http://www.saomartinho.ind.br/ri)

#### English

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2:30 p.m. (US EST)  
Dial-in: +1 (412) 858-4600  
Code: São Martinho  
Replay: +1 (412) 317-0088  
Code: 443135#  
Webcast with Slides:  
[www.saomartinho.ind.br/ri](http://www.saomartinho.ind.br/ri)



### Investor Relations

**João Carvalho do Val**  
CFO and IRO  
**Felipe Vicchiato**  
**Alexandre Gorla**  
**Aline Reigada**

Tel: +55 11 2105-4100  
E-mail: [ri@saomartinho.ind.br](mailto:ri@saomartinho.ind.br)  
IR Website: [www.saomartinho.ind.br/ri](http://www.saomartinho.ind.br/ri)

## SÃO MARTINHO ANNOUNCES EBITDA OF R\$118.5 MILLION IN 1Q11 WITH EBITDA MARGIN OF 41.5%

**São Paulo, August 16, 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 first quarter of fiscal year 2011 (1Q11) of the 2010/11 harvest.

### HIGHLIGHTS

- Adjusted EBITDA of the São Martinho Group amounted to R\$118.5 million in 1Q11, an increase of 168.1% from 1Q10. The strong performance is primarily due to the combination of the increase of approximately 26% in sugar sales volume and the increases in sugar and ethanol sales prices of 27% and 34%, respectively.
- Net income totaled R\$22.9 million in 1Q11, R\$5.9 million lower than the R\$28.9 million recorded in the same period last year. Net income in 1Q10 was positively impacted by the non-recurring foreign exchange gain of R\$74.3 million in the period.
- As a result of our sales strategy, sugar sales volume in 1Q11 totaled 217,500 metric tons with an average sales price of US\$20.60 cents/pound. On June 30, 2010, 478,000 metric tons of sugar were hedged through the end of the harvest year at an average price of US\$19.15 cents/pound. This amount is equivalent to roughly 72% of the total volume of sugar available for sale in the coming months.
- The Group's net debt reached R\$843.2 million in June 2010, a reduction of 9.7% from 1Q10. In the same period, the Net Debt/EBITDA ratio stood at 1.9 x, down significantly from 4.2 x in June 2009.
- In 1Q11, sugarcane crushing volume increased by 17.1%, especially of own sugarcane, for which crushing grew by 23.9% in relation to 1Q10. Sugar and ethanol production also increased by 32.5% and 11.4%, respectively, and anhydrous ethanol production was 37.7% higher than in the previous year, with the start of anhydrous ethanol production at the Boa Vista Mill in Goiás.



## FINANCIAL HIGHLIGHTS

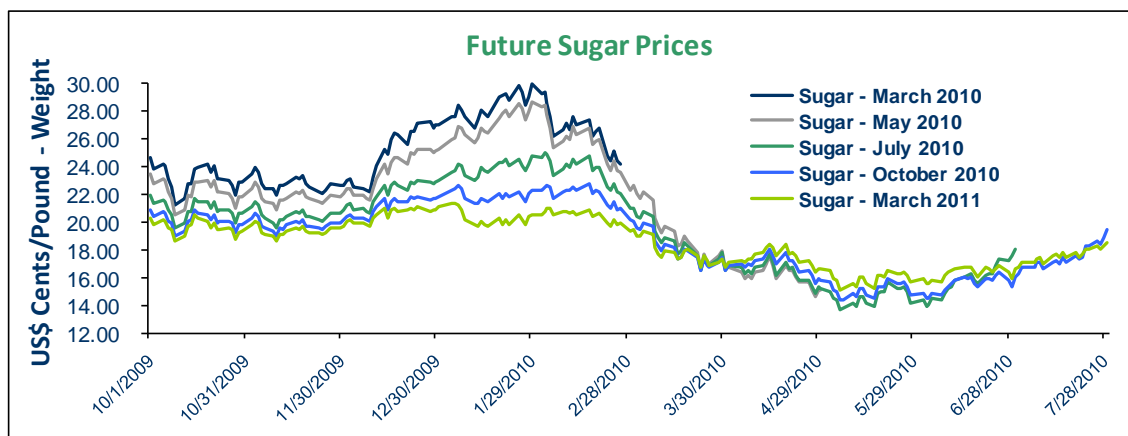
FINANCIAL HIGHLIGHTS (R\$ Thousand)	1Q11	1Q10	Chg. (%)
São Martinho - Consolidated			
Gross Revenue	304,164	241,265	26.1%
Net Revenue	285,451	217,455	31.3%
Adjusted EBITDA	118,473	44,195	168.1%
EBITDA Margin	41.5%	20.3%	21.2 p.p.
Consolidated Balance Sheet Indicators			
Total Assets	3,468,098	3,339,181	3.9%
Shareholders' Equity	1,709,497	1,604,108	6.6%
EBITDA (LTM)	437,973	220,604	98.5%
Net Debt	843,220	933,766	-9.7%
Net Debt / EBITDA (LTM)	1.93 x	4.23 x	
Net Debt / Shareholders' Equity	49%	58%	

OPERATING DATA	1Q11	1Q10	Chg. (%)
São Martinho - Consolidated			
Crushed Sugarcane ('000 tons)	5,252	4,484	17.1%
Own	3,911	3,158	23.9%
Third Parties	1,340	1,327	1.0%
Mechanized Harvest	87.3%	85.8%	1.5 p.p
Production			
Sugar ('000 tons)	303	228	32.5%
Anhydrous Ethanol ('000 m <sup>3</sup> )	82	59	37.7%
Hydrous Ethanol ('000 m <sup>3</sup> )	135	135	-0.2%
Ribonucleic Acid (RNA) Sodium Salt ('000 Kg)	68	57	19.5%
Energy ('000 MWh)	59	50	18.5%

As a result of the improvement in total recoverable sugar (TRS) levels and the drier weather conditions during the current harvest, with rainfall below the historical average, sugarcane crushing volume rose 17.1% in 1Q11 from 1Q10. The São Martinho Group made optimal use of its flexibility to increase the production of products with higher margins. As a result, we observed increases of 32.5% in sugar production and 37.7% in anhydrous ethanol production.

Despite the high crushing and production volume to date, we maintain our sugar and ethanol production guidance at 860,000 metric tons and 600,000 m<sup>3</sup>, respectively. The drier weather, which so far has helped bring forward the crushing period, could adversely affect the yield of sugarcane still to be harvested and accelerate the end of the harvest period.

## INDUSTRY OVERVIEW – SUGAR



As the chart above shows, international sugar prices presented high volatility, suffering a sharp correction after reaching an all-time high in January 2010. The São Martinho Group began to hedge its 2010/2011 harvest sugar prices in mid-October 2009, protecting prices through June 2010 for practically 80% of its sugar sales.

Sugar sales in 1Q11 primarily reflected the hedges on the prices quoted for May/10 and July/10, with an average price of US\$20.6 cents/pound.

At the end of 1Q11, the volume of sugar hedged for the 2010/11 harvest year was 478,774 metric tons at US\$19.15 cents/pound, equivalent to 72% of the volume available for sale during the remainder of the 2010/11 harvest year (666,851 metric tons). Most of this volume already hedged is concentrated in the following quotes: JUL/10 (39% at US\$19.54) and OCT/10 (51% at US\$19.12).

The prospects for higher sugar production both in Brazil and India have pressured prices since the beginning of 2010. Nevertheless, since May 2010 we have observed a rebound in prices reflected in contracts still active for the 2010/11 harvest year, driven by the expectations that weather issues in Brazil and India (the world's main producers) could adversely affect estimated production volume, thereby delaying the recovery in the levels of world sugar stocks.

As the chart above shows, NY11 sugar is currently being traded in two contracts still associated with the 2010/11 harvest year (October 2010 and March 2011), which ended July trading at US\$19.57 and US\$18.60, respectively.

## INDUSTRY OVERVIEW - ETHANOL

AVERAGE PRICES - ETHANOL	1Q11	1Q10	Chg. (%)
Market Prices			
Anhydrous ESALQ, Net DM R\$ / m <sup>3</sup>	861.56	690.08	24.9%
Hydrous ESALQ, Net DM - R\$ / m <sup>3</sup>	753.39	604.45	24.6%

Anhydrous and hydrous ethanol prices increased by 24.9% and 24.6%, respectively, in comparison with 1Q10. The increases reflect the low ending stocks observed at the start of the 2010/11 harvest year.

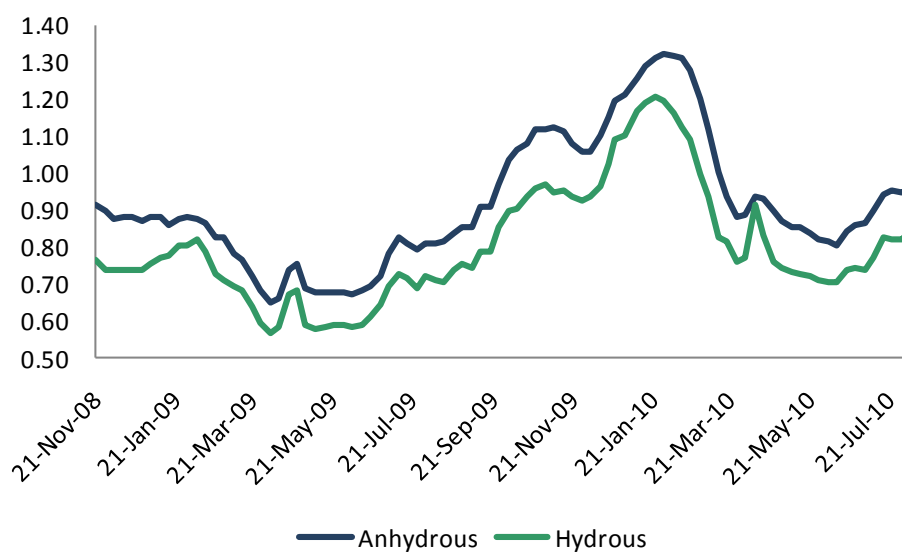
The prices of ethanol sold by the São Martinho Group in 1Q11 were 2.2% lower than the average market price disclosed by CEPEA / ESALQ. Since we began the 2010/11 harvest year with very low ethanol stocks, sales ended up being more concentrated in May and June 2010, when the ethanol price began to fall in relation to those recorded in the first month of 1Q11.

Note that in July 2010 ethanol prices began to post a recovery, reflecting the strong consumption in the domestic market. In the week ended August 6, 2010, average anhydrous and hydrous prices were already at R\$900/m<sup>3</sup>, i.e., 10% higher than in 1Q11.

As part of our sales strategy, we plan to partially use our ethanol storage capacity during the harvest period, which historically presents more depressed ethanol prices. Today our storage capacity is approximately 450,000 m<sup>3</sup>, which represents nearly 70% of estimated production.

## Alcohol Weekly Indicator

CEPEA / ESALQ - São Paulo



## FINANCIAL PERFORMANCE

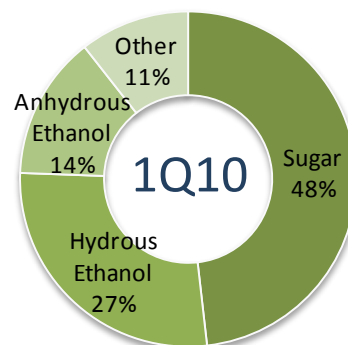
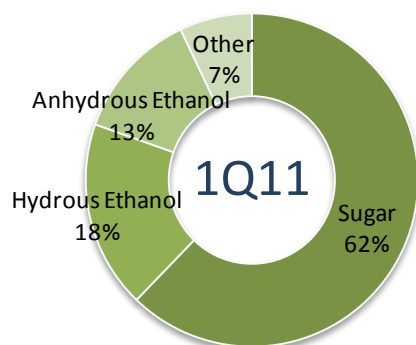
NET REVENUE BREAKDOWN	1Q11	1Q10	Chg. (%)
R\$ Thousand			
<b>Domestic Market</b>	<b>103,609</b>	<b>104,976</b>	<b>-1.3%</b>
Sugar	9,753	11,131	-12.4%
Hydrous Ethanol	47,618	50,121	-5.0%
Anhydrous Ethanol	28,633	26,448	8.3%
Energy	5,719	5,434	5.2%
Other	11,887	11,842	0.4%
<b>Export Market</b>	<b>181,842</b>	<b>112,479</b>	<b>61.7%</b>
Sugar	167,694	93,681	79.0%
Hydrous Ethanol	4,560	9,424	-51.6%
Anhydrous Ethanol	7,169	3,680	94.8%
RNA	2,419	5,695	-57.5%
<b>Net Revenue</b>	<b>285,451</b>	<b>217,455</b>	<b>31.3%</b>
Sugar	177,447	104,812	69.3%
Hydrous Ethanol	52,178	59,545	-12.4%
Anhydrous Ethanol	35,802	30,127	18.8%
RNA	2,419	5,695	-57.5%
Energy	5,719	5,434	5.2%
Other	11,887	11,842	0.4%

### Net Revenue

In 1Q11, the São Martinho Group recorded Net Revenue growth of 31.3% from 1Q10, driven by the 26.3% increase in sugar sales volume and the 34.0% increase in sugar sales prices. Ethanol sales revenue, however, declined by 2% from 1Q10, mainly due to the 20% reduction in sales volume, which was partially offset by the increase in the average sales price in the comparison period.

## Breakdown – Net Revenue

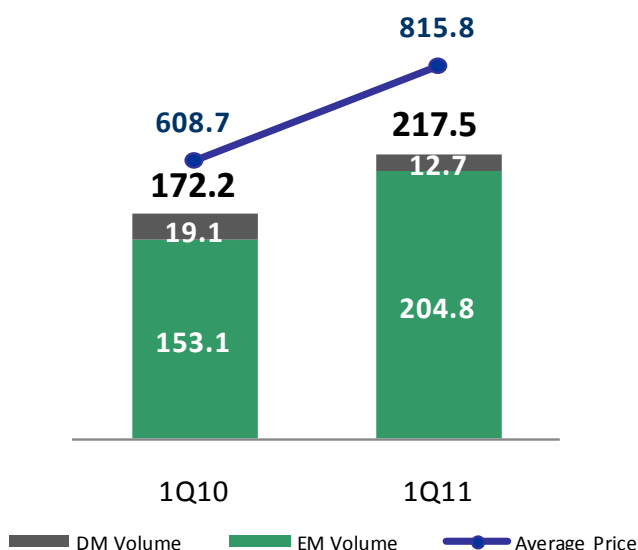
1Q11 x 1Q10



## Sugar

## Sugar

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



Net revenue from sugar sales totaled R\$177.4 million in 1Q11, an increase of 69.3% from R\$104.8 million in 1Q10. The increase of 26.3% in sugar sales volume combined with the increase of more than 30% in sugar prices in both the domestic and international markets were the key drivers of the strong net revenue growth.

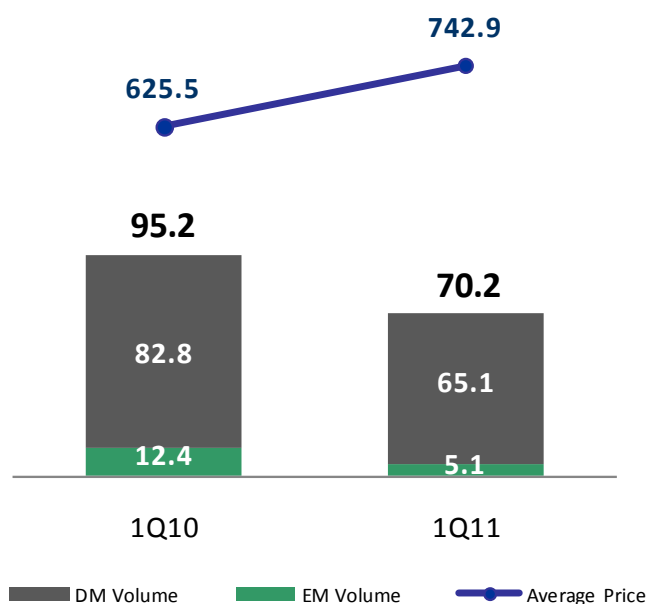
The average international sugar price stood at approximately US\$20.7 cents/pound in 1Q11, an increase of 54.7% comparing to the commercialization price in US\$ cents/pound observed on 1Q10.

It is important to note that the prices quoted for both May 2010 and July 2010 represent approximately 90% of billed sugar volume in 1Q11, and since October 2009, when we began hedging for the 2010/11 harvest year, the average price of each was US\$22.14 cents/pound and US\$19.53 cents/pound, respectively.

## Ethanol

### Hydrous Ethanol

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



Net revenue from hydrous ethanol sales was R\$52.2 million in 1Q11, down 12.4% from 1Q10. This result reflects the 26.2% drop in hydrous ethanol sales volume, which ended up being partially offset by the 18.8% increase in the average sales price.

The decrease in hydrous ethanol sales in 1Q11 is due to the Group's sales strategy to concentrate sales of hydrous ethanol in the off-harvest period, when prices are higher.

Of the total hydrous ethanol sales volume in 1Q11, approximately 65% came from mills located in the state of São Paulo and 35% from the Boa Vista Mill in the state of Goiás.

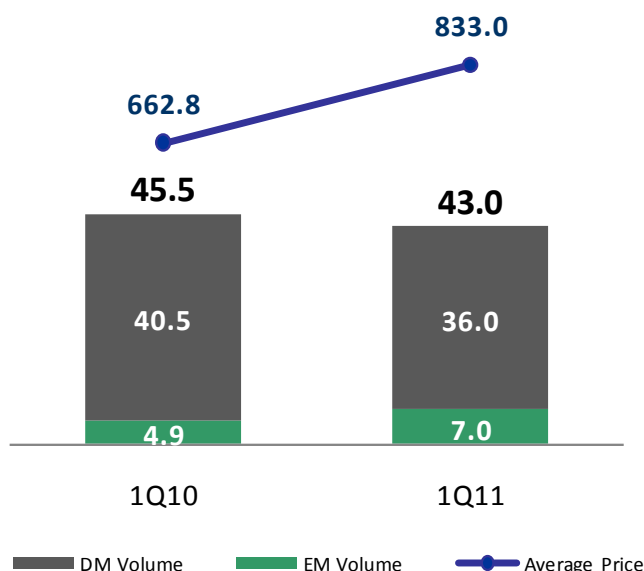
Prices of hydrous ethanol sold by the São Martinho Group in 1Q11 were 1.4% lower than the average market price disclosed by CEPEA / ESALQ. Since we began the 2010/11 harvest year with very low ethanol inventories, sales ended up being more concentrated in May and June 2010, when ethanol prices began to fall in relation to those recorded in April 2010.





## Anhydrous Ethanol

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



Net revenue from anhydrous ethanol sales totaled R\$35.8 million in 1Q11, an increase of 18.8% from 1Q10. The 25.7% increase in the sales price was the main factor responsible for the improvement observed in revenue from anhydrous ethanol sales, since in 1Q11 sales volume was 5.4% lower than in 1Q10.

Although anhydrous ethanol sales volume slightly decreased in 1Q11 in comparison with 1Q10, it is important to highlight that this harvest which Boa Vista Mill began to produce anhydrous ethanol. Therefore, we ended 1Q11 with 61.8% more anhydrous ethanol volume in inventory than in 1Q10.

Of the total anhydrous ethanol sales volume in 1Q11, approximately 84% came from the mills located in the state of São Paulo and 16% from the Boa Vista Mill in the state of Goiás.

The price of anhydrous ethanol sold by the São Martinho Group in 1Q11 was 3.3% lower than the average market price disclosed by CEPEA / ESALQ. Since we began the 2010/11 harvest year with very low ethanol stocks, sales ended up being more concentrated in May and June 2010, when the ethanol price began to fall in relation to those recorded in April 2010.





### ***Ribonucleic Acid (RNA) Sodium Salt***

Net revenue from RNA sodium salt amounted to R\$2.4 million in 1Q11, declining 57.5% from 1Q10, due to the 50.0% decrease in sales volume and the reduction of 15.1% in the BRL sales price, primarily due to the appreciation of 13.5% in the BRL against the USD in the same comparison period.

The lower RNA sodium salt sales volume in 1Q11 is due to adjustments in the schedule of deliveries of the product during this harvest year, which is more concentrated in the last quarters of the fiscal year.

### ***Electricity***

In 1Q11, net revenue from electricity sales grew 5.2% on the same period a year earlier, mainly due to the decrease of 7.2% in sales volume, which ended up being offset by an increase of 13.4% in the average sales price.

Despite the drop in billed electricity volume in 1Q11 compared with 1Q10, cogeneration volume increased by 18.5%, with this difference to be invoiced in the next quarter. During the whole of the 2010/11 harvest year, we expect to cogenerate approximately 166,000 MWh of electricity, a volume approximately 5% higher than the previous harvest year.

The higher prices are due to the start in 2010 of the delivery of energy sold at the reserve auction held in 2008, at which we sold 96,360,000 MWh at a restated approximate price of R\$168 / MWh.

### ***Other Products and Services***

Net revenue from the "Other Products and Services" line totaled R\$11.9 million in 1Q11, virtually stable in relation to the previous year. 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 sugarcane suppliers at cost.



## INVENTORIES

Inventories	1Q11	1Q10	Chg. (%)
Sugar (tons)	109,499	197,463	-44.5%
Hydrous (m <sup>3</sup> )	83,419	72,871	14.5%
Anhydrous (m <sup>3</sup> )	54,751	33,836	61.8%

The increase in anhydrous and hydrous ethanol inventories in 1Q11 compared with 1Q10 is directly associated with the strategy of concentrating sales in the off-harvest period in 2011, making use of the Group's current storage capacity. In addition, in the 2010/11 harvest year we began production of anhydrous ethanol at the Boa Vista Mill, which contributed to the 61.8% increase in the volume of anhydrous ethanol stocks.

## EBITDA AND EBITDA COST BY PRODUCT

EBITDA BY PRODUCT - 1Q11	SUGAR	ETHANOL	OTHER	TOTAL
R\$ Thousand				
Net Revenues	177,446	87,980	20,025	285,451
COGS (Cash)	(70,059)	(51,302)	(12,721)	(134,082)
Gross Profit (Cash)	107,387	36,678	7,304	151,369
Gross Margin (Cash)	60.5%	41.7%	36.5%	53.0%
Sales Expenses	(11,446)	(2,781)	(81)	(14,308)
G&A Expenses	(9,628)	(8,210)	(1,982)	(19,820)
Other Revenues (Expenses)	-	-	1,232	1,232
<b>EBITDA</b>	<b>86,313</b>	<b>25,687</b>	<b>6,473</b>	<b>118,473</b>
<b>EBITDA Margin</b>	<b>48.6%</b>	<b>29.2%</b>	<b>32.3%</b>	<b>41.5%</b>
<b>EBITDA Cost (*)</b>	<b>419.0</b>	<b>550.2</b>	<b>-</b>	<b>-</b>

(\*) Sugar in R\$/Ton

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

EBITDA BY PRODUCT - 1Q10	SUGAR	ETHANOL	OTHER	TOTAL
R\$ Thousand				
Net Revenues	104,811	89,672	22,972	217,455
COGS (Cash)	(54,615)	(65,554)	(18,280)	(138,449)
Gross Profit (Cash)	50,196	24,118	4,692	79,006
Gross Margin (Cash)	47.9%	26.9%	20.4%	36.3%
Sales Expenses	(10,463)	(3,976)	(37)	(14,475)
G&A Expenses	(7,743)	(10,336)	(2,009)	(20,088)
Other Revenues (Expenses)	-	-	(249)	(249)
<b>EBITDA</b>	<b>31,990</b>	<b>9,807</b>	<b>2,398</b>	<b>44,195</b>
<b>EBITDA Margin</b>	<b>30.5%</b>	<b>10.9%</b>	<b>10.4%</b>	<b>20.3%</b>
<b>EBITDA Cost (*)</b>	<b>422.9</b>	<b>567.9</b>	<b>-</b>	<b>-</b>

(\*) Sugar in R\$/Ton

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



In 1Q11, sugar accounted for 73% of the Group's consolidated EBITDA, while ethanol and other products accounted for 22% and 5%, respectively. Sugar EBITDA margin was 48.6% in 1Q11, higher than in 1Q10 (30.5%), with this margin improvement directly related to the better sales price obtained in 1Q11 versus 1Q10 (+34%). In addition, the EBITDA cost for sugar decreased by roughly 1%, due to the higher production volume obtained during this harvest year and the consequent dilution of fixed sugar costs.

Meanwhile, ethanol EBITDA margin stood at 29.2% in 1Q11, which represents substantial improvement from the 10.9% margin recorded in 1Q10. This EBITDA margin expansion mainly reflects the increase of 21.9% in the sales price in relation to 1Q10. In addition, the EBITDA cost for ethanol decreased by nearly 3%, due to the higher production volume obtained during this harvest, given the improvements in agricultural yields and industrial productivity.

## COST OF GOODS SOLD (COGS)

BREAKDOWN OF COGS - CASH	1Q11	1Q10	Chg. (%)
R\$ Thousand			
Agricultural Costs	108,474	105,375	2.9%
Suppliers	37,932	38,451	-1.3%
Partnerships	14,414	12,010	20.0%
Own Sugarcane	56,128	54,914	2.2%
Industrial	14,802	16,224	-8.8%
Other Products	10,805	16,850	-35.9%
<b>Total COGS</b>	<b>134,082</b>	<b>138,449</b>	<b>-3.2%</b>
TRS Sold (000 Tons)	423	422	0.2%
Unit Cost (Sugar and Ethanol Cash COGS / TRS Sold)	291	288	1.1%

As shown above, Cash COGS in 1Q11 was 3.2% lower than in 1Q10. The main reasons for this decrease in costs were: 1) the greater dilution of fixed costs due to the higher sugar and ethanol production volume in 1Q11 compared with 1Q10; and 2) the higher volume of own sugarcane crushed in 1Q11 in relation to 1Q10.

In addition, the reduction in "Other Products" costs is directly related to the lower RNA sodium salt sales volume in 1Q11, due to the concentration of deliveries for the coming quarters.



## SELLING EXPENSES

SELLING EXPENSES	1Q11	1Q10	Chg. (%)
R\$ Thousand			
Port Costs	814	1,840	-55.8%
Freight	12,954	11,727	10.5%
Sales Commission	540	908	-40.5%
<b>Selling Expenses</b>	<b>14,308</b>	<b>14,475</b>	<b>-1.2%</b>
TRS Sold ('000 Tons)	423	422	0.2%
% of Net Revenues	5.0%	6.7%	-1.6 p.p.

The main highlight in selling expenses is related to the reduction in the cost per metric ton of sugar exported, which went from R\$67 in 1Q10 to R\$55 in 1Q11. As a result, despite the 33.8% increase in sugar export volume, selling expenses decreased by 1.2% to R\$14.3 million in 1Q11.

## GENERAL AND ADMINISTRATIVE EXPENSES

G&A EXPENSES - (CASH)	1Q11	1Q10	Chg. (%)
R\$ Thousand			
Personnel	7,740	6,744	14.8%
Taxes, Fees and Contributions	1,163	1,737	-33.0%
Provisions for Contingencies	3,901	5,353	-27.1%
General Expenses and Third-Party Services	5,210	4,385	18.8%
Management Fee	1,807	1,869	-3.3%
<b>Total General and Administrative Expenses</b>	<b>19,820</b>	<b>20,088</b>	<b>-1.3%</b>

G&A expenses totaled R\$19.8 million in 1Q11, down 1.3% from 1Q10, chiefly due to:

- 1) Personnel Expenses: impacted by the pay increase under the collective bargaining agreement of 7% for the 2010/11 harvest year and the higher expenses associated with the payment of variable compensation for the harvest year ended in March 2010; and
- 2) Provisions for Contingencies: the reduction in provisions for contingencies reflects the higher number of agreements settled in 1Q11, which enabled the reduction in the amount provisioned in comparison with 1Q10.



## EBITDA

EBITDA RECONCILIATION	1Q11	1Q10	Chg. (%)
R\$ Thousand			
<b>Adjusted EBITDA</b>	<b>118,473</b>	<b>44,195</b>	<b>168.1%</b>
Adjusted EBITDA Margin	41.5%	20.3%	21.2 p.p.
Non Recurring Operating Revenues (Expenses)	(1,370)	366	n.m.
Non Cash Items Launched in the COGS	5,447	1,990	173.7%
<b>EBITDA</b>	<b>114,396</b>	<b>41,839</b>	<b>173.4%</b>
EBITDA Margin	40.1%	19.2%	20.8 p.p.
(-) Depreciation and Amortization	(62,266)	(54,760)	13.7%
(-) Financial Revenue (Expense), net	(18,957)	57,106	n.m.
(=) Operating Income (Loss)	33,173	44,185	-24.9%

### Adjusted EBITDA

The Adjusted EBITDA of the São Martinho Group in 1Q11 totaled R\$118.5 million, an increase of 168.1% in relation to 1Q10. The main positive impact was the increases in the sugar sales price and volume between the two quarters, as described in the "Net Revenue" section.

### EBITDA (Adjustment for Non-Cash Items)

The main adjustments made to EBITDA in 1Q11 are detailed below:

Positive adjustment to EBITDA – "Non-cash items booked in COGS": 1Q11: R\$5.45 million

This adjustment is an accounting adjustment that will be reversed over the coming quarters in accordance with the evolution of ethanol production at the Boa Vista Mill. The adjustment results from the fact that at the close of 1Q11 the volume of hydrous ethanol in inventory at this mill was very low, while a large portion of our fixed costs (depreciation, labor, etc.) were already allocated to inventories.

Negative adjustment to EBITDA – "Non-recurring Operating Revenues": 1Q11: R\$1.4 million

This adjustment is related to the sale of fixed assets made to renew the agricultural vehicle fleet at the Group's units.

## HEDGE

### U.S. Dollar

On June 30, 2010, the São Martinho Group held a US\$139.6 million short position in USD currency futures through non-deliverable forwards (NDFs) at an average price of R\$1.8782/US\$, with maturities through January 2011.

### Sugar

On June 30, 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
Type			
Purchase of "PUT"	Oct/10 to Mar/11	10,160	17.38
Sale of "CALL"	Oct/10 to Mar/11	24,384	18.96
Future Contracts - Sold	Oct/10 to Mar/11	74,016	17.28
Hedging directly with clients (no margin call)	May/10 to Mar/11	260,436	19.52
Forward Sales (no margin call)	May/10 to Mar/11	144,323	19.43
<b>Total</b>	<b>2010/11 Harvest</b>	<b>478,774</b>	<b>19.15</b>

**2010/11 Harvest Year** – 478,774 metric tons of sugar hedged at an average price of US\$19.15 cents/pound, corresponding to approximately 72% of the sugar volume available for sale in the 2010/11 harvest.

**Hedge Accounting** – As of March 2010, inclusive, the Company and its subsidiaries began adopting hedge accounting for these derivatives, with their 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\$42.9 million in June 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	1Q11	1Q10	Chg. (%)
R\$ Thousand			
Financial Revenues	2,792	1,846	51.2%
Financial Expenses	(17,604)	(17,304)	1.7%
Exchange Variation	(2,753)	74,295	n.m.
Copersucar Monetary Variation	(1,393)	(1,731)	-19.6%
<b>Net Financial Result</b>	<b>(18,957)</b>	<b>57,106</b>	<b>n.m.</b>

The most significant variation in the financial result in the comparison of 1Q11 with 1Q10 is due to foreign exchange translation gain in 1Q10. In the period, the BRL appreciated by more than 15% against the USD, generating a non-recurring gain of R\$74 million due to our debt balance pegged to the USD used to finance exports.

## OPERATING WORKING CAPITAL

OPERATING WORKING CAPITAL	1Q10	4Q10	1Q11	1Q11 x 4Q10	1Q11 x 1Q10
R\$ Thousand					
<b>ASSETS</b>	<b>444,410</b>	<b>331,585</b>	<b>477,086</b>	<b>(145,501)</b>	<b>(32,676)</b>
Accounts Receivable	27,883	41,628	59,459	(17,831)	(31,576)
Inventories	353,050	218,183	340,306	(122,123)	12,744
Tax Receivable	63,477	71,774	77,321	(5,547)	(13,844)
<b>LIABILITIES</b>	<b>148,648</b>	<b>132,320</b>	<b>165,927</b>	<b>33,607</b>	<b>17,279</b>
Suppliers	88,628	74,172	96,947	22,775	8,319
Payroll and Social Contribution	47,958	41,546	54,233	12,687	6,275
Tax Payable	12,062	16,602	14,747	(1,855)	2,685
<b>WORKING CAPITAL</b>	<b>295,762</b>	<b>199,265</b>	<b>311,159</b>	<b>(111,894)</b>	<b>(15,397)</b>

As shown in the table above, in 1Q11 the São Martinho Group invested R\$311.1 million in working capital in its operations, for an increase of nearly R\$15.4 million from the total invested in 1Q10. In comparison with 4Q10, there was an increase of R\$111.9 million in working capital invested, which usually occurs at the beginning of the crushing period to finance production.





## NET INCOME

Net income totaled R\$22.9 million in 1Q11, R\$5.9 million lower than the R\$28.9 million recorded in the same period last year. Net income in 1Q10 was positively impacted by the non-recurring gain of R\$74.3, associated with the positive exchange translation in the period.

## DEBT WITH COPERSUCAR

On June 30, 2010, the São Martinho Group recognized on its balance sheet debt of R\$196.3 million with Copersucar. In view of the terms negotiated in the process to terminate the membership at Copersucar, we will continue to book under “Obligations - Copersucar” all liabilities related to the contingencies currently being resolved judicially that were filed by legal counsel at Copersucar. These obligations continue to be secured by suretyships in the amount of R\$143 million on a consolidated basis.



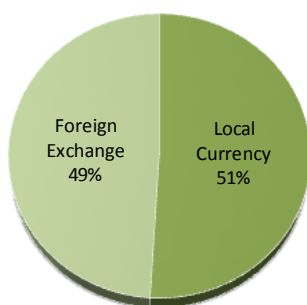
## INDEBTEDNESS

INDEBTEDNESS	Jun/10	Jun/09	Chg. (%)
R\$ Thousand			
PESA	74,514	76,778	-2.9%
Rural Credit	57,170	22,325	156.1%
BNDES / FINAME	441,774	520,295	-15.1%
Working Capital	27,031	-	n.m.
ACC (Advances on Foreign Exchange Contracts)	181,187	222,924	-18.7%
PPE (Export prepayment)	271,613	202,713	34.0%
Others	654	839	-22.1%
<b>Gross Debt</b>	<b>1,053,943</b>	<b>1,045,874</b>	<b>0.8%</b>
Cash and Cash Equivalents	210,723	112,108	88.0%
<b>Net Debt</b>	<b>843,220</b>	<b>933,766</b>	<b>-9.7%</b>
Net Debt ex. PESA	768,706	856,988	-10.3%

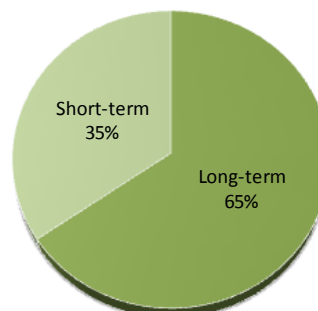
The Group's net debt reached R\$843.2 million in June 2010, a reduction of 9.7% from 1Q10. In the same period, the Net Debt/EBITDA ratio stood at 1.9 x, representing significant reduction from 4.2 x in June 2009.

### Indebtedness Breakdown

#### Currency

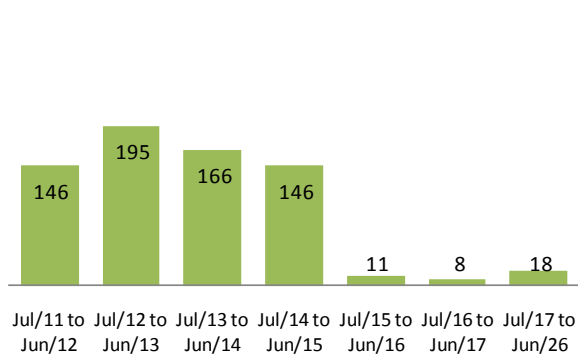


#### Term



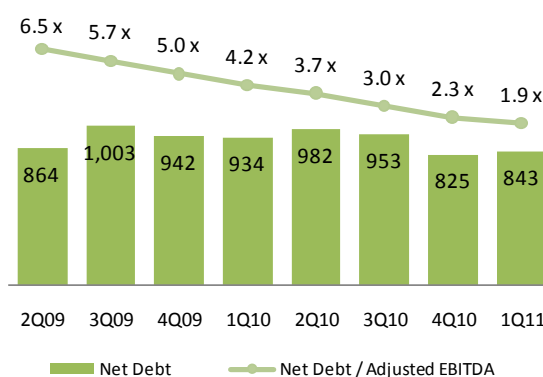
### Amortization Schedule

R\$ - Million



### Net Debt / EBITDA LTM

Evolution





## CAPEX

SÃO MARTINHO - CONSOLIDATED	1Q11	1Q10	Chg. (%)
Capex (Maintenance)			
Sugarcane Planting	13,881	23,472	-40.9%
Industrial / Agricultural	6,733	13,898	-51.6%
<b>Sub Total</b>	<b>20,614</b>	<b>37,370</b>	<b>-44.8%</b>
Upgrading, Mechanization / Expansion			
Industrial / Agricultural	3,849	496	675.4%
Other	-	306	n.m.
<b>Sub Total</b>	<b>3,849</b>	<b>803</b>	<b>379.5%</b>
Boa Vista Mill (Greenfield)			
Sugarcane Planting	10,178	15,750	-35.4%
Industrial / Agricultural	8,384	20,877	-59.8%
<b>Sub Total</b>	<b>18,562</b>	<b>36,628</b>	<b>-49.3%</b>
<b>Total</b>	<b>43,025</b>	<b>74,801</b>	<b>-42.5%</b>

As shown in the table above, maintenance capex posted a reduction in the quarter, from R\$37.3 million in 1Q10 to R\$20.6 million in 1Q11. Note that this drop will be reversed over the coming quarters due to a difference in the schedule of investments between the two harvests, with maintenance capex for the 2010/11 harvest year estimated at around R\$175 million.

## 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. The Group produces sugar and ethanol in three mills: Iracema, São Martinho and Boa Vista. [www.saomartinho.ind.br/ir](http://www.saomartinho.ind.br/ir).



## INCOME STATEMENT

SÃO MARTINHO S.A. - CONSOLIDATED	1Q11	1Q10	Chg. (%)
R\$ Thousand			
Gross Revenue	304,164	241,265	26.1%
Deductions from Gross Revenue	(18,713)	(23,810)	-21.4%
<b>Net Revenue</b>	<b>285,451</b>	<b>217,455</b>	<b>31.3%</b>
Cost of Goods Sold (COGS)	(198,845)	(191,814)	3.7%
<b>Gross Profit</b>	<b>86,606</b>	<b>25,641</b>	<b>237.8%</b>
Gross Margin (%)	30.3%	11.8%	18.5 p.p
<b>Operating Expenses</b>	<b>(34,476)</b>	<b>(38,562)</b>	<b>-10.6%</b>
Sales Expenses	(14,308)	(14,475)	-1.2%
General and Administrative Expenses	(20,950)	(21,525)	-2.7%
Management Fees	(1,807)	(1,869)	-3.3%
Other Operating Expenses, Net	2,589	(693)	n.m.
<b>Operating Profit, Before Financial Effects</b>	<b>52,130</b>	<b>(12,921)</b>	<b>n.m.</b>
<b>Financial Result, Net</b>	<b>(18,957)</b>	<b>57,106</b>	<b>n.m.</b>
Financial Revenues	3,672	23,598	-84.4%
Financial Expenses	(19,842)	(20,453)	-3.0%
Monetary and Exchange Variations - Net	(2,787)	53,961	n.m.
<b>Income (Loss) Before Income and Social Contribution Taxes</b>	<b>33,173</b>	<b>44,185</b>	<b>-24.9%</b>
Income Tax and Social Contribution - Current	(12,574)	(1,640)	666.7%
Income Tax and Social Contribution - Deferred	2,365	(11,943)	n.m.
<b>Net Income (Loss) Before Minority Interest</b>	<b>22,964</b>	<b>30,602</b>	<b>-25.0%</b>
Minority Interest	-	(1,695)	n.m.
<b>Net Income</b>	<b>22,964</b>	<b>28,907</b>	<b>-20.6%</b>
Net Margin (%)	8.0%	13.3%	-5.2 p.p



## BALANCE SHEET (ASSETS)

### SÃO MARTINHO S.A. CONSOLIDATED- ASSETS

R\$ Thousand

<b>ASSETS</b>	<b>Jun-10</b>	<b>Mar-10</b>
<b>SHORT-TERM ASSETS</b>		
Cash and Cash Equivalents	210,723	130,634
Accounts Receivable	59,459	41,628
Derivatives Financial Instruments	37,793	58,984
Inventories	340,306	218,183
Recoverable Taxes	77,321	71,774
Other Assets	11,579	6,086
<b>TOTAL SHORT-TERM ASSETS</b>	<b>737,181</b>	<b>527,289</b>
<b>LONG-TERM ASSETS</b>		
<b>Long-term Receivables</b>		
Related Parties	499	211
Deferred Income Tax and Social Contribution	110,280	112,147
Accounts Receivable - Copersucar	4,059	4,020
Recoverable Taxes	37,164	47,390
Other Assets	188	191
	<b>152,190</b>	<b>163,959</b>
<b>Investments</b>	3,540	3,540
<b>Fixed Assets</b>	2,499,191	2,548,422
<b>Intangible</b>	36,984	37,167
<b>Deferred</b>	39,012	40,177
<b>TOTAL LONG-TERM ASSETS</b>	<b>2,730,917</b>	<b>2,793,265</b>
<b>TOTAL ASSETS</b>	<b>3,468,098</b>	<b>3,320,554</b>



## BALANCE SHEET (LIABILITIES)

### SÃO MARTINHO S.A. CONSOLIDATED- LIABILITIES

R\$ Thousand

LIABILITIES AND SHAREHOLDERS' EQUITY	Jun-10	Mar-10
<b>SHORT-TERM LIABILITIES</b>		
Loans and Financing	364,433	326,746
Derivatives Financial Instruments	1,160	580
Suppliers	96,947	74,172
Accounts Payable - Copersucar	2,203	2,203
Payroll and Social Contribution	54,233	41,546
Tax Payable	14,747	16,602
Related Companies	121	123
Dividends Payable	6,469	6,469
Other Liabilities	13,468	13,353
<b>TOTAL SHORT-TERM LIABILITIES</b>	<b>553,781</b>	<b>481,794</b>
<b>LONG-TERM LIABILITIES</b>		
Loans and Financing	689,510	628,393
Accounts Payable - Copersucar	194,164	194,042
Tax Installments	47,476	47,213
Deferred Income Tax and Social Contribution	219,108	224,847
Provision for Contingencies	38,856	39,309
Other Liabilities	15,706	15,538
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>1,204,820</b>	<b>1,149,342</b>
<b>SHAREHOLDERS' EQUITY</b>		
Capital Stock	360,000	360,000
Capital Reserve	1,057,986	1,068,202
Adjustments to Book Value	42,936	45,821
Capital Budget Reserve	217,294	217,294
Treasury Shares	(1,899)	(1,899)
Retained Earnings	33,180	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,709,497</b>	<b>1,689,418</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>3,468,098</b>	<b>3,320,554</b>



## CONSOLIDATED CASH FLOW

SÃO MARTINHO S.A.	1Q11	1Q10
R\$ Thousand		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income in the period	22,964	28,907
<b>Adjustments</b>		
Depreciation and amortization	62,266	54,760
Residual cost of fixed assets - write off	715	1,118
Interest, monetary and foreign exchange variations, net	24,375	(63,783)
Recording of provision for contingencies, net	2,251	3,359
Deferred income tax and social contribution	(2,365)	11,943
Recording (reversal) of provision for inventory losses	5,446	1,990
Adjustment to present value	(65)	1,575
	<b>115,587</b>	<b>41,506</b>
<b>(Increase) decrease in assets and liabilities</b>		
Accounts receivable	(17,831)	17,923
Inventories	(94,018)	(37,637)
Recoverable taxes	6,055	(9,714)
Related parties - assets	(780)	(21)
Goods for sale	-	(78)
Derivative instruments	21,742	(11,109)
Other assets	(5,533)	20,515
Suppliers	22,774	12,478
Wages and social contribution	12,687	13,026
Tax payable	(13,136)	1,810
Related parties - liabilities	490	-
Tax installments	78	(584)
Provision for contingencies	(4,218)	(3,511)
Other liabilities	(4,342)	(3,637)
<b>Cash from operating activities</b>	<b>39,555</b>	<b>40,967</b>
Interest paid	14,782	18,563
Income tax and social contribution on net income paid	10,122	483
<b>Net cash provided by operating activities</b>	<b>64,459</b>	<b>60,013</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
Additions to property, plant and equipment, intangible assets and deferred charges	(46,361)	(75,969)
<b>Net cash used in investing activities</b>	<b>(46,361)</b>	<b>(75,969)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Financing - third parties	234,268	97,209
Financing (payments) - Copersucar	(1,478)	(22,319)
Financing (payments) - third parties	(170,799)	(136,889)
<b>Net cash provided by (used in) financing activities</b>	<b>61,991</b>	<b>(61,999)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BALANCE</b>	<b>80,089</b>	<b>(77,955)</b>
<b>Cash and cash equivalents - initial balance</b>	<b>130,634</b>	<b>190,063</b>
<b>Cash and cash equivalents - final balance</b>	<b>210,723</b>	<b>112,108</b>
<b>ADDITIONAL INFORMATION</b>		
Suppliers payable related to fixed assets acquisition	20,463	4,976