



2Q11 Earnings Conference Call

Portuguese

November 18, 2010
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English

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SÃO MARTINHO'S NET INCOME GROWS 130% TO R\$46.6 MILLION IN 2Q11

São Paulo, November 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 second quarter of fiscal year 2011 (2Q11) – 2010/11 harvest year.

HIGHLIGHTS

- The São Martinho Group recorded Adjusted EBITDA of R\$127.1 million in 2Q11 (EBITDA Margin of 37.5%), representing a 66% increase on 2Q10. In the comparison of 6M11 with 6M10, EBITDA grew by 103.5% to R\$246 million. The main driver of EBITDA growth was the higher sugar sales volume and the significant improvement (30%) in sugar prices in Brazilian real.
- As a result, Net Income grew 130% in 2Q11 from 2Q10. In 6M11, Net Income totaled R\$69.5 million, up 41.5% on 6M10.
- São Martinho ended 2Q11 with 68% more ethanol in inventory than in 2Q10. As a result, the ethanol available for sale at our units for the next six months comes to approximately 380,000 m³.
- Sugar volume available for sale in the second half of the 2010/2011 harvest year totals 416,000 metric tons, while on September 30, 2010, we had approximately 274,000 metric tons hedged at USD 21.26 cents/pound. In addition, on the same date, we held hedge positions equivalent to 61,000 metric tons of sugar at USD 20.39 cents/pound related to the 2011/2012 harvest year, which corresponds to less than 7% of the sugar production capacity for the coming harvest.
- The group's Net Debt reached R\$930.7 million in September 2010, a reduction of 5.2% from September 2009. In the same period, the Net Debt/EBITDA ratio stood at 1.9x, down significantly from 3.8x in the same period a year earlier.
- We expect to end the 2010/2011 harvest with a production of 880,000 metric tons of sugar and 580,000 m³ of ethanol. In relation to the previously announced guidance, this volume represents growth in sugar production of around 20,000 metric tons and a reduction of 20,000 m³ in ethanol production. The lower ethanol production was caused by the dry weather during some months of the harvest in the entire Center-South region, and consequently at the group's units.



FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS (R\$ Thousand)	2Q11	2Q10	Chg. (%)	6M11	6M10	Chg. (%)
São Martinho - Consolidated						
Gross Revenue	357,354	308,152	16.0%	661,518	549,417	20.4%
Net Revenue	338,752	286,297	18.3%	624,203	503,752	23.9%
Adjusted EBITDA	127,102	76,502	66.1%	245,575	120,697	103.5%
EBITDA Margin	37.5%	26.7%	10.8 p.p.	39.3%	24.0%	15.4 p.p.
Consolidated Balance Sheet Indicators						
Total Assets	3,616,009	3,425,810	5.6%	3,616,009	3,425,810	5.6%
Shareholders' Equity	1,706,430	1,624,357	5.1%	1,706,430	1,624,357	5.1%
EBITDA (LTM)	488,572	262,131	86.4%	488,572	262,131	86.4%
Net Debt	930,683	981,822	-5.2%	930,683	981,822	-5.2%
Net Debt / EBITDA (LTM)	1.90 x	3.75 x		1.90 x	3.75 x	
Net Debt / Shareholders' Equity	55%	60%		55%	60%	

OPERATING DATA	6M11	6M10	Chg.(%)
São Martinho - Consolidated			
Crushed Sugarcane ('000 tons)	10,813	9,466	14.2%
Own	6,640	5,429	22.3%
Third Parties	4,173	4,037	3.4%
Mechanized Harvest	85.7%	84.5%	1.2 p.p.
Production			
Sugar ('000 tons)	706	525	34.5%
Anhydrous Ethanol ('000 m ³)	211	154	36.9%
Hydrous Ethanol ('000 m ³)	270	282	-4.1%
Ribonucleic Acid (RNA) Sodium Salt ('000 Kg)	147	147	-0.2%
Energy ('000 MWh)	127	113	12.3%

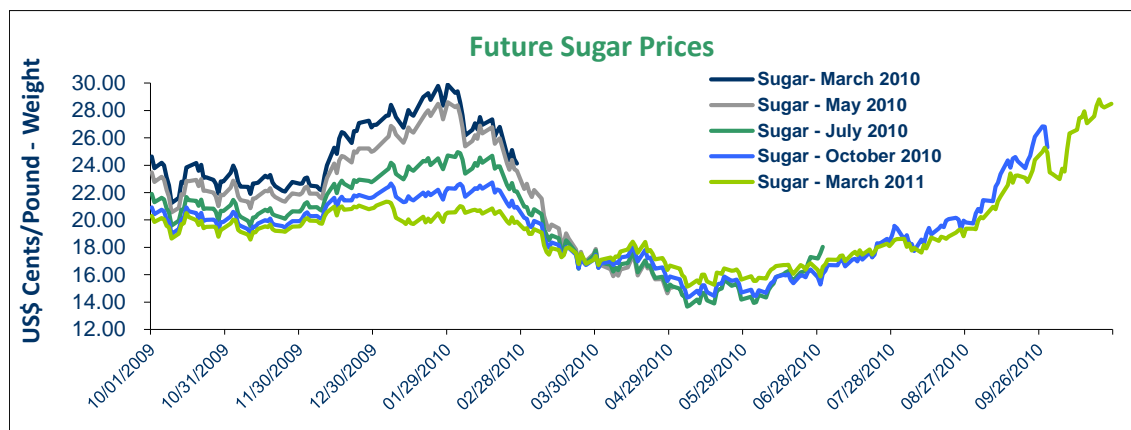
PRO-FORMA RESULTS – NOVA FRONTEIRA OPERATION

Petrobrás Biocombustível is expected to conclude, in December 2010, its payment of the shares in Nova Fronteira Bioenergia S.A. (the controlling shareholder of Usina Boa Vista and SMBJ Agroindustrial S/A). Therefore, as of the next quarter, the São Martinho Group should consolidate a 51% interest in Nova Fronteira Bioenergia S.A.

For informative purposes, we present below a comparison of the results published for 6M11 with the proforma results considering the partial consolidation (51%) of Nova Fronteira Bioenergia S.A.

Results - 6M11		
R\$ Million	Consolidated 6M11	Proforma Including Pbio 6M11
NET REVENUE	624	585
ADJUSTED EBITDA	246	233
ADJUSTED EBITDA MARGIN	39.3%	39.9%
NET DEBT	931	464

INDUSTRY OVERVIEW – SUGAR



The above chart shows that international sugar prices have resumed a strong upward trend since the close of 1Q11, influenced by the expectation that weather conditions in Brazil and India (the main world producers) could adversely affect the estimated production volume, consequently delaying the rebuilding of world sugar stocks.

The only contract still active from the 2010/2011 harvest year is the one for March 2011, which is trading at above USD 27 cents/pound.

Contracts for the next harvest year (2011/2012) have also remained in line with this increase in shorter-dated sugar prices. All prices for maturities in the 2011/2012 harvest year are already trading above USD 20 cents, which leaves us in a very favorable scenario for locking in next harvest's sugar production at levels above those practiced in the 2010/2011 harvest year, guaranteeing yet another season of high prices and profitability for the sugar produced at our units.

Sugar sales in 2Q11 primarily reflected the prices locked in at quotes for July 2010 (60%) and October 2010 (40%), with an average realization price of USD 20.50 cents/pound.

At the end of 2Q11, the volume of sugar hedged for the 2010/11 harvest year stood at 274,015 metric tons at USD 21.26 cents/pound, which corresponds to 66% of the volume available for sale during the remainder of the 2010/11 harvest year (415,517 metric tons). Most of this volume that has already been hedged is concentrated in the quote for October 2010 (72% at USD 22.07).

INDUSTRY OVERVIEW - ETHANOL

AVERAGE PRICES - ETHANOL	2Q11	2Q10	Chg. (%)	6M11	6M10	Chg. (%)
Market Prices						
Anhydrous ESALQ, Net DM R\$ / m ³	968.30	843.95	14.7%	914.93	767.01	19.3%
Hydrous ESALQ, Net DM - R\$ / m ³	830.04	740.78	12.0%	791.72	672.62	17.7%

Anhydrous and hydrous ethanol prices increased by 14.7% and 12.0%, respectively, in comparison with 2Q10. In the comparison between 6M11 and 6M10, prices increased by 19.3% for anhydrous ethanol and by 17.7% for hydrous ethanol, which reflects the more stable balance between supply and demand in the 2010/2011 harvest year.

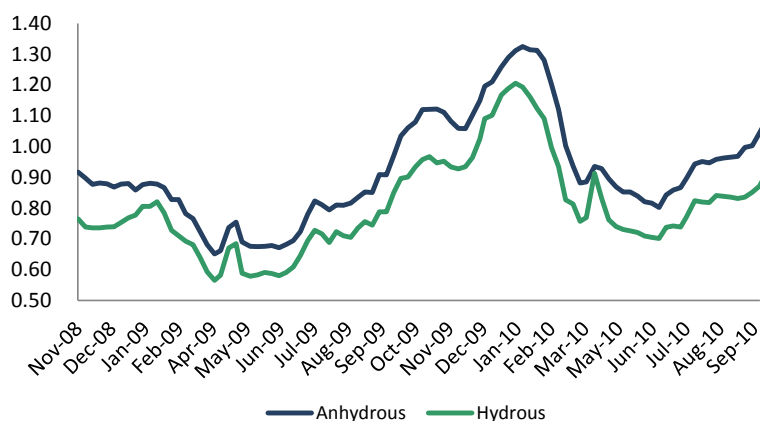
The prices of ethanol sold by the São Martinho Group in 2Q11 were 1.3% lower than the average market price disclosed by CEPEA/ESALQ. The uniform distribution of sales volumes over the months of 2Q11 and the export volume of approximately 15,000 m³, with prices higher than in the domestic market, were the main determinants of the ethanol sales prices in 2Q11.

Note that in October 2010, ethanol prices have continued to rise, basically reflecting the higher consumption in the domestic market. In the week ended October 15, 2010, average hydrous and anhydrous prices were already at R\$1,081/m³, which represents increases of 20% and 34% from 2Q11 and 1Q11, respectively.

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 m³, which represents nearly 75% of estimated production.

Alcohol Weekly Indicator

CEPEA / ESALQ São Paulo



FINANCIAL PERFORMANCE

NET REVENUE BREAKDOWN	2Q11	2Q10	Chg. (%)	6M11	6M10	Chg. (%)
R\$ Thousand						
Domestic Market	117,191	119,537	-2.0%	220,799	224,512	-1.7%
Sugar	9,610	10,855	-11.5%	19,363	21,987	-11.9%
Hydrous Ethanol	44,215	56,840	-22.2%	91,833	106,961	-14.1%
Anhydrous Ethanol	39,967	33,316	20.0%	68,600	59,763	14.8%
Energy	10,547	9,005	17.1%	16,266	14,439	12.6%
Other	12,851	9,521	35.0%	24,737	21,362	15.8%
Export Market	221,561	166,760	32.9%	403,403	279,240	44.5%
Sugar	203,729	126,464	61.1%	371,423	220,145	68.7%
Hydrous Ethanol	5,773	22,609	-74.5%	10,333	32,032	-67.7%
Anhydrous Ethanol	9,736	16,044	-39.3%	16,906	19,724	-14.3%
RNA	2,322	1,643	41.3%	4,741	7,339	-35.4%
Net Revenue	338,752	286,297	18.3%	624,203	503,752	23.9%
Sugar	213,339	137,319	55.4%	390,786	242,132	61.4%
Hydrous Ethanol	49,989	79,448	-37.1%	102,166	138,993	-26.5%
Anhydrous Ethanol	49,703	49,360	0.7%	85,506	79,488	7.6%
RNA	2,322	1,643	41.3%	4,741	7,339	-35.4%
Energy	10,547	9,005	17.1%	16,266	14,439	12.6%
Other	12,851	9,521	35.0%	24,737	21,362	15.8%

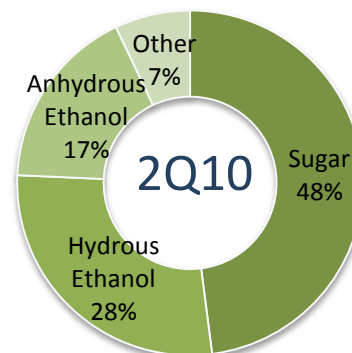
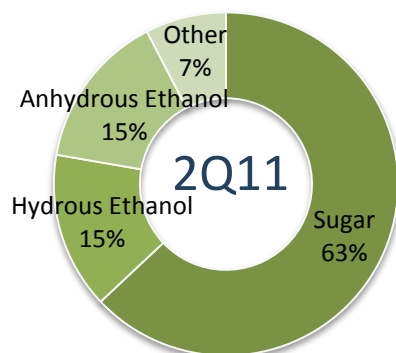
Net Revenue

In 2Q11, the São Martinho Group recorded Net Revenue growth of 18.3% from 2Q10, driven by the 18.3% increase in sugar sales volume and the 31.3% increase in sugar sales prices. Ethanol sales revenue, however, declined by 23% from 2Q10, mainly due to the 34% reduction in sales volume, which was partially offset by the increase of 18% in the average sales price in the comparison period.

Year to date, net revenue increased by 23.9% in relation to 6M10, driven primarily by the increases in the sugar sales price and in sugar sales volume of 32.6% and 21.7%, respectively.

Breakdown – Net Revenue

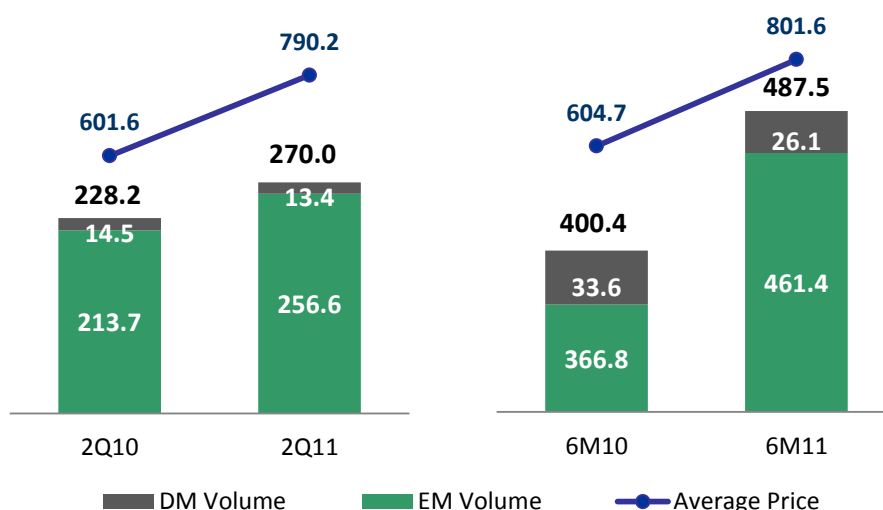
2Q11 x 2Q10



Sugar

Sugar

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



Net revenue from sugar sales totaled R\$213.3 million in 2Q11, an increase of 55.4% from R\$137.3 million in 2Q10. The increase of 18.3% in sugar sales volume and the increase of more than 31% in sugar prices were the key drivers of the strong net revenue growth.

In 6M11 versus 6M10, net revenue from sugar sales climbed by 61.4%, due to the same reasons mentioned earlier.

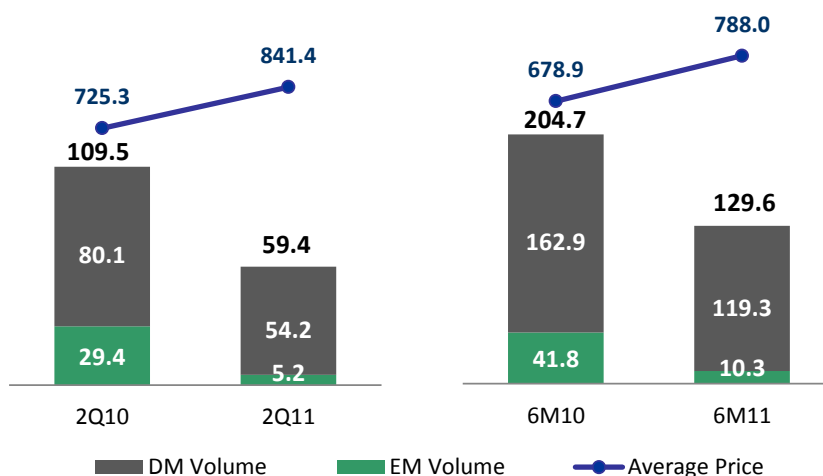
The average international sugar price stood at US\$20.48 cents/pound in 2Q11, an increase of 55.6% on 2Q10.

It is important to note that the prices quoted for both July 2010 and October 2010 jointly account for 100% of billed sugar volume in 2Q11, and since October 2009, when we began hedging for the 2010/11 harvest year, the average price of each was US\$ 19.53 cents/pound and US\$ 19.22 cents/pound, respectively.

Ethanol

Hydrous Ethanol

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



Net revenue from hydrous ethanol sales was R\$49.9 million in 2Q11, down 37.1% from 2Q10. This result reflects the 45.8% drop in hydrous ethanol sales volume, which ended up being partially offset by the 16.0% increase in the average sales price.

Net revenue also fell in 6M11, contracting by 26.5%, basically due to the 36.7% reduction in sales volume, which was partially offset by the 16.1% increase in prices in relation to the same period of last year.

The decreases in hydrous ethanol sales in 2Q11 and 6M11 were driven by to the Group's sales strategy to concentrate sales of hydrous ethanol in the off-harvest period, when prices are higher.

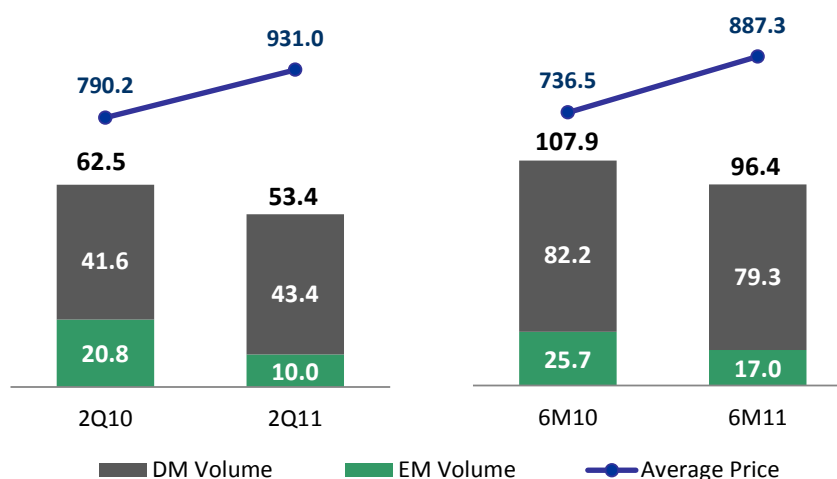
Of the total hydrous ethanol sales volume in 2Q11, approximately 56% came from mills located in the state of São Paulo and 44% from the Boa Vista mill in the state of Goiás.

Considering the hydrous ethanol production volume of 322,681 m³ announced in our guidance, approximately 65% of this total will be available for sale in the coming months.



Anhydrous Ethanol

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



Net revenue from anhydrous ethanol sales totaled R\$49.7 million in 2Q11, a slight increase of 0.7% from 2Q10. The 17.8% increase in sales price was the main factor responsible for the improvement observed in revenue from anhydrous ethanol sales, since in 2Q11 sales volume was 14.5% lower than in 2Q10.

In 6M11 versus 6M10, revenue from anhydrous ethanol climbed 7.6%, reflecting both the higher price (+20.5%) and lower sales volume (-10.7%).

Although anhydrous ethanol sales volume decreased in comparison with the previous harvest, it is worth mentioning that in this harvest the Boa Vista mill began to produce anhydrous ethanol. Therefore, we ended 2Q11 with 97.7% more anhydrous ethanol volume in inventory than in 2Q10.

Of the total anhydrous ethanol sales volume in 2Q11, approximately 72% came from the mills located in the state of São Paulo and 28% from the Boa Vista mill in the state of Goiás.

Considering the anhydrous ethanol production volume of 249,372 m³ announced in our guidance, approximately 68% of this total will be available for sale in the coming months.



Ribonucleic Acid (RNA) Sodium Salt

Net revenue from RNA sodium salt amounted to R\$2.3 million in 2Q11, growing by 41.3% from 2Q10, reflecting the 47.4% increase in sales volume and the 4.1% reduction in the BRL sales price, basically as a result of the appreciation of 15.6% in the BRL against the USD in the comparison period.

In 6M11, net revenue from RNA sodium salt fell by 35.4%, mainly due to the lower sales volume (-25.7%) in comparison with the previous harvest.

The lower RNA sodium salt sales volume was caused by adjustments in the schedule of deliveries during this harvest year, which are more concentrated in the last quarters of the fiscal year.

Electricity

In 2Q11, net revenue from electricity sales grew 17.1% from 2Q10, mainly due to the increase of 22.5% in sales volume.

The increase in billed electricity volume over 2Q10 is explained by the higher volume of cogeneration. In 6M11, power generation was 12.3% higher than in 6M10. During the whole of the 2010/11 harvest year, we expect to cogenerate approximately 160,000 MWh of electricity. It represents a small increase in comparison with the previous harvest year.

In 6M11, net revenue from electricity grew 12.6% to R\$16.2 million, fueled by the increase of 9.1% in sales volume and of 3.2% in the average sales price.

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 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\$12.8 million in 2Q11, up 35% in relation to the previous year. This revenue also grew in relation to 6M10, by 15.8%. 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 / PRODUCT AVAILABILITY

INVENTORIES	2Q11	2Q10	Chg. (%)
Sugar (tons)	240,699	265,362	-9.3%
Hydrous Ethanol (m ³)	158,831	105,513	50.5%
Anhydrous Ethanol (m ³)	130,726	66,111	97.7%

Inventories / Production Estimates (*)			
	2Q11 Inventories	Remaining Production 2010/11 (*)	Available Volume Harvest 2010/11 (Estimated)
Hydrous Ethanol (m ³)	158,831	52,404	211,235
Anhydrous Ethanol (m ³)	130,726	38,272	168,998
Total Ethanol (m³)	289,557	90,676	380,233
Sugar (Tons)	240,699	174,818	415,517

(*) Estimated production from October/2010 through the end of the 2010/11 Harvest

The increase in anhydrous and hydrous ethanol inventories in 2Q11 compared with 2Q10 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 97.7% increase in the volume of anhydrous ethanol stocks.

EBITDA AND EBITDA COST BY PRODUCT

EBITDA BY PRODUCT - 2Q11	SUGAR	ETHANOL	OTHER	TOTAL
R\$ Thousand				
Net Revenues	213,339	99,692	25,721	338,752
COGS (Cash)	(90,082)	(54,265)	(16,798)	(161,145)
Gross Profit (Cash)	123,257	45,427	8,923	177,607
Gross Margin (Cash)	57.8%	45.6%	34.7%	52.4%
Sales Expenses	(15,460)	(2,963)	(23)	(18,446)
G&A Expenses	(17,313)	(11,897)	(3,246)	(32,455)
Other Revenues (Expenses)	-	-	394	394
EBITDA	90,484	30,567	6,049	127,102
EBITDA Margin	42.4%	30.7%	23.5%	37.5%
EBITDA Cost (*)	455.0	612.8	-	-

(*) Sugar in R\$/Ton

Ethanol in R\$/m³



EBITDA BY PRODUCT - 2Q10	SUGAR	ETHANOL	OTHER	TOTAL
R\$ Thousand				
Net Revenues	137,319	128,808	20,170	286,297
COGS (Cash)	(71,577)	(82,940)	(13,878)	(168,395)
Gross Profit (Cash)	65,742	45,868	6,292	117,902
Gross Margin (Cash)	47.9%	35.6%	31.2%	41.2%
Sales Expenses	(12,837)	(6,553)	(95)	(19,484)
G&A Expenses	(9,207)	(11,358)	(2,285)	(22,850)
Other Revenues (Expenses)	-	-	935	935
EBITDA	43,698	27,958	4,846	76,502
EBITDA Margin	31.8%	21.7%	24.0%	26.7%
EBITDA Cost (*)	410.2	586.3	-	-

(*) Sugar in R\$/Ton

Ethanol in R\$/m³

EBITDA BY PRODUCT - 6M11	SUGAR	ETHANOL	OTHER	TOTAL
R\$ Thousand				
Net Revenues	390,786	187,672	45,745	624,203
COGS (Cash)	(160,140)	(105,567)	(29,517)	(295,224)
Gross Profit (Cash)	230,646	82,105	16,228	328,979
Gross Margin (Cash)	59.0%	43.7%	35.5%	52.7%
Sales Expenses	(26,906)	(5,744)	(104)	(32,754)
G&A Expenses	(26,716)	(20,332)	(5,228)	(52,275)
Other Revenues (Expenses)	-	-	1,626	1,626
EBITDA	177,025	56,029	12,522	245,574
EBITDA Margin	45.3%	29.9%	27.4%	39.3%
EBITDA Cost (*)	438.5	582.4	-	-

(*) Sugar in R\$/Ton

Ethanol in R\$/m³

EBITDA BY PRODUCT - 6M10	SUGAR	ETHANOL	OTHER	TOTAL
R\$ Thousand				
Net Revenues	242,132	218,480	43,140	503,752
COGS (Cash)	(126,191)	(148,495)	(32,158)	(306,844)
Gross Profit (Cash)	115,941	69,985	10,982	196,907
Gross Margin (Cash)	47.9%	32.0%	25.5%	39.1%
Sales Expenses	(23,299)	(10,529)	(132)	(33,959)
G&A Expenses	(16,970)	(21,673)	(4,294)	(42,938)
Other Revenues (Expenses)	-	-	686	686
EBITDA	75,671	37,783	7,241	120,697
EBITDA Margin	31.3%	17.3%	16.8%	24.0%
EBITDA Cost (*)	415.7	578.0	-	-

(*) Sugar in R\$/Ton

Ethanol in R\$/m³

In 2Q11, sugar accounted for 71% of the Group's consolidated EBITDA, while ethanol and other products accounted for 24% and 5%, respectively. Sugar EBITDA margin was 42.4% in 2Q11, significantly higher than in 2Q10 (31.8%), primarily due to the increase in the sugar sale prices in 2Q11 versus 2Q10 (+31.3% in R\$/metric tons).



Meanwhile, ethanol EBITDA margin stood at 30.7% in 2Q11, also representing improvement from the 21.7% margin recorded in 2Q10, mainly reflecting the increase of 18.0% in the sales price in relation to 2Q10.

Year-to-date, sugar accounted for 72% of the Group's consolidated EBITDA, while ethanol and other products accounted for 23% and 5%, respectively. In terms of the profitability of each product, sugar posted the best results, with consolidated EBITDA margin of 45.3% in 6M11, compared with a margin of close to 30% for ethanol based on sales in the year to date.

COST OF GOODS SOLD (COGS)

BREAKDOWN OF COGS - CASH	2Q11	2Q10	Chg. (%)	6M11	6M10	Chg. (%)
R\$ Thousand						
Agricultural Costs	132,274	139,993	-5.5%	240,749	245,366	-1.9%
Suppliers	70,882	69,597	1.8%	108,814	108,043	0.7%
Partnerships	10,657	11,744	-9.3%	25,071	23,755	5.5%
Own Sugarcane	50,735	58,653	-13.5%	106,863	113,568	-5.9%
Industrial	14,842	17,114	-13.3%	29,644	33,338	-11.1%
Other Products	14,028	11,289	24.3%	24,833	28,140	-11.8%
Total COGS	161,145	168,395	-4.3%	295,224	306,844	-3.8%
TRS Sold ('000 Tons)	478	535	-10.7%	901	957	-5.9%
Unit Cost (Sugar and Ethanol Cash COGS / TRS Sold)	308	294	4.8%	300	291	3.0%

As shown above, Cash COGS in 2Q11 was 4.3% lower than in 2Q10, mainly due to: 1) the reduction of 10.7% in sales volume (in TRS equivalent); 2) the higher volume of own sugarcane processed in relation to the previous harvest year. However, the increase of 16% in the Consecana price mainly affected expenses with suppliers, which, despite the lower sales volume sold, registered an increase of 1.8% in relation to 2Q10.

Cash COGS fell 3.8% in the six-month comparison, due to the same reasons mentioned above.

SELLING EXPENSES

SELLING EXPENSES	2Q11	2Q10	Chg. (%)	6M11	6M10	Chg. (%)
R\$ Thousand						
Port Costs	2,259	3,044	-25.8%	3,073	4,885	-37.1%
Freight	15,488	15,927	-2.8%	28,442	27,654	2.8%
Sales Commission	699	512	36.4%	1,239	1,421	-12.8%
Selling Expenses	18,446	19,484	-5.3%	32,754	33,959	-3.5%
TRS Sold ('000 Tons)	478	535	-10.7%	901	957	-5.9%
% of Net Revenues	5.4%	6.8%	-1.4 p.p.	5.2%	6.7%	-1.5 p.p.

Selling expenses declined by 5.3% from 2Q10, despite the 20% increase in sugar export volumes between the quarters. The main positive impact came from the reduction of approximately 23,000 m³ in ethanol export volumes, since the group prioritized anhydrous and hydrous ethanol sales in the domestic market.

The main highlight in selling expenses was the reduction in the cost per metric ton of sugar exports, which decreased from R\$63 in 6M10 to R\$58 in 6M11. As a result, despite



the 25.8% growth in sugar export volumes, selling expenses decreased by 3.5% to R\$32.7 million in 6M11.

GENERAL AND ADMINISTRATIVE EXPENSES

G&A EXPENSES - (CASH)	2Q11	2Q10	Chg. (%)	6M11	6M10	Chg. (%)
R\$ Thousand						
Personnel	9,033	7,038	28.3%	16,726	13,780	21.4%
Taxes, Fees and Contributions	4,479	5,309	-15.6%	5,706	7,056	-19.1%
Provisions for Contingencies	5,567	3,550	56.8%	9,456	8,894	6.3%
General Expenses and Third-Party Services	5,063	5,051	0.2%	10,267	9,436	8.8%
Management Fee	2,412	1,903	26.7%	4,219	3,772	11.9%
Total Recurring General and Administrative	26,555	22,850	16.2%	46,375	42,938	8.0%
Non-Recurring Items	5,900	-	n.m.	5,900	-	n.m.
Total General and Administrative Expenses	32,455	22,850	42.0%	52,275	42,938	21.7%

In the second quarter, G&A expenses were impacted by non-recurring expenses of approximately R\$6 million that were basically related to the sale of part of the Group's interest in Usina Boa Vista S.A. to Petrobrás Biocombustível. Additional expenses of around R\$8 million related to the same project are expected to be booked in 3Q11. As of 4Q11, the Company will no longer incur expenses related to this sale.

Excluding the non-recurring items, G&A expenses came to R\$26.5 million, 16.2% more than in 2Q10. The main impacts were the increases in: 1) personnel expenses (+ R\$2 million) due to the 2010 collective bargaining agreement, and 2) the anticipation of various labor agreements, which generated an additional provision of R\$1.8 million.

EBITDA

EBITDA RECONCILIATION	2Q11	2Q10	Chg. (%)	6M11	6M10	Chg. (%)
R\$ Thousand						
Adjusted EBITDA	127,102	76,502	66.1%	245,575	120,697	103.5%
Adjusted EBITDA Margin	37.5%	26.7%	10.8 p.p.	39.3%	24.0%	15.4 p.p.
Non Recurring Operating Revenues (Expenses)	548	(1,116)	n.m.	(823)	(750)	9.7%
Non Cash Items Launched in the COGS	(4,256)	(8,303)	-48.7%	1,192	(6,313)	n.m.
EBITDA	130,810	85,921	52.2%	245,206	127,760	91.9%
EBITDA Margin	38.6%	30.0%	8.6 p.p.	39.3%	25.4%	13.9 p.p.
(-) Depreciation and Amortization	(58,420)	(65,675)	-11.0%	(120,686)	(120,435)	0.2%
(-) Financial Revenue (Expense), net	(2,139)	12,990	n.m.	(21,096)	70,096	n.m.
(=) Operating Income	70,251	33,236	111.4%	103,424	77,421	33.6%

Adjusted EBITDA

In 2Q11, the São Martinho Group recorded adjusted EBITDA of R\$127.1 million, up 66.1% from 2Q10. In 6M11, adjusted EBITDA totaled R\$245.5 million, up 103.5% on 6M10. The main positive impact was the increases in sugar sales price and volume between the two quarters, as described in the "Net Revenue" section.



Reconciliation of EBITDA to adjusted EBITDA (non-cash adjustment)

The main adjustments made to EBITDA in 2Q11 and 2Q10 are detailed below:

1) Negative adjustment to EBITDA - "Non-cash items booked under COGS": 2Q11: - R\$4.2 million and 2Q10: - R\$8.3 million

Note that this represents the reversal of an accounting adjustment made in the first quarter of these two harvest years. The adjustment is explained by the fact that at the close of the first quarter the volume of finished products in stock is typically very low, while a large portion of our fixed costs (depreciation, labor, etc.) are already allocated to inventories. Therefore, the calculation of the unit cost of finished products in our stocks is sometimes higher. After comparing this cost with sugar and ethanol market prices, we must make adjustments (reductions) to market value, offsetting the cost of goods sold.

HEDGE

U.S. Dollar

On September 30, 2010, the São Martinho Group held a US\$84.1 million short position in USD currency futures through non-deliverable forwards (NDFs) at an average price of R\$1.8913/US\$, with maturities through April 2011.

Sugar

On September 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"	Mar/11 to Jul/11	21,590	20.09
Sale of "CALL"	Mar/11 to Jul/11	29,210	21.41
Sale of "PUT"	Mar/11	6,350	14.75
Future Contracts - Bought	Mar/11 to Jul/11	9,652	21.80
Future Contracts - Sold	Mar/11 to Jul/11	17,272	19.59
Hedging directly with clients (no margin call)	Jul/10 to Jul/11	241,351	21.48
Forward Sales (no margin call)	Mar/11 to Jul/11	66,802	20.04
Subtotal (i)	2010/11 Harvest	274,015	21.26
Subtotal (ii)	2011/12 Harvest	61,062	20.39
Total		335,077	21.10



2010/11 Harvest Year – 274,015 metric tons of sugar hedged at an average price of US\$21.26 cents/pound, corresponding to approximately 66% of the sugar volume available for sale in the 2010/11 harvest.

2011/12 Harvest Year – 61,062 metric tons of sugar hedged at an average price of US\$20.39 cents/pound.

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\$2.1 million in September 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	2Q11	2Q10	Chg. (%)	6M11	6M10	Chg. (%)
R\$ Thousand						
Financial Revenues	7,069	1,868	278.4%	9,862	3,714	165.5%
Financial Expenses	(14,348)	(16,155)	-11.2%	(31,457)	(26,776)	17.5%
Hedge Result - Sugar	(5,751)	(14,011)	-59.0%	(5,925)	(20,694)	-71.4%
Exchange Variation	12,487	42,789	-70.8%	9,413	117,084	-92.0%
Copersucar Monetary Variation	(1,597)	(1,501)	6.4%	(2,989)	(3,232)	-7.5%
Net Financial Result	(2,139)	12,990	n.m.	(21,096)	70,096	n.m.

The most significant variation in the financial result in the comparison of 2Q11 with 2Q10 is due to the foreign exchange gain in 2Q10. In the period, the BRL appreciated by more than 10% against the USD, generating a non-recurring gain of R\$42.8 million due to our debt balance pegged to the USD used to finance exports.

The 2Q11 financial result was also impacted by the financial expense of R\$5.7 million due to the marking to market of operations in sugar options that do not fall under hedge accounting.



OPERATING WORKING CAPITAL

OPERATING WORKING CAPITAL	2Q10	1Q11	2Q11	2Q11 x 1Q11	2Q11 x 2Q10
R\$ Thousand					
ASSETS	559,283	477,086	664,749	(187,663)	(105,466)
Accounts Receivable	71,970	59,459	72,236	(12,777)	(266)
Inventories	430,430	340,306	510,657	(170,351)	(80,227)
Tax receivable	56,883	77,321	81,856	(4,535)	(24,973)
LIABILITIES	163,272	165,927	210,644	44,717	47,372
Suppliers	104,475	96,947	135,874	38,927	31,399
Payroll and social contribution	46,536	54,233	47,209	(7,024)	673
Tax payable	12,261	14,747	27,561	12,814	15,300
WORKING CAPITAL	396,011	311,159	454,105	(142,946)	(58,094)

As shown in the table above, in 2Q11 the São Martinho Group invested R\$454.1 million in working capital in its operations, for an increase of nearly R\$58.0 million from the total invested in 2Q10. In comparison with 1Q11, there was an increase of R\$142.9 million in working capital invested, which usually occurs at the beginning of the crushing period to finance production.

NET INCOME

Net income totaled R\$46.6 million in 2Q11, R\$26.3 million higher than the R\$20.2 million recorded in the same period last year. In 6M11, consolidated net income totaled R\$69.5 million, up 41.5% on 6M10.

DEBT WITH COPERSUCAR

On September 30, 2010, the Company recognized debt of R\$196.4 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.



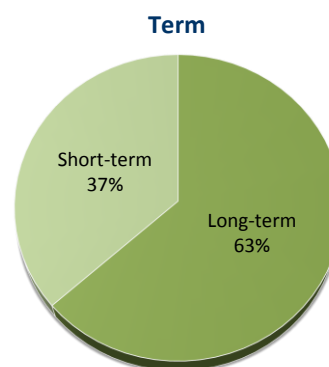
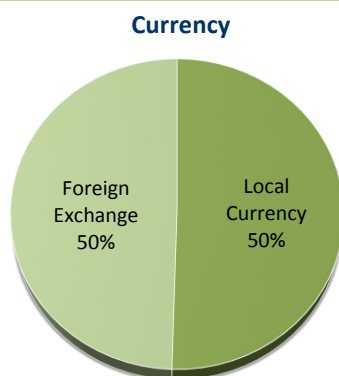
INDEBTEDNESS

DEBT	Sep/10	Sep/09	Chg. (%)
R\$ Thousand			
PESA	71,984	72,780	-1.1%
Rural Credit	75,911	37,535	102.2%
BNDES / FINAME	508,330	500,422	1.6%
Working Capital	110,467	108,400	1.9%
ACC (Advances on Foreign Exchange Contracts)	124,272	202,704	-38.7%
PPE (Export prepayment)	255,501	178,321	43.3%
Others	604	795	-24.0%
Gross Debt	1,147,069	1,100,957	4.2%
Cash and Cash Equivalents	216,386	119,135	81.6%
Net Debt	930,683	981,822	-5.2%
Net Debt ex. PESA	858,699	909,042	-5.5%

The Group's net debt stood at R\$930.7 million in September 2010, which represents a reduction of 5.2% from 2Q10. In the same period, the Net Debt/EBITDA ratio stood at 1.9x, down significantly from 3.7x in September 2009.

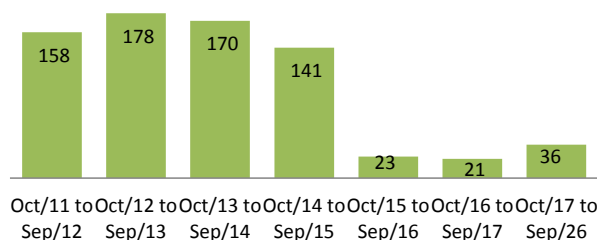
Note that part of the Company's debt was contracted to finance ethanol stocks. On September 30, 2010, the market value of these stocks was over R\$300 million.

Indebtedness Breakdown



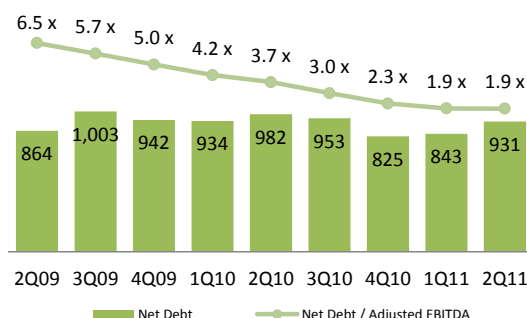
Amortization Schedule

R\$ - Million



Net Debt / EBITDA LTM

Evolution





CAPEX

SÃO MARTINHO - CONSOLIDATED	2Q11	2Q10	Chg. (%)	6M11	6M10	Chg. (%)
Capex (maintenance)						
Sugarcane Planting	15,026	19,791	-24.1%	28,907	43,263	-33.2%
Industrial / Agricultural	10,226	5,194	96.9%	16,959	19,092	-11.2%
Sub Total	25,252	24,985	1.1%	45,866	62,356	-26.4%
Upgrading, Mechanization and Expansion						
Industrial / Agricultural	4,313	-	n.m.	8,162	496	1544.2%
Other	787	-	n.m.	787	306	156.9%
Sub Total	5,100	-	n.m.	8,949	803	1014.8%
Boa Vista Mill (Greenfield)						
Sugarcane Planting	16,598	18,519	-10.4%	26,776	34,270	-21.9%
Industrial / Agricultural	24,342	8,656	181.2%	32,726	29,533	10.8%
Sub Total	40,940	27,175	50.7%	59,502	63,803	-6.7%
Total	71,292	52,161	36.7%	114,317	126,961	-10.0%

As shown above, Capex in 2Q11 increased by 36.7% from 2Q10, mainly due to the increase of 50.7% in investments to expand crushing capacity at the Boa Vista mill.

In 6M11, the Group invested R\$114.3 million, 10% less than in 6M10, with the main impact coming from the reduction of 26.4% in investments in maintenance in relation to the same period last year. Note that this reduction will be reversed over the coming quarters due to the difference in the investment timetable between the two harvest years, with maintenance capex for the 2010/2011 harvest year estimated at approximately 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

The São Martinho Group is one of the largest sugar and ethanol groups in Brazil, and operates there mills: São Martinho, in Pradópolis (in Ribeirão Preto region of São Paulo state); Iracema, in Iracemápolis (in the Limeira region of São Paulo state); and Boa Vista (In Quirinópolis, 300 km from Goiânia, in Goiás state); as well as a unit producing a ribonucleic acid known as Omtex, which is also based in Iracemápolis. For more information, please visit the website at www.saomartinho.ind.br.



INCOME STATEMENT

SÃO MARTINHO S.A. - CONSOLIDATED	2Q11	2Q10	Chg. (%)	6M11	6M10	Chg. (%)
R\$ Thousand						
Gross Revenue	357,354	308,152	16.0%	661,518	549,417	20.4%
Deductions from Gross Revenue	(18,602)	(21,855)	-14.9%	(37,315)	(45,665)	-18.3%
Net Revenue	338,752	286,297	18.3%	624,203	503,752	23.9%
Cost of Goods Sold (COGS)	(212,087)	(222,861)	-4.8%	(410,932)	(414,675)	-0.9%
Gross Profit	126,665	63,436	99.7%	213,271	89,077	139.4%
Gross Margin (%)	37.4%	22.2%	15.2 p.p	34.2%	17.7%	16.5 p.p
Operating Expenses	(54,275)	(43,190)	25.7%	(88,751)	(81,752)	8.6%
Selling Expenses	(18,446)	(19,484)	-5.3%	(32,754)	(33,959)	-3.5%
General and Administrative Expenses	(33,254)	(23,840)	39.5%	(54,204)	(45,365)	19.5%
Management Fees	(2,412)	(1,903)	26.7%	(4,219)	(3,772)	11.9%
Other Operating Expenses, Net	(163)	2,037	n.m.	2,426	1,344	80.5%
Operating Profit, Before Financial Effects	72,390	20,246	257.6%	124,520	7,325	1599.9%
Financial Result, Net	(2,139)	12,990	n.m.	(21,096)	70,096	n.m.
Financial Revenues	7,715	17,087	-54.8%	11,387	40,685	-72.0%
Financial Expenses	(30,963)	(36,242)	-14.6%	(50,805)	(56,695)	-10.4%
Monetary and Exchange Variations, Net	21,109	32,145	-34.3%	18,322	86,106	-78.7%
Income (Loss) Before Income and Social Contribution Taxes	70,251	33,236	111.4%	103,424	77,421	33.6%
Income Tax and Social Contribution - Current	(21,201)	(6,791)	212.2%	(33,775)	(8,431)	300.6%
Income Tax and Social Contribution - Deferred	(2,468)	(5,121)	-51.8%	(103)	(17,064)	-99.4%
Net Income (Loss) Before Minority Interest	46,582	21,324	118.4%	69,546	51,926	33.9%
Minority Interest	-	(1,075)	n.m.	-	(2,770)	n.m.
Net Income	46,582	20,249	130.0%	69,546	49,156	41.5%
Net Margin (%)	13.8%	7.1%	6.7 p.p	11.1%	9.8%	1.4 p.p



BALANCE SHEET (ASSETS)

SÃO MARTINHO S.A. CONSOLIDATED- ASSETS

R\$ Thousand

ASSETS	Sep/10	Jun/10
SHORT-TERM ASSETS		
Cash and Cash Equivalents	216,386	210,723
Accounts Receivable	72,236	59,459
Derivatives Financial Instruments	16,562	37,793
Inventories	510,657	340,306
Recoverable Taxes	81,856	77,321
Other Assets	13,789	11,579
TOTAL SHORT-TERM ASSETS	911,486	737,181
LONG-TERM ASSETS		
Long-term Receivables		
Related Parties	391	499
Deferred Income Tax and Social Contribution	112,254	110,280
Accounts Receivable - Copersucar	4,104	4,059
Recoverable Taxes	35,471	37,164
Other Assets	196	188
	152,416	152,190
Investments	3,540	3,540
Fixed Assets	2,473,913	2,499,191
Intangible	36,806	36,984
Deferred	37,848	39,012
TOTAL LONG-TERM ASSETS	2,704,523	2,730,917
TOTAL ASSETS	3,616,009	3,468,098



BALANCE SHEET (LIABILITIES)

SÃO MARTINHO S.A. CONSOLIDATED- LIABILITIES

R\$ Thousand

LIABILITIES AND SHAREHOLDERS' EQUITY	Sep/10	Jun/10
SHORT-TERM LIABILITIES		
Loans and Financing	419,192	364,433
Derivatives Financial Instruments	12,766	1,160
Suppliers	135,874	96,947
Accounts Payable - Copersucar	2,203	2,203
Payroll and Social Contribution	47,209	54,233
Tax Payable	27,561	14,747
Related Companies	89	121
Dividends Payable	-	6,469
Other Liabilities	42,113	13,468
TOTAL SHORT-TERM LIABILITIES	687,007	553,781
LONG-TERM LIABILITIES		
Loans and Financing	727,877	689,510
Accounts Payable - Copersucar	194,205	194,164
Tax Installments	48,261	47,476
Deferred Income Tax and Social Contribution	202,526	219,108
Provision for Contingencies	34,949	38,856
Other Liabilities	14,754	15,706
TOTAL LONG-TERM LIABILITIES	1,222,572	1,204,820
SHAREHOLDERS' EQUITY		
Capital Stock	455,900	360,000
Capital Reserve	1,049,197	1,057,986
Adjustments to Book Value	2,125	42,936
Capital Budget Reserve	112,556	217,294
Treasury Shares	(1,899)	(1,899)
Accumulated Profit	88,551	33,180
TOTAL SHAREHOLDERS' EQUITY	1,706,430	1,709,497
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3,616,009	3,468,098



CONSOLIDATED CASH FLOW

SÃO MARTINHO S.A.	2Q11	6M11
R\$ Thousand		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income in the period	46,582	69,546
Adjustments		
Depreciation and amortization	58,420	120,686
Residual cost of investment and property, plant and equipment disposals	2,923	3,639
Interest, monetary and foreign exchange variations, net	2,472	26,855
Constitution of provision for contingencies, net	2,486	4,737
Deferred income tax and social contribution on net income	2,468	103
Constitution (reversal) of provision for inventory losses	(4,256)	1,191
Adjustments to present value and others	(1,057)	(753)
	110,038	226,004
Changes in assets and liabilities		
Trade accounts receivable	(12,778)	(30,609)
Inventories	(127,681)	(222,070)
Taxes recoverable	(1,594)	4,461
Related parties - assets	600	(180)
Derivative financial instruments	17,029	38,763
Other assets	(2,264)	(7,797)
Suppliers	38,927	61,701
Salaries and social charges	(7,024)	5,663
Taxes payable	(966)	(14,102)
Related parties - liabilities	(524)	(34)
Taxes payable in installments	629	707
Provision for contingencies	(7,776)	(11,994)
Other liabilities	(34,348)	(38,690)
Cash provided by (used in) operations	(27,732)	11,823
Interest paid	12,456	27,238
Income tax and social contribution on net income paid	10,199	20,321
Net cash provided by (used in) operating activities	(5,077)	59,382
CASH FLOW FROM INVESTMENT ACTIVITIES		
Additions to property, plant and equipments, intangible assets and deferred charges	(72,360)	(118,721)
Net cash used in investing activities	(72,360)	(118,721)
CASH FLOW FROM FINANCING ACTIVITIES		
Financing - third parties	203,373	437,641
Repayment of financing - Copersucar	(1,476)	(2,954)
Repayment of financing - third parties	(103,490)	(274,289)
Payment of dividends and interest on own equity	(15,307)	(15,307)
Net cash provided by (used in) financing activities	83,100	145,091
Increase (decrease) in cash and cash equivalents	5,663	85,752
Cash and cash equivalents at the beginning of the period	210,723	130,634
Cash and cash equivalents at the end of the period	216,386	216,386
ADDITIONAL INFORMATION		
Payables to suppliers for purchases of property, plant and equipment	7,574	7,574