



1Q08 Results 2007 / 08 Harvest










SÃO MARTINHO ANNOUNCES ITS RESULTS FOR THE FIRST QUARTER OF 2008

Net Revenue reaches R\$ 174.6 million and Gross Profit totals R\$ 16.1 million in the 1Q08

São Paulo, August 14, 2007 – 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 2008 (1Q08) – 2007/08 Harvest. These results are presented on a consolidated basis, in accordance with Brazilian Corporate Law, including the partial consolidation of 41.67% of Etanol Participações S.A., a holding company that controls Usina Santa Luiza and Agropecuária Aquidaban. Results for the 1Q07 are presented in a combined basis, since as of 06/30/2007 Usina São Martinho S.A. was not fully consolidated in São Martinho S.A.

1Q08 Highlights

-  São Martinho's net revenue fell by 10.8% over the 1Q07 to R\$ 174.6 million, due to the reduction in average sale prices of sugar and ethanol in the domestic and international markets.
-  Adjusted EBITDA totaled R\$ 27.7 million in the 1Q08, accompanied by an adjusted EBITDA margin of 15.9%. Operating results were mainly impacted by the decline in revenue.
-  The net financial result improved from a expense of R\$ 7.4 million in the 1Q07 to net revenue of R\$ 6.4 million in the 1Q08, chiefly due to the upturn in financial revenue, on account of the gains obtained by Copersucar from derivative operations and the increase in cash and cash equivalents resulting from the proceeds of the Company's IPO in February 2007.
-  São Martinho posted a 1Q08 net loss of R\$ 10.6 million, versus net income of R\$ 18.7 million in the 1Q07, primarily due to the less favorable sugar and ethanol scenario.
-  On April 12, 2007, the Company, through Etanol Participações S.A., a holding company formed by Usina São Martinho S/A (a wholly-owned subsidiary of São Martinho S/A), Cosan S.A. Indústria e Comércio and Santa Cruz S.A. Açúcar e Alcool, acquired Usina Santa Luiza S.A. with respective interests of 41.67%, 33.33% and 25.00%. The acquisition price was R\$ 184.1 million, paid in cash, of which São Martinho's share was R\$ 76.7 million. At the same time, they acquired in the same proportion, Agropecuária Aquidaban, which produces 1.5 million tonnes of sugarcane per year, for R\$ 61.4 million.
-  On June 18, 2007, São Martinho's Board of Directors approved the speeding up of investments in the Boa Vista Mill and increasing its sugarcane crushing capacity by 400,000 tonnes. These investments, amounting to around R\$ 550 million and originally scheduled over the next four years, will now be brought forward and concluded in the next three years. As a result, Boa Vista will have a crushing capacity of approximately 1.0 million tonnes in the 2008/09 harvest, which will rise to 2.0 million tones in the 2009/10 season and reaching 3.4 million tones in 2010/11.
-  At the Annual Shareholders' Meeting held on July 27, 2007, the Company's shareholders approved the payment of R\$ 20.0 million as dividend, representing R\$ 0.17699 per share, which was paid on August 10, 2007.



Industry Overview

Sugar

Average Sugar Prices	1Q08	4Q07	1Q07	chg. 1Q08 x 1Q07	chg. 1Q08 x 4Q07
US\$/R\$ Exchange rate	1.98	2.11	2.19	-9.3%	-6.0%
NY11 US\$ cents/pound	9.19	10.66	16.46	-44.2%	-13.8%
NY11 R\$ / 50-kilogram sack	20.08	24.78	39.65	-49.4%	-19.0%
London 5 US\$/ton	327.80	337.46	464.70	-29.5%	-2.9%
London 5 R\$/50-kilogram sack	32.48	35.57	50.77	-36.0%	-8.7%
Sugar ESALQ Gross R\$/50-kilogram sack	29.12	35.48	49.63	-41.3%	-17.9%

Domestic and international sugar prices continued to decline in the first quarter of 2008, primarily due to expectations of increased output in Brazil and India.

Since the end of the 4Q07, we have seen a continuous slide in international sugar prices, which began the year 2008 at US\$ 9.70 cents/pound, substantially less than in the preceding years. In average terms, the NY11 price was

44.2% down on the first quarter of 2007. If we compare the current average price with the February 2006 peak, the reduction in prices comes to 52.4%.

In addition, the US Dollar has been heavily weakening against the Real every quarter, jeopardizing sugar producers even more.

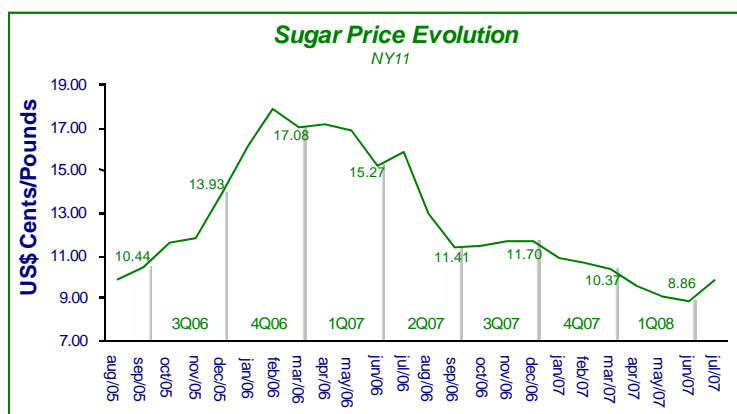
Though the 1Q08 was extremely negative for sugar prices, we expect to see a reversal in the coming quarters. In fact, in July 2007, sugar prices climbed back to US\$ 10 cents/pound, approximately 8% up on the 1Q08 average.

The turnaround was chiefly due to: 1) higher ethanol output in the mills to the detriment of sugar; 2) a reduction of sucrose content in sugarcane, reducing yield and directly impacting production volume; 3) prices so low that Brazil, which has the world's lowest production costs, may not make its production profitable.

According to UNICA (the São Paulo Sugarcane Industry Association), up to July 1, the mills in the Center-South region, which account for more than 85% of Brazil's sugar and ethanol production, had channeled less than 45% of crushed cane to sugar production. The expectation is that for the ongoing harvest, we have 55% of the harvested sugarcane going towards ethanol production.

Finally, technical difficulties and delays in delivery of equipment have led some of the new mills to delay the crushing process, which may mean that part of the cane destined for this harvest will not be crushed.

Domestic sugar prices, which are strongly influenced by international prices, have shown the same downward trend, dropping from R\$ 34.65 per 50kg sack at the beginning of the first quarter of the 2007/2008 Harvest to R\$ 23.96 per sack at the end of the same period, a decline of 30.9%. If they are compared with the first and last quarter of 2007, average prices fell 41.3% and 17.9%, respectively.





Ethanol

Average Ethanol Prices	1Q08	4Q07	1Q07	chg. 1Q08 x 1Q07	chg. 1Q08 x 4Q07
Anhydrous ESALQ, Net DM R\$ / M3	876.99	879.19	1,033.12	-15.1%	-0.2%
Hydrous ESALQ, Net DM - R\$ / M3	739.86	842.74	915.19	-19.2%	-12.2%
Anhydrous ESALQ EM R\$ / M3	799.22	913.81	1,038.35	-23.0%	-12.5%
Hydrous ESALQ EM - R\$ / M3	788.40	924.28	832.93	-5.3%	-14.7%

Expectations that ethanol production in the 2007/08 harvest would be given priority to the detriment of sugar were confirmed with the publication of the initial harvest balance in the Central-South region. This showed that the production mix was clearly favoring ethanol, absorbing more than half the cane processed during the period.

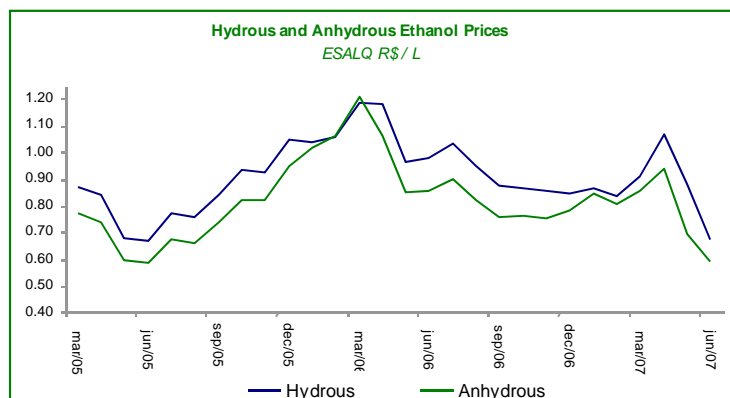
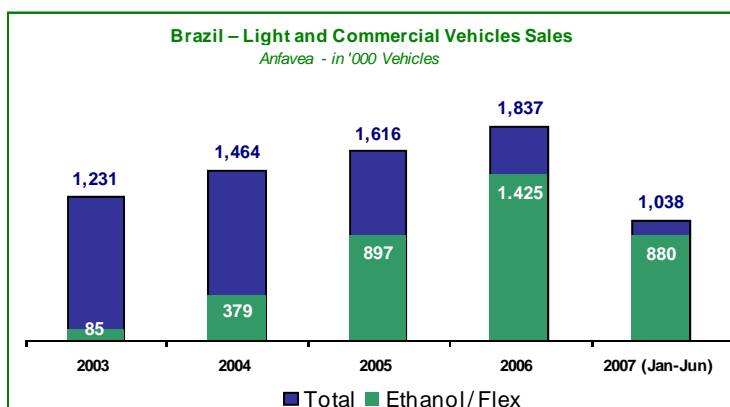
According to UNICA's harvest report, total 2007/08 ethanol output till June came to 5,557 billion liters in the Center-South region, 11.39% up on the same period in the previous harvest. The growth in production was sustained by the big upturn in the output of hydrous ethanol, which increased by 23.47% year-on-year.

The trend is the result of rising domestic demand, driven by the growth in the number of 'flex-fuel' vehicles. Between January and June 2007 alone, sales of these vehicles in Brazil was around 880,000 units, which represents 85% of the total sales of cars and light commercial vehicle in the period.

The external outlook is equally promising. There is growing interest in renewable fuels in the international market, encouraged not only by the concern over global warming, but also by the successive increases in crude oil prices, which closed July 2007 at US\$ 77 per barrel.

Although the United States is still the leading destination for Brazilian ethanol exports, its share of the total has been declining, given the substantial rise in local production subsidized by the US government through the maintenance of punishing import tariffs on the Brazilian product, thereby hampering sales in that market.

Despite growing domestic demand, fueled by car sales, mill ethanol prices closed June 2007 at their lowest level since 2005, when anhydrous and hydrous ethanol were being sold at R\$ 0.67 and R\$ 0.58 per liter, respectively. Given that most Brazilian mills have the flexibility to choose to produce either sugar or ethanol, there is still a reasonable price correlation between the two products in Brazil, especially during harvest. This phenomenon is due to the sector's extreme fragmentation, with more than 300 mills of varying sizes spread throughout the country.





We believe that with the maturation of the ethanol market, prices become less volatile both in Brazil and abroad so that ethanol is more correlated to gasoline than sugar.

Operating Performance

Operating Highlights

Operating Data	1Q08	1Q07	Change %
Crushed Sugarcane ('000 tonnes)	3,199	3,754	-14.8%
Own	2,433	2,776	-12.4%
Third Parties	766	978	-21.7%
# of Employees	7,875	7,274	8.3%
Mechanized Harvest (%)	81.0%	77.9%	306.7%
Production			
Sugar ('000 tonnes)	156	238	-34.5%
Anhydrous Ethanol ('000 m ³)	82	63	28.8%
Hydrous Ethanol ('000 m ³)	63	86	-27.0%
RNA - Ribonucleic Acid (tonnes)	92	52	77.2%

(*) Excludes Etanol Participações

(**) Includes Boa Vista Mill workers

Financial Performance

Operating Revenue

Net Revenues Breakdown					
R\$ Thousand	1Q08	1Q08 (*)	1Q07	Chg.% 1Q08 x 1Q07	Chg.% 1Q08 (*) x 1Q07
Domestic Market	81,947	76,858	114,246	-28.3%	-32.7%
Sugar	20,436	19,092	36,436	-43.9%	-47.6%
Hydrous Ethanol	20,350	19,558	31,975	-36.4%	-38.8%
Anhydrous Ethanol	36,223	33,415	38,980	-7.1%	-14.3%
Other	4,939	4,794	6,854	-27.9%	-30.1%
Export Market	92,615	86,772	81,384	13.8%	6.6%
Sugar	56,268	52,684	48,516	16.0%	8.6%
Hydrous Ethanol	7,944	7,666	7,761	2.4%	-1.2%
Anhydrous Ethanol	25,791	23,809	22,868	12.8%	4.1%
RNA	2,613	2,613	2,240	16.7%	16.7%
Other	-	-	-	n.m.	n.m.
Net Revenue	174,563	163,630	195,630	-10.8%	-16.4%
Sugar	76,704	71,776	84,952	-9.7%	-15.5%
Hydrous Ethanol	28,294	27,224	39,736	-28.8%	-31.5%
Anhydrous Ethanol	62,013	57,224	61,848	0.3%	-7.5%
RNA	2,613	2,613	2,240	16.7%	16.7%
Other	4,939	4,794	6,854	-27.9%	-30.1%

(*) Excludes sales of Etanol Participações S.A

Accounting Criteria - Copersucar

Revenues and expenses from product sales and Copersucar's operations are apportioned among the cooperative members according to the volume provided, irrespective of the volume



1Q08 Results – 2007/08 Harvest

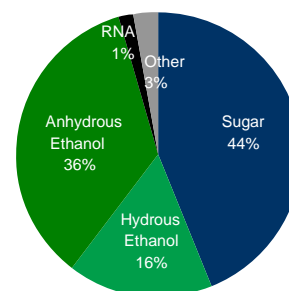
actually withdrawn from their warehouses. Cooperative members are kept informed of Copersucar's revenues and expenses, including inventories to be booked under COGS, through specific reports that are detailed for each type of event on a monthly basis.

Net Revenue

São Martinho posted 1Q08 net revenue of R\$ 174.6 million, 10.8% down year-on-year, affected by the reduction in the average sugar and ethanol sales prices in both the domestic and international markets. The strong price decline was partially offset by the increase in anhydrous ethanol sales volume in Brazil and higher export volumes of sugar and hydrous ethanol.

As discussed in the section on "Industry Overview", revenue was mainly affected by the across-the-board reduction in the price of the Company's commodities, compounded by the unfavorable exchange scenario.

1Q08 Sales Breakdown



Sales Performance					
	1Q08	1Q08 (*)	1Q07	Chg.% 1Q08 x 1Q07	Chg.% 1Q08 (*) x 1Q07
Domestic Market					
Sugar (tonnes)	43,480	40,718	46,075	-5.6%	-11.6%
Hydrous Ethanol (m3)	31,642	30,537	37,608	-15.9%	-18.8%
Anhydrous Ethanol (m3)	43,111	39,800	36,137	19.3%	10.1%
Export Market					
Sugar (tonnes)	120,482	112,814	89,131	35.2%	26.6%
Hydrous Ethanol (m3)	10,018	9,668	7,937	26.2%	21.8%
Anhydrous Ethanol (m3)	31,792	29,350	22,028	44.3%	33.2%
RNA (Kg)	65,000	65,000	59,500	9.2%	9.2%
Consolidated					
Sugar (tonnes)	163,962	153,533	135,206	21.3%	13.6%
Hydrous Ethanol (m3)	41,660	40,205	45,545	-8.5%	-11.7%
Anhydrous Ethanol (m3)	74,903	69,150	58,165	28.8%	18.9%
RNA (Kg)	65,000	65,000	59,500	9.2%	9.2%

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

Average Prices (**)					
	1Q08	1Q08 (*)	1Q07	Chg.% 1Q08 x 1Q07	Chg.% 1Q08 (*) x 1Q07
Domestic Market					
Sugar (R\$/tonnes)	470.02	468.89	790.80	-40.6%	-40.7%
Hydrous Ethanol (R\$/m ³)	643.13	640.46	850.23	-24.4%	-24.7%
Anhydrous Ethanol (R\$/m ³)	840.23	839.57	1,078.69	-22.1%	-22.2%
Export Market					
Sugar (R\$/tonnes)	467.02	467.00	800.25	-41.6%	-41.6%
Hydrous Ethanol (R\$/m ³)	793.00	792.91	977.75	-18.9%	-18.9%
Anhydrous Ethanol (R\$/m ³)	811.23	811.21	1,038.13	-21.9%	-21.9%
RNA (R\$/Kg)	40.20	40.20	37.64	6.8%	6.8%
Consolidated					
Sugar (R\$/tonnes)	467.82	467.50	797.03	-41.3%	-41.3%
Hydrous Ethanol (m ³)	679.17	677.12	872.45	-22.2%	-22.4%
Anhydrous Ethanol (m ³)	827.92	827.53	1,063.33	-22.1%	-22.2%
RNA (R\$/Kg)	40.20	40.20	37.64	6.8%	6.8%

(*) Excludes partial consolidation of Etanol Participações S.A. (**) Consider average prices net of taxes before the impact of the revenue (expenses) from the pricing of sugar on the international market, passed on by Copersucar.



Sugar ()*

Net revenue from sugar sales fell by 9.7%, from R\$ 84.9 million in the 1Q07 to R\$ 76.7 million in the 1Q08, primarily due to the substantial 40.6% decline in Brazil and 41.6% decline abroad in the average prices, partially offset by higher export volume during the period.

() Figures excluding the impact of Copersucar's hedge adjustments on the Company's net revenue.*

Ethanol

Hydrous

Net revenue from hydrous ethanol totaled R\$ 28.3 million in the first quarter of 2008, 28.8% down on the R\$ 39.7 million recorded in the 1Q07. The reduction was chiefly due to the respective 24.4% and 18.9% price reductions in the domestic and international markets.

As for sales volume, when comparing 1Q08 versus 1Q07, it is worth pointing out that the Company closed 2007 with hydrous inventories of zero. Besides, in the 1Q08, prices of anhydrous ethanol were 19% higher than those of hydrous ethanol. Given that the anhydrous/hydrous price premium has averaged around 12% in recent years, the Company focused on the sale of anhydrous to the detriment of hydrous.

Anhydrous

Net revenue from anhydrous ethanol sales came to R\$ 62.0 million, virtually flat in relation to the 1Q07. If we exclude the consolidation of Etanol Participações, however, revenue from this product would fall 7.5% year-on-year due to lower average prices of 22.1% in Brazil and 21.9% abroad respectively.

The revenue decline was partially offset by the increased volume of domestic and international anhydrous sales of 19.3% and 44.3%, respectively, in turn due to the anhydrous/hydrous price premium of more than 19% in the 1Q08, as explained in the "Hydrous Ethanol" item.

Ribonucleic Acid (RNA) Sodium Salt

RNA is a flavor enhancer used in the food industry and also in the pharmaceutical industry. São Martinho exports all of its output to the Mitsubishi Corporation through a long-term contract. Net revenue moved up 16.7% year-on-year in the 1Q08 to R\$ 2.6 million, pushed by the 6.8% period upturn in the average price to R\$ 40.20/kg. Volume of RNA sold fell by 9.2% year-on-year, and totaled 65,000 kg.

Other Products and Services

Net revenue from other products and services totaled R\$ 4.9 million between April and June 2007, which is 27.9% lower than in the same period in 2006. The main products making up this item are yeast, fusel oil and bagasse.



Inventories

Inventories	1Q08	1Q07	Cgh. 1T08 x 1T07
Sugar (Tonnes)	80,054	178,993	-55.3%
Hydrous Ethanol (m ³)	22,487	40,539	-44.5%
Anhydrous Ethanol (m ³)	32,743	32,097	2.0%

As can be seen from the above table, São Martinho's sugar and hydrous ethanol inventories fell in the 1Q08 in comparison with the 1Q07. The main reason for the decline was the delay in the beginning of cane crushing due to weather conditions, which adversely affected production in the 1Q08. Moreover, volume of sugar sold was around 13.6% higher in the 1Q08 than in the 1Q07, also eating into inventories.

However, it must be noted that, despite this delay in crushing cane, the Company is maintaining its production estimate 9.5 million tonnes for the 2007/2008 harvest, including the Usina São Martinho and Usina Iracema (see "Outlook").

Cost of Goods Sold

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

Breakdown of Cost of Goods Sold (COGS) - Excluding Depreciation					
R\$ Thousand	1Q08	%	1Q07	%	Var.%
Agricultural Costs	81,304	78%	70,728	79%	15.0%
Suppliers	27,473	26%	27,950	31%	-1.7%
Partnerships	9,547	9%	10,666	12%	-10.5%
Own Sugarcane	44,284	42%	32,113	36%	37.9%
Industrial	16,708	16%	11,185	13%	49.4%
Other Products	6,410	6%	7,115	8%	-9.9%
Total COGS (*)	104,422	100%	89,029	100%	17.3%
<i>Etanol Participações S.A. reconciliation</i>	8,678	-	-	-	-
Total COGS	113,100	-	89,029	-	27.0%

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

As can be seen from the above table, the biggest cost impact came from the "Own Sugarcane" and "Industrial" lines, mainly due to higher sales volume in the 1Q08 compared to the 1Q07 (9.1% in sugar equivalent) and the fact that production began only in April 2007.

The delay in commencement of cane crushing due to weather conditions meant that there was less dilution of fixed costs in the 1Q08, affecting COGS. This impact will be reversed in the coming quarters as crushing moves ahead and costs become more diluted.

To have better idea of this, the following table exemplifies the impact on the margins of a sugar and ethanol producer by analyzing two quarters where output differs but all other variables are the same:



1Q08 Results – 2007/08 Harvest

In Monetary Units	1Q08	1Q07	Var. %
Fixed Production Cost (a)	100	100	0%
Amount Produced (b)	50	100	-50%
Unitary Production Cost (a/b)	2	1	100%
Amount Sold (c)	50	50	0%
Price (d)	3	3	0%
Revenue (c * d)	150	150	0%
COGS (c*(a/b))	100	50	100%
Gross Profit	50	100	-50%
Gross Margin	33%	67%	-34 p.p.

As can be seen above, all other variables being equal, though fixed production costs are identical, if analyzing COGS its possible to see that gross margin is narrower since the volume produced is 50% less.

In terms of São Martinho's account books, the 2007/2008 harvest began later than the 2006/2007, hampering the production of equivalent quantities and jeopardizing the dilution of our fixed costs.

Gross Profit and Gross Margin

As a result of all the factors above, the Company's 1Q08 gross profit fell by 77.3% over the 1Q07 to R\$ 16.1 million, mainly due to the big drop in the prices of sugar and hydrous and anhydrous ethanol.

Additionally, and equally importantly, the delay in beginning cane crushing reduced the dilution of fixed costs in the 1Q08, resulting in higher COGS (as explained in the item "Cost of Goods Sold").

Selling Expenses

Selling Expenses Breakdown			
R\$ Thousand	1Q08	1Q07	Var. %
Port Costs	(3,564)	(2,604)	36.9%
Packaging	(402)	(252)	59.4%
Freight	(7,796)	(5,889)	32.4%
Other	(1,370)	(651)	n.m.
Selling Expenses (*)	(13,133)	(9,395)	39.8%
% of Net Revenue	7.5%	4.8%	2.72 p.p.
Etanol Participações S.A. Reconciliation	(771)	-	n.m.
Selling Expenses	(13,904)	(9,395)	48.0%
% of Net Revenue	8.0%	4.8%	3.16 p.p.

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

Selling expenses increased 48.0% year-on-year, primarily due to higher export volume of sugar and hydrous and anhydrous ethanol, which resulted in higher port charges. Moreover, Copersucar raised its CIF exports, in which the product price includes freight costs. Therefore,



the growth in selling expenses was offset by the increase in average prices of some products, which were higher than the market.

General and Administrative Expenses

General and Administrative Expenses Breakdown			
In R\$ Thousand	1Q08	1Q07	Var. %
Personnel	(6,960)	(7,952)	-12,5%
Taxes, Fees and Contributions	(1,105)	(1,095)	0,9%
Provisions for Contingencies	(1,678)	(1,533)	9,5%
General Expenses and Third-Party Services	(4,420)	(2,329)	89,8%
Copersucar Share	(2,727)	(4,271)	-36,2%
Management fee	(1,903)	(1,662)	14,5%
Total General and Administrative Expenses (*)	(18,793)	(18,843)	-0,3%
Etanol Participações S.A. Reconciliation	(1,712)	-	n.m.
Total General and Administrative Expenses	(20,505)	(18,843)	8,8%

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

G&A expenses totaled R\$ 20.5 million in the 1Q08, 8.8% up on the 1Q07. However, if we exclude the consolidation of Etanol Participações S.A., the difference would be close to zero.

The main variations were in expenses for third-party services, which jumped by 89.8% on account of the acquisition of Usina Santa Luiza and Agropecuária Aquidaban, and the reduction in personnel expenses, due to the non-recurring provisioning of labor costs in the 1Q07.

EBITDA

EBITDA Reconciliation			
R\$ Thousand	1Q08	1Q07	Chg. %
Adjusted EBITDA	27,724	101,171	-72.6%
<i>Adjusted EBITDA Margin</i>	<i>15.9%</i>	<i>46.3%</i>	<i>-30.4 p.p.</i>
Pricing adjustment Net Revenue	-	22,811.00	n.m.
Pricing adjustment Sales Expenses	698	-	n.m.
EBITDA	27,026	78,360	-65.5%
<i>EBITDA Margin</i>	<i>15.5%</i>	<i>40.1%</i>	<i>-24.6 p.p.</i>
(-) Depreciation and Amortization	(49,524)	(36,876)	34.3%
(-) Financial Revenue (Expense), net	6,408	(7,411)	n.m.
(=) Operating Income	(16,090)	34,074	n.m.

As can be seen from the above table, adjusted 1Q08 EBITDA dropped 72.6% year-on-year, mainly impacted by the reduction in sugar and ethanol prices in the period (see "Industry Overview").

Besides, as detailed in the "Cost of Goods Sold" section, the Company was adversely affected by the delayed commencement of cane crushing, resulting in lesser dilution of fixed costs in the 1Q08 and the consequent increase in unit costs. This impact will be reversed in the coming quarters as crushing moves ahead, consequently diluting fixed costs.

In addition, depreciation posted an increase due to the asset revaluation recorded on March, 31, 2007 (updating on the values previously recorded on April 30, 2003).



Net Financial Result

Net Financial Result Breakdown			
R\$ Thousand	1Q08	1Q07	Chg. %
Financial Revenue	24.247	24.166	0,3%
Financial Expense	(18.316)	(29.288)	-37,5%
Exchange Variation	473	(2.289)	n.m.
Net Financial Result (*)	6.403	(7.411)	n.m.
Etanol Participações S.A. Reconciliation	5	-	n.m.
Net Financial Result	6.408	(7.411)	n.m.

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

São Martinho's net financial result recorded substantial improvement, raising from a negative R\$ 7.4 million in the 1Q07 to a positive R\$ 6.4 million in the 1Q08.

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

Income Tax and Social Contribution

In the 1Q08, the Company declared a pre-tax loss of R\$ 15.7 million. As a result, under the prevailing legislation, we obtained a tax credit equivalent to 34% of this loss, i.e. R\$ 5.1 million. The Company will utilize these credits in future quarters when it posts a net income.

Net Income (Loss)

São Martinho posted a 1Q08 net loss of R\$ 10.6 million, versus a net income of R\$ 18.7 million in the 1Q07, primarily due to the less favorable sugar and ethanol scenario. Additionally, and no less importantly, the 1Q08 was adversely affected by reduced output and the consequent lower dilution of fixed costs (see "Cost of Goods Sold").

Debt

Debt			
R\$ Thousand	Jun/07	Mar/07	Chg. %
PESA	118,226	120,618	-2.0%
Rural Credit	50,304	42,981	17.0%
Finame / BNDES Automatic	197,541	126,394	56.3%
Working Capital	5,855	22,402	n.m.
FRN (Commercial Paper)	9,992	10,408	-4.0%
Prepayment	-	-	n.m.
Total Gross Debt (Market)	381,918	322,803	18.3%
Other Financial Liabilities - Copersucar			
Copersucar's Working Capital	49,432	28,036	76.3%
Total Copersucar's Debt	49,432	28,036	76.3%
Gross Debt	431,350	350,839	22.9%
Cash and Cash Equivalents	253,969	366,964	-30.8%
Debt with Copersucar	177,381	(16,125)	n.m.

On June 30, 2007, São Martinho's gross debt totaled R\$ 431.3 million, as detailed in the above table, 22.9% higher than at the close of the previous quarter.

On the same date, cash and cash equivalents amounted to R\$ 254.0 million, 30.8% down on the R\$ 367.0 million recorded at the close of the 4Q07. The reduction was due to the payment of R\$

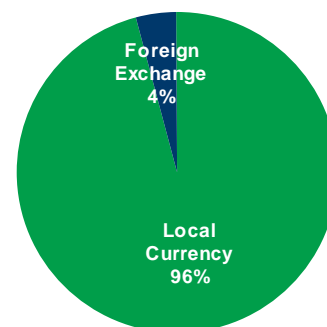


102.3 million for the acquisition of 41.67% interest in Usina Santa Luiza and Agropecuária Aquidaban in April 2007.

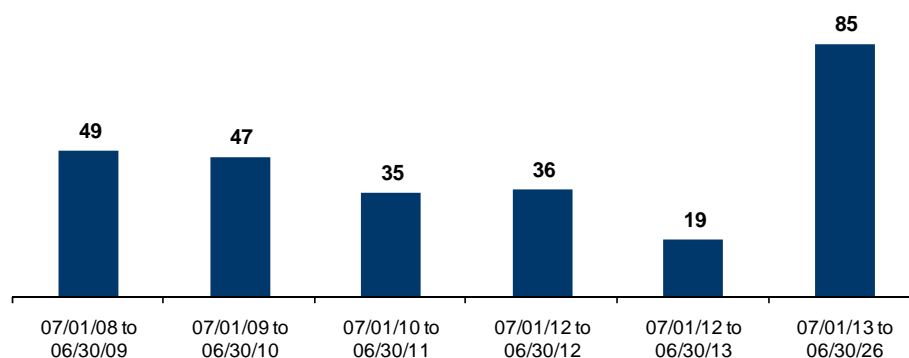
The increase in our net debt was due to: 1) the investment of R\$ 68.0 million in Boa Vista Mill, and 2) the need for more working capital by group companies due to the beginning of the harvest.

Virtually all of São Martinho's debt (96%) is denominated in Reais, as can be seen from the above chart, and 63% of the debt as on June 30, 2007 was long term (see chart below).

1Q08 Debt Breakdown



Long Term Debt Repayment Schedule R\$ MM



The above schedule includes all our Pesa bank debt.

Debt with Copersucar.

On June 30, 2007, the Company recognized a debt of R\$ 257.8 million with Copersucar. The portion related to financial debt contracted through Copersucar is booked under "Copersucar's Working Capital" and included in the Company's gross debt, as described above.



1Q08 Results – 2007/08 Harvest

Capex

CAPEX Breakdown			
In R\$ Thousand	1Q08	1Q07	Chg. %
Sugarcane Planting	11,123	12,294	-9.5%
Industrial / Agricultural	12,044	11,665	3.2%
Sub Total	23,167	23,959	-3.3%
Upgrading, Mechanization and Expansion			
Industrial / Agricultural	6,134	9,334	-34.3%
Other	-	13,850	n.m.
Sub Total	6,134	23,184	-73.5%
Boa Vista Mill (Greenfield)			
Sugarcane Planting	20,415	143	n.m.
Industrial / Agricultural	44,033	1,303	n.m.
Deferred Expenses	3,553	-	n.m.
Sub Total	68,001	1,445	n.m.
Etanol Participações S.A			
Acquisition Goodwill (deferred)	50,715	-	n.m.
Acquisition of Fixed Assets	62,413	-	n.m.
Sub Total	113,128	-	n.m.
Total	210,430	48,588	333.1%

The 1Q08 saw more investments in the Boa Vista Mill (the Group's Greenfield site), given that the unit will start production in the 2008/2009 harvest. It is expected to spend R\$ 132 million more in this harvest, totaling R\$ 200 million for the 2007/2008 harvest.

The investments to modernize and mechanize are basically related to the Usina Iracema where we are finalizing the disbursements for streamlining the industrial process and increasing harvest mechanization. Much of the investment was already made in the 2006/2007 harvest and with this; we hope to further reduce these disbursements in the coming quarters.

Recent Events

Acquisition of Usina Santa Luiza: On April 12, 2007, the Company, through Etanol Participações S.A., a holding company formed by Usina São Martinho S/A (a wholly-owned subsidiary of São Martinho S/A), Cosan S.A. Indústria e Comércio and Santa Cruz S.A. Açúcar e Álcool, acquired Usina Santa Luiza S.A, with respective interests of 41.67%, 33.33% and 25.00%. The acquisition price was R\$ 184.1 million, paid in cash, of which São Martinho's share was R\$ 76.7 million. At the same time, they acquired in the same proportion, Agropecuária Aquidaban, which produces 1.5 million tonnes of sugarcane per year, for R\$ 61.4 million. Located in the municipality of Motuca (SP), Santa Luiza has annual sugarcane crushing capacity of 1.8 million tones. Besides this, it has 19,000 hectares of cane plantation on land belonging to third parties and purchases 200,000 tonnes of cane per year from suppliers.

Acceleration and Expansion of Investments in Boa Vista Mill: On June 18, 2007, São Martinho's Board of Directors approved the speeding up of investments in the Boa Vista Mill and a 400,000 tonne p.a. increase in its cane crushing capacity. These investments, amounting to around R\$ 550 million and originally scheduled over the next four years, will now be brought forward and concluded in three years. As a result, Boa Vista Mill will have a crushing capacity of approximately 1.0 million tonnes in the 2008/09 harvest, rising to 2.0 million in the 2009/10 season and reaching 3.4 million in 2010/11.

Dividend Payment: On July 27, 2007, the Shareholders' Meeting approved the payment of R\$ 20.0 million in dividends, equivalent to R\$ 0.17699 per share. Payment was made on August 10, 2007 and shares traded ex-dividend starting July 30, 2007.



Outlook

The table below shows our production estimates for the 2007/2008 harvest:

07/08 Harvest Forecast				
Indicators	Unit	São Martinho	Iracema	Consolidated
Harvest	MM tonne	6.8	2.7	9.5
Production Mix (Ethanol x Sugar)	%	55%	55%	55%
Sugar Production	Ton (thousand)	410.0	160.0	570.0
Anhydrous Ethanol Production	thousand m ³	199.0	106.0	305.0
Hydrous Ethanol Production	thousand m ³	126.0	18.0	144.0
% proprietary mechanized harvest	%	91%	78%	87%
% total mechanized harvest	%	85%	60%	78%
% mechanized plating	%	60%	10%	45%

(*) Excludes Etanol Participações S.A.

Upcoming Events

1Q08 Earnings Conference Call

Portuguese

Date: 08/16/2007

Time: 2:00 pm (Brazil) / 1:00 p.m. (US EST)

Phone: (+55 11) 2101-4848

Code: São Martinho

Replay: (+55 11) 2101-4848

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

English

Date: 08/16/2007

Time: 3:30 pm (Brazil) / 2:30 pm (US EST)

Phone: (+1 973) 935-8893

Code: 9101183

Replay: (+1 973) 341-3080

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

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Disclaimer

This presentation contains forward-looking statements relating to the prospects of the business, estimates for operating and financial results, and those related to growth prospects of São Martinho. These are mere projections and, as such, are based exclusively on the 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 are, therefore, subject to changes without prior notice.

About São Martinho

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

Besides, the Company started construction of a third mill, the Boa Vista Mill, in the municipality of Quirinópolis, Goiás state, which is expected to become operational in the New Harvest of 2008/2009, crushing around 1.0 million tones of sugarcane to produce about 94,600 m³ of ethanol this harvest.

The Company will increase its annual sugarcane processing capacity to 3.4 million tones and annual ethanol production capacity to 325,000 m³ by the New Harvest of 2010/2011, which may be further increased. The third mill is initially expected to produce only hydrous ethanol, out of which 30% is for the Japanese industrial market and 70% for use in flex-fuel vehicles and those that run solely on ethanol. For more information, please visit www.saomartinho.ind.br/ir



Income Statement

São Martinho S.A. - Income Statement			
In R\$ Thousand	1Q08 Apr/07 - Jun/07	1Q07 Apr/06 - Jun/06	Chg. %
Gross Revenue	189,805	218,710	-13.2%
Deductions from Gross Revenue	(15,242)	(23,080)	-34.0%
Net Revenue	174,563	195,630	-10.8%
Cost of Goods Sold (COGS)	(158,426)	(124,579)	27.2%
Gross Profit	16,137	71,051	-77.3%
<i>Gross Margin (%)</i>	9.2%	36.3%	-27.1 p.p
Operating Expenses	(38,635)	(29,566)	30.7%
Sales Expenses	(13,904)	(9,395)	48.0%
General and Administrative Expenses	(22,659)	(18,506)	22.4%
Management Fees	(1,903)	(1,663)	14.4%
Other Operating Expenses, Net	(169)	(2)	n.m.
Operating Profit, before financial effects	(22,498)	41,485	n.m.
Financial Result, Net	6,408	(7,411)	n.m.
Financial Revenue	25,681	24,166	6.3%
Financial Expenses	(19,746)	(29,288)	-32.6%
Monetary and Exchange Variation - Assets	2,511	12,516	-79.9%
Monetary and Exchange Variation - Liabilities	(2,038)	(14,805)	-86.2%
Operating Result	(16,090)	34,074	n.m.
Non-operating Result	418	(2,263)	n.m.
Income Before Income and Social Contribution Taxes	(15,672)	31,811	n.m.
Income Tax and Social Contribution	-	(8,541)	n.m.
Deferred Income Tax and Social Contribution	5,102	(4,245)	n.m.
Net income from split assets	-	(276)	n.m.
Net Income	(10,570)	18,749	n.m.
<i>Net Margin (%)</i>	-6.1%	9.6%	n.m.
Net Income per Share (in R\$)	(0.09)	0.17	n.m.



Balance Sheet (Assets)

São Martinho S.A. - Consolidated Balance Sheet - ASSETS		
R\$ thousand		
ASSETS	Jun-07	Mar-07
SHORT-TERM ASSETS		
Cash and Cash Equivalents	28,628	70,557
Short Term Investments	225,341	296,407
Accounts Receivable - Copersucar	41,273	22,708
Inventories	215,657	168,890
Tax receivable	29,686	21,219
Other Assets	21,416	21,650
TOTAL SHORT-TERM ASSETS	562,001	601,431
LONG-TERM ASSETS		
Related Parties	1	18
Deferred Income Tax and Social Contribution	81,968	83,488
Other assets	12,261	11,280
Property Plant and Equipment		
Investments	50,731	142
Fixed assets	2,037,793	1,938,917
Deferred	11,273	7,650
TOTAL LONG-TERM ASSETS	2,194,027	2,041,495
TOTAL ASSETS	2,756,028	2,642,926



Balance Sheet (Liabilities)

São Martinho S.A. - Consolidated Balance Sheet - LIABILITIES		
R\$ Thousand		
LIABILITIES	Jun-07	Mar-07
SHORT TERM		
Loans and Financing	110,267	110,148
Suppliers	77,034	55,468
Accounts Payable - Copersucar	34,132	2,233
Payroll and social contribution	32,135	20,064
Tax payable	7,154	6,883
Related parties	19	46
Dividends Payable	20,000	20,000
Other Liabilities	1,552	3,014
TOTAL	282,293	217,856
LONG TERM LIABILITIES		
Loans and Financing	271,651	212,655
Accounts Payable - Copersucar	223,672	220,894
Income Tax and Social Contribution	232,450	238,562
Provision for Contingencies	75,574	72,160
Other Liabilities	1,867	1,708
TOTAL	805,214	745,979
MINORITY SHAREHOLDERS	7,611	7,611
SHAREHOLDERS' EQUITY		
Capital Stock	360,000	360,000
Capital Reserve	1,198,947	1,210,974
Legal Reserve	5,079	5,079
Capital Budget Reserve	95,427	95,427
Accumulated Profits	1,457	-
TOTAL	1,660,910	1,671,480
TOTAL LIABILITIES	2,756,028	2,642,926



Cash Flows

São Martinho S.A. - Statement of Cash Flows	
In R\$ Thousand	1Q08
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income in the period	(10,570)
Adjustments to reconcile net income to the cash generated on operating activities:	
Depreciation and amortization	49,524
Residual cost of fixed assets - write off	380
Financial expenses and exchange variation - related parties, loans and financing and tax payable	8,952
Provision for contingencies	3,414
Write-off (provision) for deferred income tax and social contribution	(4,592)
(Increase) decrease in operating assets:	
Accounts receivable - Copersucar	(18,565)
Inventories	(39,313)
Tax receivable	(8,467)
Other short term assets	234
Other non-current assets	(980)
Increase (decrease) in operating liabilities:	
Suppliers	21,566
Wages and social contribution	12,071
Tax payable	271
Related parties	(27)
Prepaid expenses	-
Provision for contingencies	(1,462)
Other liabilities	159
Cash flows from operating activities	12,595
CASH FLOWS FROM INVESTMENT ACTIVITIES	
Investments	(15)
Investments- Goodwill	(50,715)
Increase in property, plant and equipment and deferred	(159,700)
Cash flows from investment activities	(210,430)
CASH FLOWS FROM FINANCING ACTIVITIES	
Financing - third parties	92,785
Accounts payable - Copersucar	31,480
Loans payable	(39,425)
Cash from financing activities	84,840
INCREASE IN CASH AND CASH EQUIVALENTS BALANCE	(112,995)
CASH AND CASH EQUIVALENTS	
Initial balance	366,964
Final balance	253,969
INCREASE IN CASH AND CASH EQUIVALENTS BALANCE	(112,995)
ADDITIONAL INFORMATION	
Interest paid during the quarter	(6,886)
Suppliers payable related to fixed assets acquisition	4,351