



1Q09 Results 2008-09 Harvest



SÃO MARTINHO REPORTS 1Q09 ADJUSTED EBITDA OF 13.4 MILLION WITH MARGIN OF 14.5%

São Paulo, August 14, 2008 – SÃO MARTINHO S.A. (Bovespa: SMT03; Reuters SMT03.SA and Bloomberg SMT03:BZ), one of the largest sugar and ethanol producers in Brazil, announces today its results for the first quarter of 2009 (1Q09) – 2008-09 Harvest Year. The 1Q09 results are presented on a consolidated basis, in accordance with Brazilian Corporate Law, including the partial consolidation of 41.67% of Usina Santa Luiza. The results for 1Q08 are also presented on a consolidated basis, though they consider 2 months of the operations of Usina Santa Luiza and Agropecuária Aquidaban, since the acquisition of these companies occurred in April 2007.

1Q09 Highlights

- As mentioned in our earnings release for 4Q08, due to the termination of our membership at Copersucar, the majority of our inventory from the 2007-08 harvest year was sold by March 2008, i.e. in fiscal year 2008. As a result, we began the 2008-09 harvest year with low inventory levels, which adversely affected our sales in 1Q09. This led sales volume in 1Q09 to fall 46.7% (in TRS equivalent) in relation to 1Q08, with a direct impact on our EBITDA and Net Income.
- In 1Q09, our sugar and ethanol production stood at 137,000 tons and 138,000 m³, respectively, which represents a drop of 7.7% (in TRS equivalent) in relation to 1Q08. The lower volume was primarily the result of the heavy rainfall in April and May 2008 in sugar and ethanol producing regions, which reduced the TRS/ton level of the sugarcane.
- Despite the drop in TRS to date, we maintain our crushing and production guidance for the year published in our 4Q08 release. We estimate processing of 11.6 million metric tons of sugarcane in the 2008-09 harvest year, with production of approximately 631,000 m³ of ethanol and 578,000 metric tons of sugar, in other words, 64% of the sugarcane processed will be directed to ethanol production and 36% to sugar production.
- Our Costs of Goods Sold was impacted by higher provisions (with no cash effect) of R\$10.9 million related to the adjustment of inventories to market value in 1Q09. In 1Q08, this adjustment totaled R\$3.5 million. As also occurred in the 2007-08 harvest year, with the evolution of crushing over the coming quarters, this provision should be offset by the dilution of our fixed costs.
- In the Board of Directors' meeting held on July 31, 2008, Mr. Fábio Venturelli was appointed CEO of São Martinho S.A. Mr. João Guilherme Sabino Ometto is stepping down as CEO to serve as chairman of the Board of Directors.
- Through the Notice to the Market published on July 31, 2008, we announced our new strategic plan for the period through the 2020-21 Harvest Year. The group should achieve crushing capacity of 30 million metric tons by the end of this period, with investments of approximately US\$2 billion. In addition to its presence in the sugar and ethanol industries, São Martinho will also focus on higher value-added markets in the ethanol-chemicals and electric power sectors, for example.
- On June 23, we began our crushing operations at the Boa Vista Mill. Given that as of the close of 1Q09, the Boa Vista Mill was still in the initial stages of production, the unit did not record any sales in the period.



Industry Overview

Sugar

Average Sugar Prices	1Q09	4Q08	1Q08	Chg. 1Q09 x 1Q08	Chg. 1Q09 x 4Q08
US\$/R\$ Exchange rate	1.66	1.74	1.98	-16.4%	-4.6%
NY11 US\$ cents/pound	11.20	12.55	9.19	21.8%	-10.8%
NY11 R\$ / Ton	408.75	480.65	401.54	1.8%	-15.0%
Sugar ESALQ Net R\$/50-kilogram sack	22.61	21.97	24.39	-7.3%	2.9%

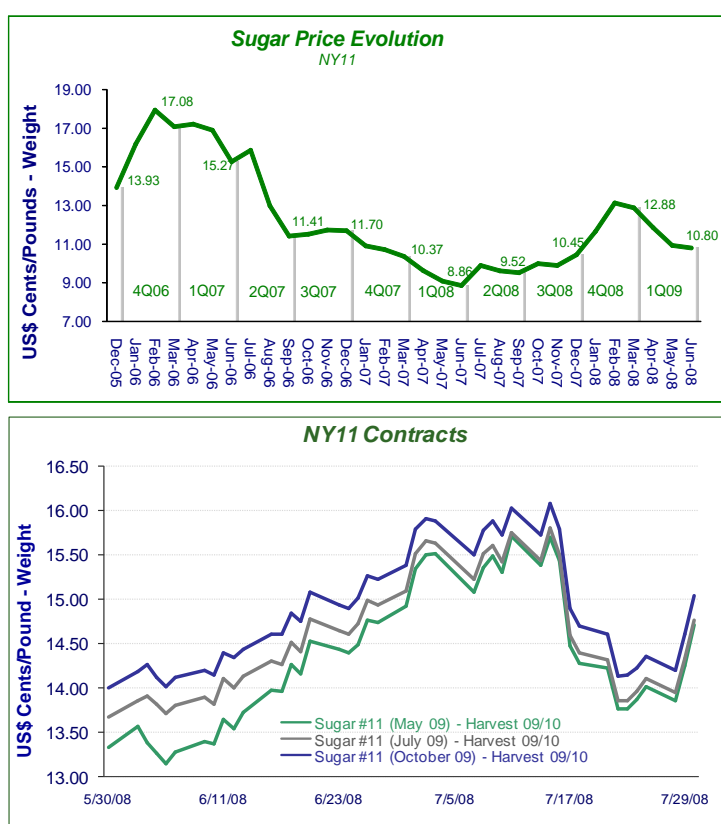
As the chart on the right shows, the strong drop in the price of NY11 sugar contracts in 1Q09 mainly reflects the start of the harvest in the Center-South region of Brazil, since forecasts made in early April 2008 suggest an increase in production compared with the 2007-08 harvest year of approximately 2.4 million metric tons.

With the progress of the harvest, we observed a decline in sugar production in the first half of July of 10.8% in relation to the previous harvest year. The main reason for this reduction was the heavy rainfall in April and May of this year. Therefore, the Brazilian harvest in the Center-South region will most likely not confirm the initial forecasts of an increase in sugar production.

Another determinant of sugar prices in the coming months is the start of the harvest in India in September 2008. We expect

Indian production of approximately 21 million tons, which would represent a decline of 22% in relation to the 2007-08 harvest year. The migration of farmland to other harvests such as wheat and rice and the heavy rainfall during sugarcane planting in India are the main reasons for the lower output in India. The combination of the lower sugar production in Brazil and India in the 2008-09 harvest year is expected to support prices at above US\$14.00 cents/pound.

In addition, analysis of sugar contracts maturing as of May 2009 (see above chart) shows that all of them indicate prices at above US\$14.5 cents/pound. These contracts reflect the projected sugar supply and demand balance for the 2009-10 harvest year, which points to a scenario of lower sugar supplies in the world market.





Ethanol

Average Ethanol Prices	1Q09	4Q08	1Q08	Chg. 1Q09 x 1Q08	Chg. 1Q09 x 4Q08
Anhydrous ESALQ, Net DM R\$ / M3	799.00	806.39	876.99	-8.9%	-0.9%
Hydrous ESALQ, Net DM - R\$ / M3	688.29	721.48	739.86	-7.0%	-4.6%
Anhydrous ESALQ EM R\$ / M3	790.57	749.37	799.22	-1.1%	5.5%
Hydrous ESALQ EM - R\$ / M3	706.47	704.74	788.40	-10.4%	0.2%
Oil NY	123.98	97.82	65.03	90.6%	26.7%

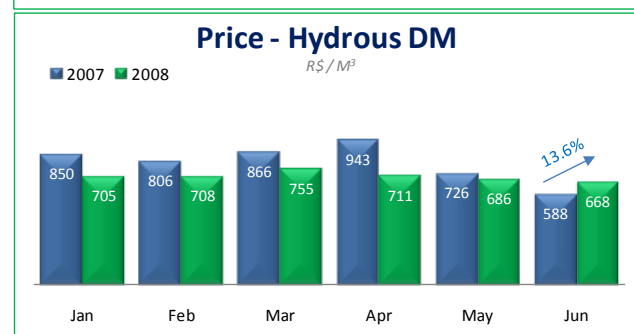
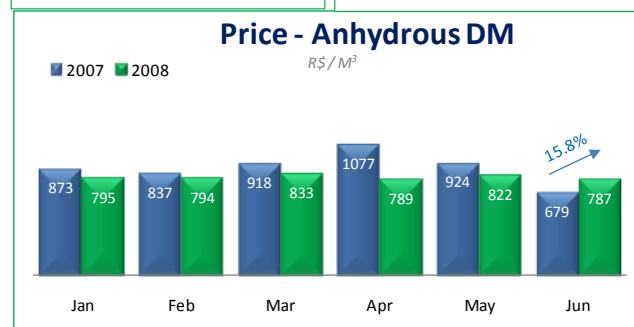
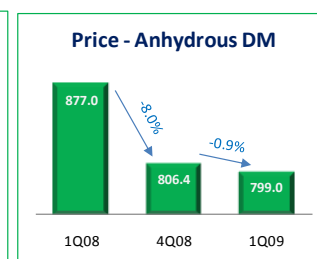
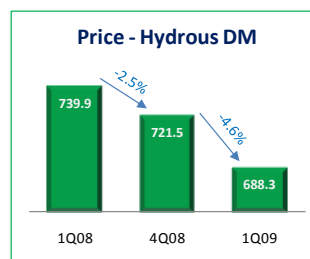
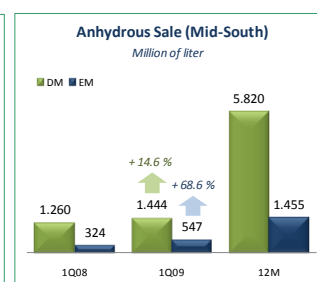
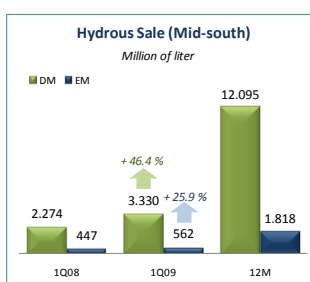
In 1Q09, domestic anhydrous and hydrous ethanol prices fell 8.9% and 7.0%, respectively, in relation to 1Q08. The forecasts pointing to an oversupply of both products in the 2008-09 harvest year was the main factor in the price drop.

However, as the harvest advances, we have already observed improvement in anhydrous and hydrous ethanol prices in June in relation to the same month last year. Up to now, the strong demand in the domestic market and the higher export volumes have helped support prices. Ethanol sales volume in the domestic and export markets in the quarter were 35% and 44% higher than in 1Q08.

The higher consumption in the domestic market reflects the strong vehicle sales in the Brazilian market, which set a record in the first half of 2008 with the sale of 1.4 million units, 35.1% higher than in the first half of 2007.

The higher export volumes were mainly due to the increase in shipments to the U.S. market. Ethanol production in the U.S. market was negatively impacted in the harvest year by floods in corn producing regions, which had an adverse affect on the harvest and in turn on ethanol production.

Analysis of the progress of ethanol production in Brazil in relation to consumption shows that as of June 2008, hydrous ethanol consumption rose by 46.4% year on year. The data further supports the belief that ethanol prices will continue to rise in the coming months.





Operating Performance

Operating Highlights

Operating Data	1Q09	1Q08	Chg %
Crushed Sugarcane ('000 tonnes)	2,996	3,199	-6.3%
Own	2,152	2,433	-11.6%
Third Parties	844	766	10.3%
Mechanized Harvest (%)	81.4%	81.0%	42.6%
Production			
Sugar ('000 tonnes)	137	156	-12.3%
Anhydrous Ethanol ('000 m ³)	64	82	-21.7%
Hydrous Ethanol ('000 m ³)	74	63	18.2%
RNA - Ribonucleic Acid	12	92	-87.3%

Financial Performance

Operating Revenue

Net Revenues Breakdown			
R\$ Thousand	1Q09	1Q08	Chg.% 1Q09 x 1Q08
Domestic Market	71,054	81,947	-13.3%
Sugar	1,610	20,436	-92.1%
Hydrous Ethanol	31,650	20,350	55.5%
Anhydrous Ethanol	30,659	36,223	-15.4%
Other	7,135	4,939	44.5%
Export Market	21,001	92,615	-77.3%
Sugar	12,651	56,268	-77.5%
Hydrous Ethanol	-	7,944	n.m.
Anhydrous Ethanol	5,514	25,791	-78.6%
RNA	2,836	2,613	8.6%
Net Revenue	92,056	174,563	-47.3%
Sugar	14,261	76,704	-81.4%
Hydrous Ethanol	31,650	28,294	11.9%
Anhydrous Ethanol	36,173	62,013	-41.7%
RNA	2,836	2,613	8.6%
Other	7,135	4,939	44.5%

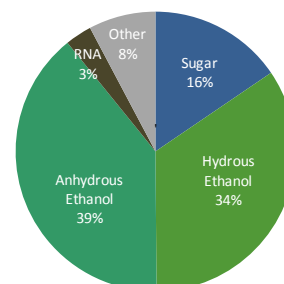


Net Revenue

São Martinho's net revenue fell by 47.3% in 1Q09 in relation to 1Q08, as a result of the decline in sales volume (-46.7% in TRS equivalent) between the two periods. In addition, international and domestic sugar prices fell due to the appreciation in the Brazilian real against the U.S. dollar of approximately 16.4% between 1Q09 and 1Q08.

Revenue was also impacted, but to a lesser degree, by the drop in the local market of 6.5% year on year in anhydrous ethanol prices, primarily due to oversupply at the start of the harvest in the Center-South region.

**Revenues Breakdown
1Q09**



Sales Performance

	1Q09	1Q08	Chg.% 1Q09 x 1Q08
Domestic Market			
Sugar (tonnes)	3,958	43,486	-90.9%
Hydrous Ethanol (m3)	48,243	31,642	52.5%
Anhydrous Ethanol (m3)	39,023	43,111	-9.5%
Export Market			
Sugar (tonnes)	31,612	120,482	-73.8%
Hydrous Ethanol (m3)	0	10,018	n.m.
Anhydrous Ethanol (m3)	6,704	31,792	-78.9%
RNA (Kg)	82,560	65,000	27.0%
Consolidated			
Sugar (tonnes)	35,570	163,968	-78.3%
Hydrous Ethanol (m3)	48,243	41,660	15.8%
Anhydrous Ethanol (m3)	45,727	74,903	-39.0%
RNA (Kg)	82,560	65,000	27.0%



Average Prices			
	1Q09	1Q08	Chg.% 1Q09 x 1Q08
Domestic Market			
Sugar (R\$/tonnes)	406.86	468.89	-13.4%
Hydrous Ethanol (R\$/m ³)	656.06	640.46	2.0%
Anhydrous Ethanol (R\$/m ³)	785.66	839.57	-6.5%
Export Market			
Sugar (R\$/tonnes)	400.19	467.00	-14.3%
Hydrous Ethanol (R\$/m ³)	-	792.91	n.m.
Anhydrous Ethanol (R\$/m ³)	822.50	811.21	1.4%
RNA (R\$/Kg)	34.35	40.20	-14.5%
Consolidated			
Sugar (R\$/tonnes)	400.93	467.50	-14.3%
Hydrous Ethanol (m ³)	656.06	677.12	-3.4%
Anhydrous Ethanol (m ³)	791.07	827.53	-4.5%
RNA (R\$/Kg)	34.49	40.20	-14.2%

Sugar

Net revenue from sugar sales contracted by 81.4% to R\$14.2 million in 1Q09, from R\$76.7 million in 1Q08. This contraction is explained primarily by the lower sales volume in the domestic and exports markets of 90.9% and 73.8%, respectively. Another factor was the reduction of 14.3% in the average sugar price, negatively impacting sugar revenue.

The decline in sugar sales was mainly due to heavy sales of sugar inventories in 4Q08, as part of the agreement to terminate membership at Copersucar. Therefore, since in the 2008-09 harvest year sugar production began in the last week of April, sugar sales in 1Q09 were negatively impacted in comparison with 1Q08.

Meanwhile, the main reason for lower sugar prices was the significant appreciation in the Brazilian real against the U.S. dollar in the quarter in relation to 1Q08 of more than 16%, which had a direct impact on our revenue.



Ethanol

Hydrous

Net revenue from hydrous ethanol totaled R\$31.6 million in 1Q09, up 11.9% on the R\$28.3 million recorded in the 1Q08. The main factor was the increase of 52.5% year on year in domestic sales of the product in the quarter.

Revenue was also favorably impacted by the hike of 2.0% in the domestic sale price versus 1Q08.

The higher domestic sales volume reflects the strong growth in the number of flex-fuel vehicles in Brazil, which has a direct impact on ethanol consumption. As we commented in the market overview, hydrous ethanol consumption in the quarter was 46.4% higher year on year.

Anhydrous

Net revenue from anhydrous ethanol in the quarter was R\$36.2 million, down 41.7% in relation to 1Q08.

The drop is primarily due to lower sales volume in the domestic and exports markets of 9.5% and 78.9%, respectively.

The lower sales were mainly due to heavy sales of anhydrous ethanol inventories in 4Q08, as part of the agreement to terminate the membership at Copersucar. Therefore, since in the 2008-09 harvest year anhydrous ethanol production began in the last week of April, sales of the product in 1Q09 were negatively impacted in comparison with 1Q08.

Ribonucleic Acid (RNA) Sodium Salt

Net revenue in the quarter from this product was R\$2.8 million, increasing by 8.6% in relation to 1Q08, driven mainly by the higher sales volume, which grew by 27% year on year to 82.5 metric tons.

Despite the increase in RNA volume explained by the concentration of the shipment timetable in 1Q09, the decrease of 14.2% in the sale price made a negative contribution to the increase in this revenue. This reduction in price is associated with the appreciation of 16.4% in the Brazilian real against the dollar between 1Q09 and 1Q08.

Other Products and Services

Net Revenue from the "Other Products and Services" line totaled R\$7.1 million in the quarter, 44.5% higher than a year ago. The revenue growth was due primarily to the sale of 5,193 MW/hour in energy in June to companies in the state of São Paulo.



Inventories

Inventories	1Q09	1Q08	Var. 1Q09 x 1Q08
Sugar (Tonnes)	106,243	80,054	32.7%
Hydrous (m ³)	25,891	22,487	15.1%
Anhydrous (m ³)	22,854	32,743	-30.2%

Sugar inventories increased by 32.7% year on year in the quarter. Because we began to negotiate directly with our clients starting in April 2008 (following the termination of our agreement with Copersucar), sugar exports were negatively impacted in 1Q09, mainly due to the increase in inventories.

As for ethanol inventories, combined anhydrous and ethanol inventories in the quarter fell by 11.75% year on year, mainly reflecting the strong demand in the domestic market, which grew by 35% in the period.

Cost of Goods Sold

The composition of our Cost of Goods Sold (cash cost) is shown below:

Breakdown of Cost of Goods Sold (COGS) - Cash			
R\$ Thousand	1Q09	1Q08	Chg.%
Agricultural Costs	41,216	78,877	-47.7%
Suppliers	11,310	27,473	-58.8%
Partnerships	3,457	9,547	-63.8%
Own Sugarcane	26,450	41,856	-36.8%
Industrial	7,378	15,298	-51.8%
Other Products	8,897	6,722	32.4%
Total COGS (*)	57,491	100,896	-43.0%
Santa Luiza e Aquidaban reconciliation	-	8,677	n.m.
Total COGS	57,491	109,573	-47.5%
TRS Sold (000 Tonnes)	200	375	-46.7%
Custo Unitário (CPV caixa açúcar e álcool / ATR vendido)	243	274	-11.3%

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

As shown above, Cash COGS in the quarter were 47.5% lower than in 1Q08. The main impact was the drop of 46.7% in sales volume (in TRS equivalent), which resulted in the lower appropriation of costs over the quarter.

In addition, the decline of 8.1% in the Consecana price in the quarter led to lower costs, with reductions in our cost lines "Suppliers" and "Partners".

Following the winding up of the operations of Usina Santa Luiza in the 2007-08 harvest year, all of the sugarcane from the unit's fields will be processed by Usina São Martinho as of the 2008-09 harvest year. Therefore, in comparisons of the items "Own Cane" and "Industry" in 1Q09 and 1Q08, bear in mind that 1Q08 does not include the costs of Usina Santa Luiza and Aquidaban reported in the item "Reconciliation of Santa Luiza and Aquidaban".



Gross Profit and Gross Margin

As a result of all the factors discussed above, São Martinho posted a gross loss of R\$1.3 million in the quarter, compared with gross profit of R\$16.1 million in 1Q08.

Selling Expenses

Selling Expenses Breakdown			
R\$ Thousand	1Q09	1Q08	Chg.%
Port Costs	65	3,684	-98.2%
Packaging	-	403	n.m.
Freight	2,507	8,348	-70.0%
Sales Comission	299	-	n.m.
Other	-	698	n.m.
Selling Expenses (*)	2,870	13,133	-78.1%
TRS Sold ('000 Tonnes)	186	351	-46.9%
Santa Luiza e Aquidaban reconciliation	-	771	n.m.
Selling Expenses	2,870	13,904	-79.4%
TRS Sold ('000 Tonnes)	200	375	-46.7%
% of Net Revenues	3.1%	8.0%	-4.8 p.p.

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

Selling expenses in the quarter contracted by 79.4% year on year, reflecting mainly the reductions in sugar and ethanol export volumes of 84% and 73.8%, respectively.

General and Administrative Expenses

General and Administrative Expenses Breakdown			
In R\$ Thousand	1Q09	1Q08	Chg.%
Personnel	6,673	5,357	24.6%
Taxes, Fees and Contributions	1,398	1,105	26.5%
Provisions for Contingencies	6,337	3,281	93.1%
General Expenses and Third-Party Services	4,319	4,420	-2.3%
Copersucar Share	-	2,727	n.m.
Management fee	1,795	1,903	-5.7%
Total General and Administrative Expenses (*)	20,522	18,793	9.2%
Santa Luiza e Aquidaban reconciliation	-	1,712	n.m.
Total General and Administrative Expenses	20,522	20,505	0.1%

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



G&A expenses totaled R\$20.5 million in the quarter, practically unchanged from the amount in 1Q08. The main negative impacts were: 1) the increase in labor charges in the quarter due to the winding up of the operations of Usina Santa Luiza, and 2) the increase in personnel expenses due to the wage increase under the collective bargaining agreement and the hiring of professionals following the termination of our membership at Copersucar. The administrative expenses in 1Q08 related to the expenses with Copersucar will not recur as of this fiscal year, due to our termination of the cooperative agreement.

In addition, a portion of the increase in labor charges (approximately R\$1.7 million) refers to nonrecurring expenses in the coming quarters, since they involve expenses with the termination of employees at Usina Santa Luiza. Therefore, we exclude this expense from the calculation of our adjusted EBITDA.

Other Operational Revenue (Expenses)

Other Operating Revenues (Expenses) Reconciliation			
In R\$ Thousand	1Q09	1Q08	Chg.%
IPO Expenses	-	(206)	n.m.
Goodwill Amortization	(2,177)	(141)	1449.4%
Others	510	177	187.6%
Other Operating Revenues (Expenses)	(1,667)	(169)	886.4%

The main impact on the line "Other Operating Revenue (Expenses)" in 1Q09 versus 1Q08 comes from the amortization of goodwill from the acquisitions of Usina Santa Luiza and Agropecuária Aquidaban, given that we acquired the company in April 2007.

EBITDA

EBITDA Reconciliation			
R\$ Thousand	1Q09	1Q08	Chg.%
Adjusted EBITDA	13,383	31,251	-57.2%
<i>Adjusted EBITDA Margin</i>	<i>14.5%</i>	<i>17.9%</i>	<i>-3.4 p.p.</i>
Pricing adjustment Sales Expenses	-	698	n.m.
Non Recurring Administrative Expenses	1,700	-	n.m.
Non Cash Items Launched in the COGS	10,897	3,527	209.0%
EBITDA	786	27,026	-97.1%
<i>EBITDA Margin</i>	<i>0.9%</i>	<i>15.5%</i>	<i>-14.6 p.p.</i>
(-) Depreciation and Amortization	(30,928)	(49,524)	-37.5%
(-) Financial Revenue (Expense), net	(11,151)	4,859	n.m.
(=) Operating Income	(41,293)	(17,639)	134.1%



São Martinho's Adjusted EBITDA was R\$13.4 million in 1Q09, declining by 57.2% from 1Q08. The main factors impacting our EBITDA were: 1) the lower sales volume in the quarter due to the fact that we sold part of the ending inventories as a result of the termination of the membership at Copersucar in 4Q08; and 2) the average sugar price in 1Q09 was 14.3% lower than in 1Q08 due to the appreciation of 16.4% in the Brazilian real against the U.S. dollar between 1Q08 and 1Q09.

In addition, another important factor that negatively impacted our result, and in turn our EBITDA, in the quarter was the higher provision (with no cash effect) of R\$10.9 million related to the adjustment of stocks at market value in 1Q09. In 1Q08, this adjustment totaled R\$3.5 million.

Bear in mind that this represents an accounting adjustment that will be reversed over the coming quarters with the evolution of sugar and ethanol production and the achievement of higher productivity. The adjustment results from the fact that at the close of 1Q09 the volume of finished products in inventory is typically very low (we produce on average 25% of the total harvest in this period), while a large portion of our fixed costs (depreciation, labor, etc.) are already allocated in inventories. Therefore, when we calculate the unit cost of finished products in our stocks, it is sometimes higher. When we compare this cost with the sugar and ethanol prices practiced in the market, we must adjust it (reduce) to market value to balance the cost of goods sold.

Accordingly, to understand better the dynamics of our recurring results, we decided to adjust this noncash item when calculating our Adjusted EBITDA.

Net Financial Result

Net Financial Result Breakdown			
R\$ Thousand	1Q09	1Q08	Chg. %
Financial Revenue	1,952	24,245	-91.9%
Financial Expense	(12,867)	(17,867)	-30.5%
Hedge Result	1,039	-	n.m.
Exchange Variation	1,291	473	172.9%
Copersucar Monetary Variation	(2,566)	(1,998)	28.4%
Net Financial Result (*)	(11,151)	4,853	n.m.
Santa Luiza e Aquidaban reconciliation	-	6	n.m.
Net Financial Result	(11,151)	4,859	n.m.

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

São Martinho's Net Financial Result in 1Q09 was a net financial expense of R\$11.1 million, compared with financial income of R\$4.8 million in 1Q08. The net financial result in 1Q08 was benefitted by a large amount of financial income, given the group's high balance of short-term investments (average of approximately R\$300 million between April 2007 and June 2007), primarily owing to investment of the proceeds from the company's IPO issue carried out in February 2007.

The negative result in 1Q09 was mainly due to the increase in net debt to cover the investments in the Boa Vista Mill. Our average net debt in the three-month period from April through June this year was approximately R\$650 million.



In addition, the item “Copersucar Monetary Restatements” refers exclusively to the monetary restatement with no cash effect of the liabilities related to the matters currently involved in legal disputes claimed by Copersucar.

Due to the compliance with CVM Instruction 469/08, we adjusted to present value our loans restructured under the PESA program (as detailed in the item “Indebtedness”). This adjustment impacted our financial expenses by R\$1.55 million and R\$0.7 million in 1Q08 and 1Q09, respectively.

Derivatives

Up until the 2007-08 harvest year, all hedging of sugar prices for the São Martinho group was carried out by Copersucar. As of the 2008-09 harvest year, São Martinho began to perform this activity on its own behalf, starting in April 2008.

In July 2008, the São Martinho group’s fixed position for the 2008-09 harvest year totaled 345,643 tons of VHP sugar linked to the NY11 contract at an average price of US\$12.20 cents/pound.

Income Tax and Social Contribution

At the close of 1Q09, the Company booked a loss before income tax and social contribution tax of approximately R\$39.6 million, which generated a tax credit of R\$13.4 million. The Company will use these credits to offsets its tax payable in future periods in which it registers taxable income.

Net Income (Loss)

São Martinho posted a net loss of R\$26.2 million in 1Q09, compared to net income of R\$11.6 million in 1Q08. The main factors contributing to this loss were: 1) the lower sales volume in 1Q09, given that we sold most of our ending inventory in 4Q08, and 2) the decline in average sugar and ethanol prices in relation to 1Q08.

Debt with Copersucar.

On June 30, 2008, the Company recognized debt of R\$235.6 million with Copersucar.

In view of the terms negotiated in the process to terminate the membership at Copersucar, we will continue to book in the line “Obligations - Copersucar” under long-term liabilities all liabilities related to the matters currently being resolved judicially. These obligations continue to be secured by sureties in the amount of R\$140 million on a consolidated basis.



Indebtedness

Debt R\$ Thousand	Jun/08	Jun/07	Chg; %.
PESA	81,821	118,226	-30.8%
Rural Credit	125,078	50,304	148.6%
Finame / BNDES Automatic	354,066	197,541	79.2%
Working Capital	135,865	5,855	2220.5%
FRN (Commercial Paper)	44,711	-	n.m.
Others	996	9,992	-90.0%
Total Gross Debt (Market)	742,537	381,918	94.4%
<u>Other Financial Liabilities - Copersucar</u>			
Copersucar's Financial Liabilities	-	49,432	n.m.
Total Copersucar's Debt	-	49,432	n.m.
Gross Debt	742,537	431,350	72.1%
Cash and Cash Equivalents	48,851	253,969	-80.8%
Net Debt	693,686	177,381	291.1%
Net Debt ex. PESA	611,865	59,155	934.3%

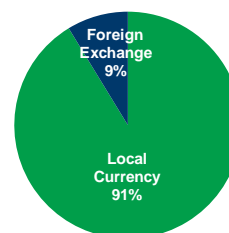
On June 30, 2008, São Martinho's consolidated gross debt totaled R\$742.5 million, an increase of 72.1% from the amount on June 30, 2007.

On the same date, cash and cash equivalents amounted to R\$48.9 million, 80.8% down on the balance of R\$254 million recorded on June 30, 2007. The main reasons for this increase of R\$552.7 million in net debt (excluding loans restructured under the PESA program) were: the investment of R\$390 million in the Boa Vista Mill in the last 12 months; 2) the investment of some R\$40 million in maintenance at the São Martinho, Iracema and São Martinho mills; and 3) the higher investment in working capital due to the increase in our inventories in 1Q09.

In addition, the decline of R\$36.4 million in the debt item "PESA" was due to compliance with CVM Instruction 469/08, which mandates the adjustment to present value of all debt at market rates. Accordingly, after the adjustments, debt under this line fell by 30.8% in 1Q09 and 1Q08.

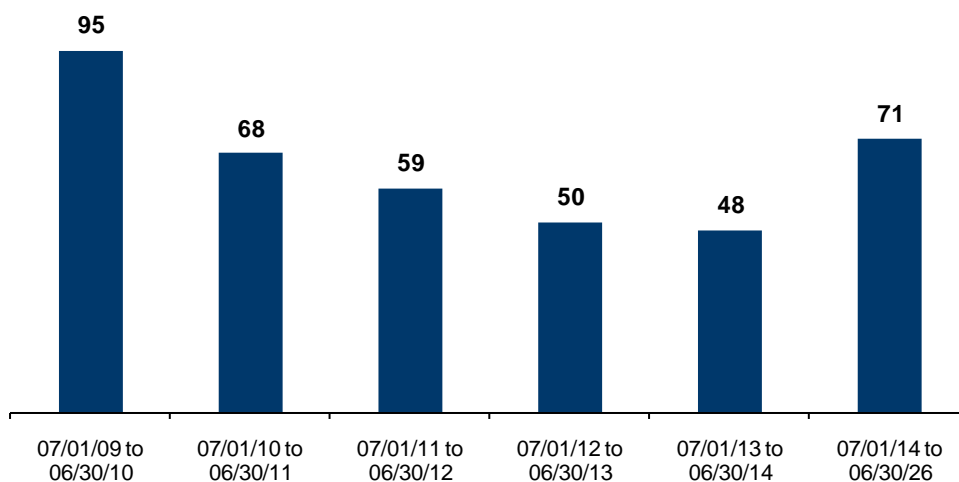
In August 2008, we signed a US\$100 million, 7-year export prepayment contract. The loan will lengthen our short-term debt under the "Working Capital" line.

1Q09 Debt Breakdown





Long Term Debt repayment Schedule - R\$ MN



São Martinho's Schedule includes the company's entire debt with banks of PESA

Capex

In R\$ Thousand			
Capex (maintenance)	1Q09	1Q08	Chg.%
Sugarcane Planting	18,058	11,123	62.3%
Industrial / Agricultural	16,266	12,044	35.1%
Sub Total	34,324	23,167	48.2%
Upgrading, Mechanization and Expansion			
Industrial / Agricultural	3,374	6,134	-45.0%
Other	4,098	-	n.m.
Sub Total	7,472	6,134	21.8%
Boa Vista Mill (Greenfield)			
Sugarcane Planting	21,406	20,415	4.9%
Industrial / Agricultural	88,511	44,033	101.0%
Sub Total	109,917	64,448	70.6%
Total	151,712	93,749	61.8%



Investments in maintenance totaled R\$34.3 million in 1Q09, representing an increase of 48.2% in relation to the previous harvest year. Despite the quarterly variation, our maintenance Capex in the 2008-09 harvest year will stand at between R\$1400 million and R\$150 million.

In 1Q09, we continued our investments in the Boa Vista Mill, which totaled R\$110 million, up 70.6% in relation to 1Q08. The acceleration in spending in 1Q09 was already expected, since a large part of our infrastructure and installations were finalized in the quarter, given that we began crushing at the Boa Vista Mill on June 23, 2008.

Recent Events

Appointment of new CEO: In a meeting of the Board of Directors held on July 31, 2008, Mr. Fábio Venturelli was appointed CEO of São Martinho S.A. Mr. João Guilherme Sabino Ometto is stepping down as CEO to serve as chairman of the Board of Directors.

Strategic Plan: Through the Notice to the Market dated July 31, 2008, we announced our new strategic plan for the period through the 2020-21 Harvest Year. The group estimates it will reach crushing capacity of 30 million metric tons per harvest by the end of this period, with investments of approximately US\$2 billion. In addition to its presence in the sugar and ethanol industries, São Martinho will also focus on higher value-added markets in the ethanol-chemicals and electric power sectors, for example.

Upcoming Events

1Q09 Earnings Conference Call

Portuguese

Date: August 18, 2008

Time: 2 p.m. (Brasília)

Tel: +55 (11) 2188-0188

Code: São Martinho

Replay: +55 (11) 2188-0188

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

English

Date: August 18, 2008

Time: 3:30 p.m. (Brasília) / 2:30 (U.S. ET)

Tel: +1 (973) 935-8893

Code: 58389474

Replay: +1 (706) 645-9291

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

Investor Relations Contacts

João Carvalho do Val

Chief Financial and Investor Relations Officer

Felipe Vicchiato

Investor Relations

Tel: +55 (11) 2105-4100

Email: ri@saomartinho.ind.br

IR Website: www.saomartinho.ind.br/ri



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 Group

São Martinho S.A. is one of Brazil's largest sugar and ethanol producers, with current annual sugarcane crushing capacity of 12.5 million tonnes. The Group produces sugar and ethanol at three mills: Iracema, São Martinho and the Boa Vista Mill. www.saomartinho.ind.br/ri



Income Statement

São Martinho S.A. - Income Statement			
In R\$ Thousand	1Q09 Apr/08 - Jun/08	1Q08 Apr/07 - Jun/07	Chg %
Gross Revenue	103,410	189,805	-45.5%
Deductions from Gross Revenue	(11,354)	(15,242)	-25.5%
Net Revenue	92,056	174,563	-47.3%
Cost of Goods Sold (COGS)	(93,392)	(158,426)	-41.1%
Gross Profit	(1,336)	16,137	n.m.
<i>Gross Margin (%)</i>	<i>-1.5%</i>	<i>9.2%</i>	<i>-10.7 p.p</i>
Operating Expenses	(28,806)	(38,635)	-25.4%
Sales Expenses	(2,870)	(13,904)	-79.4%
General and Administrative Expenses	(22,474)	(22,659)	-0.8%
Management Fees	(1,795)	(1,903)	-5.7%
Other Operating Expenses, Net	(1,667)	(169)	886.4%
Operating Profit, before financial effects	(30,142)	(22,498)	34.0%
Financial Result, Net	(11,151)	4,859	n.m.
Financial Revenue	4,052	25,681	-84.2%
Financial Expenses	(16,494)	(21,295)	-22.5%
Monetary and Exchange Variation - Assets	1,951	2,511	-22.3%
Monetary and Exchange Variation - Liabilities	(660)	(2,038)	-67.6%
Operating Result	(41,293)	(17,639)	134.1%
Non-operating Result	1,684	418	302.9%
Income Before Income and Social Contribution Taxes	(39,609)	(17,221)	130.0%
Income Tax and Social Contribution	-	-	n.m.
Deferred Income Tax and Social Contribution	13,379	5,629	137.7%
Net income from split assets	-	-	n.m.
Net Income	(26,230)	(11,592)	126.3%
<i>Net Margin (%)</i>	<i>-28.5%</i>	<i>-6.6%</i>	<i>-21.9 p.p</i>
Net Income per Share (in R\$)	(0.23)	(0.10)	126.3%



Balance Sheet (Assets)

São Martinho S.A. - Consolidated Balance Sheet - ASSETS		
R\$ thousand		
ASSETS	Jun-08	mar/08
SHORT-TERM ASSETS		
Cash and Cash Equivalents	42,228	14,320
Short Term Investments	6,623	58,214
Accounts Receivable	41,876	-
Accounts Receivable - Copersucar	-	94,225
Derivatives Financial Instruments	8,326	-
Inventories	261,125	173,625
Tax receivable	39,744	42,006
Other Assets	11,436	15,350
TOTAL SHORT-TERM ASSETS	411,358	397,740
LONG-TERM ASSETS		
Related Parties	136	208
Fixed assets destined for sale	28,875	31,649
Deferred Income Tax and Social Contribution	100,407	95,397
Other assets	30,709	25,162
Property Plant and Equipment		
Investments	3,547	167
Fixed assets	2,394,811	2,292,158
Intangible	37,891	39,006
Deferred	36,702	35,136
TOTAL LONG-TERM ASSETS	2,633,078	2,518,883
TOTAL ASSETS	3,044,436	2,916,623



Balance Sheet (Liabilities)

São Martinho S.A. - Consolidated Balance Sheet - LIABILITIES

R\$ Thousand

LIABILITIES	Jun-08	mar/08
SHORT TERM		
Loans and Financing	353,241	144,761
Derivatives Financial Instruments	5,084	-
Suppliers	80,410	55,705
Accounts Payable - Copersucar	-	77,446
Payroll and social contribution	35,309	23,158
Tax payable	9,152	9,970
Related Companies	113	153
Other Liabilities	4,700	1,620
TOTAL	488,009	312,813
LONG TERM LIABILITIES		
Loans and Financing	389,296	409,637
Accounts Payable - Copersucar	235,610	232,056
Tax Installments	9,088	9,136
Income Tax and Social Contribution	216,863	224,683
Provision for Contingencies	71,066	70,165
Other Liabilities	4,158	1,557
TOTAL	926,081	947,234
MINORITY SHAREHOLDERS	7,611	7,611
SHAREHOLDERS' EQUITY		
Capital Stock	360,000	360,000
Capital Reserve	1,152,430	1,161,846
Legal Reserve	5,079	5,079
Capital Budget Reserve	97,656	97,656
Accumulated Profit	7,570	24,384
TOTAL	1,622,735	1,648,965
TOTAL LIABILITIES	3,044,436	2,916,623



Cash Flow

São Martinho S.A. - Statement of Cash Flows	
In R\$ Thousand	1Q09
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income in the period	(26,230)
Adjustments to reconcile net income to the cash generated on operating activities:	
Depreciation and amortization	33,157
Residual cost of fixed assets - write off	993
Financial expenses and exchange variation - related parties, loans and financing and tax payable	17,013
Provision for contingencies	4,265
Write-off (provision) for deferred income tax and social contribution	(13,379)
Adjustment Present Value	710
(Increase) decrease in operating assets:	
Accounts receivable - Copersucar	52,349
Inventories	(59,874)
Tax receivable	2,262
Derivative Financial Instruments	(8,326)
Other short term assets	3,914
Other non-current assets	(5,475)
Increase (decrease) in operating liabilities:	
Suppliers	24,681
Wages and social contribution	12,151
Tax payable	(1,184)
Tax Installments	(294)
Related parties	(40)
Other short term liabilities	3,080
Provision for contingencies	(5,489)
Derivative Financial Instruments	5,084
Other liabilities	2,601
Cash flows from operating activities	41,969
CASH FLOWS FROM INVESTMENT ACTIVITIES	
Investments	(3,380)
Fixed Assets and deferred acquisition	(161,542)
Cash flows from investment activities	(164,922)
CASH FLOWS FROM FINANCING ACTIVITIES	
Financing - third parties	210,056
Accounts payable - Copersucar	(75,898)
Loans payable	(34,888)
Cash flows from financing activities	99,270
INCREASE IN CASH AND CASH EQUIVALENTS BALANCE	(23,683)
CASH AND CASH EQUIVALENTS	
Initial balance	72,534
Final balance	48,851
INCREASE IN CASH AND CASH EQUIVALENTS BALANCE	(23,683)
ADDITIONAL INFORMATION	
Interest paid during the quarter	(8,021)
Suppliers payable related to fixed assets acquisition	15,176