São Martinho S.A.

Quarterly Information
for the Quarter Ended
June 30, 2010 and
Review Report of Independent
Accountants

Review Report of Independent Accountants

To the Management and Stockholders
São Martinho S.A.

1 We have reviewed the accounting information included in the Quarterly Information (ITR) of São Martinho S.A. and subsidiaries (parent company and consolidated) for the quarter ended June 30, 2010, comprising the balance sheets and the statements of income, of changes in stockholders' equity, of cash flows, explanatory notes and the performance report. This Quarterly Information is the responsibility of the Company's management.

2 Our review was carried out in accordance with specific standards established by the Institute of Independent Auditors of Brazil (IBRACON), in conjunction with the Federal Accounting Council (CFC), and mainly comprised: (a) inquiries of and discussions with management responsible for the accounting, financial and operating areas of the Company with regard to the main criteria adopted for the preparation of the Quarterly Information; and (b) a review of information and of subsequent events which have, or could have, significant effects on the financial position and operations of the Company and its subsidiaries.

3 Based on our limited review, we are not aware of any material modifications that should be made to the Quarterly Information referred to above in order that it be stated in accordance with the accounting practices adopted in Brazil applicable to the preparation of Quarterly Information, consistent with the standards issued by the Brazilian Securities Commission (CVM).

4 The statements of income and of cash flows for the quarter ended June 30, 2009, presented for comparison purposes, were reviewed by other independent auditors who issued a report thereon dated August 7, 2009, without exceptions.

5 As mentioned in Note 2, the CVM has approved several Pronouncements, Interpretations and Technical Guidance issued by the Brazilian Accounting Pronouncements Committee (CPC) to be effective as from the year ending March 31, 2011, which altered the accounting practices adopted in Brazil. As permitted by CVM Resolution No. 603/09, the Company's management has opted to present the Quarterly Information by using the accounting standards adopted in Brazil up to the previous year. As required by this Resolution, Note 2.1 to the Quarterly Information discloses this fact and also provides a description of the main changes that may have an impact on the Company's year-end financial statements, as well as explanations of the reasons that make it impractical to present an estimate of their possible effects on stockholders' equity and results of operations.

Ribeirão Preto, August 16, 2010

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Maurício Cardoso de Moraes
Contador CRC 1PR035795/O-1 "T" SP

São Martinho S.A. and Subsidiaries

Balance Sheets at June 30 and March 31, 2010
In thousands of reais

		Parent Company		Consolidated	
Assets	**Note**	**6/30/2010**	**3/31/2010**	**6/30/2010**	**3/31/2010**
Current assets					
Cash and cash equivalents	4	35,434	24,200	210,723	130,634
Trade accounts receivable	5	18,389	10,956	59,459	41,628
Derivative financial instruments	25	18,690	32,469	37,793	58,984
Inventories	6	66,959	49,088	340,306	218,183
Taxes recoverable	7	17,280	15,776	77,321	71,774
Dividends receivable	10	10,329	10,329		
Other assets	9	2,334	1,449	11,579	6,086
		169,415	144,267	737,181	527,289
Non-current assets					
Long-term receivables					
Related parties	8	1,428	9,118	499	211
Deferred income tax and social contribution on net income	22	37,453	39,525	110,280	112,147
Trade accounts receivable - Copersucar		1,084	1,073	4,059	4,020
Taxes recoverable	7	4,927	6,195	37,164	47,390
Other assets		4	4	188	191
		44,896	55,915	152,190	163,959
Investments					
In subsidiaries	10	1,223,190	1,202,539		
Other investments		3,430	3,430	3,540	3,540
Property, plant and equipment	11	588,513	605,151	2,499,191	2,548,422
Intangible assets	12	197	208	36,984	37,167
Deferred charges	13			39,012	40,177
		1,860,226	1,867,243	2,730,917	2,793,265
Total assets		2,029,641	2,011,510	3,468,098	3,320,554

		Parent Company		Consolidated	
Liabilities and stockholders' equity	**Note**	**6/30/2010**	**3/31/2010**	**6/30/2010**	**3/31/2010**
Current liabilities					
Loans and financing	14	89,582	87,811	364,433	326,746
Derivative financial instruments	25	88	250	1,160	580
Suppliers	15	18,986	16,985	96,947	74,172
Payables to Copersucar	16	589	589	2,203	2,203
Salaries and social charges		11,639	9,036	54,233	41,546
Taxes payable		5,440	3,005	14,747	16,602
Related parties	8	2,356	3,944	121	123
Dividends payable		6,469	6,469	6,469	6,469
Other liabilities	18	3,494	2,276	13,468	13,353
		138,643	130,365	553,781	481,794
Non-current liabilities					
Long-term liabilities					
Loans and financing	14	40,382	46,910	689,510	628,393
Payables to Copersucar	16	51,190	51,229	194,164	194,042
Taxes payable in installments	17	14,194	14,371	47,476	47,213
Deferred income tax and social contribution on net income	22	61,471	64,627	219,108	224,847
Provision for contingencies	24	11,663	11,799	38,856	39,309
Other liabilities	18	1,305	1,454	15,706	15,538
		180,205	190,390	1,204,820	1,149,342
Stockholders' equity	19				
Capital		360,000	360,000	360,000	360,000
Revaluation reserves		1,057,986	1,068,202	1,057,986	1,068,202
Carrying value adjustments		42,936	45,821	42,936	45,821
Revenue reserves		218,631	218,631	217,294	217,294
Treasury stock		(1,899)	(1,899)	(1,899)	(1,899)
Retained earnings		33,139		33,180	
		1,710,793	1,690,755	1,709,497	1,689,418
Total liabilities and stockholders' equity		2,029,641	2,011,510	3,468,098	3,320,554

The accompanying notes are an integral part of these financial statements.

São Martinho S.A. and Subsidiaries

Statements of Income
Quarters Ended June 30, 2010 and 2009
In thousands of reais, unless otherwise indicated

		Parent Company		Consolidated	
	Note	6/30/2010	6/30/2009	6/30/2010	6/30/2009
Gross sales revenues					
Domestic market		20,404	36,168	121,651	128,422
Foreign market		62,986	16,457	182,513	112,843
		83,390	52,625	304,164	241,265
Deductions from gross revenues		(2,958)	(5,794)	(18,713)	(23,810)
Net sales revenues		80,432	46,831	285,451	217,455
Cost of sales		(56,516)	(44,260)	(198,845)	(191,814)
Gross profit		23,916	2,571	86,606	25,641
Operating income (expenses)					
Selling		(3,136)	(1,688)	(14,308)	(14,475)
General and administrative		(3,634)	(4,306)	(20,950)	(21,525)
Management fees	8(d)	(1,004)	(1,011)	(1,807)	(1,869)
Equity in earnings of subsidiaries	10	12,126	32,782		
Other operating income (expenses), net	26	2,100	(486)	2,589	(693)
		6,452	25,291	(34,476)	(38,562)
Operating profit (loss) before financial result		30,368	27,862	52,130	(12,921)
Financial result	27				
Financial income		1,122	743	3,672	23,598
Financial expenses		(3,744)	(7,485)	(19,842)	(20,453)
Monetary and foreign exchange variations, net		(496)	5,749	(2,787)	53,961
		(3,118)	(993)	(18,957)	57,106
Profit before taxation		27,250	26,869	33,173	44,185
Income tax and social contribution on net income	22(b)				
Current		(4,211)		(12,574)	(1,640)
Deferred		(116)	1,997	2,365	(11,943)
Net income before minority interest		22,923	28,866	22,964	30,602
Minority interest					(1,695)
Net income for the quarter		22,923	28,866	22,964	28,907
Outstanding shares at the end of the quarter (in thousands)		112,861	112,861		
Net income per thousand shares at the end of the quarter - R$		0.20	0.26		

The accompanying notes are an integral part of these financial statements.

São Martinho S.A.

Statements of Changes in Stockholders' Equity
In thousands of reais

Parent Company

			Revaluation reserves		Carrying value adjustments		Revenue reserves					
	Note	Capital	Own	Investees	Own	Investees	Legal	Capital budget	Proposed Additional dividends	Treasury stock	Retained earnings	Total
At March 31, 2010		360,000	351,743	716,459	25,458	20,363	9,731	200,062	8,838	(1,899)		1,690,755
Realization of revaluation reserve	**19(c)**		(3,254)	(6,962)							10,216	
Gain on derivative transactions - hedge accounting	**25**				(2,288)	(597)						(2,885)
Net income for the quarter											22,923	22,923
At June 30, 2010		360,000	348,489	709,497	23,170	19,766	9,731	200,062	8,838	(1,899)	33,139	1,710,793

Consolidated

			Revaluation reserves		Carrying value adjustments		Revenue reserves					
	Note	Capital	Own	Investees	Own	Investees	Legal	Capital budget	Proposed Additional dividends	Treasury stock	Retained earnings	Total
At March 31, 2010		360,000	351,743	716,459	25,458	20,363	9,731	198,725	8,838	(1,899)		1,689,418
Realization of revaluation reserve	**19(c)**		(3,254)	(6,962)							10,216	
Gain on derivative transactions - hedge accounting	**25**				(2,288)	(597)						(2,885)
Net income for the quarter											22,964	22,964
At June 30, 2010		360,000	348,489	709,497	23,170	19,766	9,731	198,725	8,838	(1,899)	33,180	1,709,497

The accompanying notes are an integral part of these financial statements.

São Martinho S.A. and Subsidiaries

Statements of Cash Flows
Quarters Ended June 30, 2010 and 2009
In thousands of reais

	Parent Company		Consolidated	
	6/30/2010	6/30/2009	6/30/2010	6/30/2009
Cash flows from operating activities				
Net income for the quarter	22,923	28,866	22,964	28,907
Adjustments				
Depreciation and amortization	19,657	11,921	62,266	54,760
Equity in the earnings of subsidiaries	(12,126)	(32,782)		
Capital gain due to change in ownership interest	(745)			
Residual cost of investments and property, plant and equipment disposals	120	1,022	715	1,118
Interest, monetary and foreign exchange variations, net	3,978	(6,755)	24,375	(63,783)
Constitution of provision for contingencies, net	559	854	2,251	3,359
Reversal of provision for losses on investments				(58)
Deferred income tax and social contribution on net income	116	(1,997)	(2,365)	11,943
Constitution (reversal) of provision for inventory losses		985	5,446	1,990
Minority interest				1,695
Adjustment to present value and others	257	528	(65)	1,575
	34,739	2,642	115,587	41,506
Changes in assets and liabilities				
Trade accounts receivable	(7,433)	2,412	(17,831)	17,923
Inventories	(12,770)	(11,060)	(94,018)	(37,637)
Taxes recoverable	(49)	(2,592)	6,055	(9,714)
Related parties - assets	7,690	29,458	(780)	(21)
Assets held for sale				(78)
Derivative financial instruments	13,589	3,054	21,742	(11,109)
Other assets	(896)	4,966	(5,533)	20,515
Suppliers	2,000	2,208	22,774	12,478
Salaries and social charges	2,603	2,906	12,687	13,026
Taxes payable	2,250	(492)	(13,136)	1,810
Related parties - liabilities	(1,588)		490	
Taxes payable in installments	(356)	(304)	78	(584)
Provision for contingencies	(977)	(480)	(4,218)	(3,511)
Other liabilities	(2,419)	(5,991)	(4,342)	(3,637)
Cash from operations	36,383	26,727	39,555	40,967
Interest paid	3,565	5,171	14,782	18,563
Income tax and social contribution on net income paid			10,122	483
Net cash provided by operating activities	39,948	31,898	64,459	60,013
Cash flows from investing activities				
Financial resources used in investments	(8,377)			
Additions to property, plant and equipment, intangible assets and deferred charges	(8,411)	(13,334)	(46,361)	(75,969)
Receipt of loans to related parties	7			
Net cash used in investing activities	(16,781)	(13,334)	(46,361)	(75,969)
Cash flows from financing activities				
Financing obtained - third parties	34,651	36,325	234,268	97,209
Repayment of financing - Copersucar	(464)	(6,025)	(1,478)	(22,319)
Repayment of financing - third parties	(46,120)	(47,678)	(170,799)	(136,889)
Net cash provided by (used in) financing activities	(11,933)	(17,378)	61,991	(61,999)
Increase (decrease) in cash and cash equivalents	11,234	1,186	80,089	(77,955)
Cash and cash equivalents at the beginning of the quarter	24,200	28,676	130,634	190,063
Cash and cash equivalents at the end of the quarter	35,434	29,862	210,723	112,108
Additional information				
Payables to suppliers for purchases of property, plant and equipment	26	2,185	20,463	4,976

The accompanying notes are an integral part of these financial statements.

1 OPERATIONS

1.1 Operations

São Martinho S.A. (the "Company"), which is headquartered in Iracemápolis, State of São Paulo, and its subsidiaries are primarily engaged in planting sugar cane and producing and selling sugar, ethanol and other sugar cane products; the cogeneration of electricity; cattle breeding and agricultural production; import and export of goods, products and raw materials and investments in other companies.

Approximately 67% (59% - consolidated) of the sugar cane used in the production of the products derives from the Company's own plantations, from that of stockholders, related companies and agricultural partnerships, and the remaining 33% (41% - consolidated) from third-party suppliers.

Sugar cane requires an 18-month period for maturing and for the beginning of the harvest, which generally takes place between April and December, when sugar and ethanol are also produced.

The sale of sugar and ethanol is realized through a consortium agreement with USJ Açúcar e Álcool S.A. ("USJ") and Santa Cruz S.A. Açúcar e Álcool ("SC"), denominated Allicom Consortium. The costs, expenses and obligations arising from consortium operations are assumed by the members proportionally to their percentage interest in the volume sold through Allicom.

As part of its strategic objectives, the Company maintains investments in the following subsidiaries - Notes 3 and 10.1:

- Usina São Martinho S.A. (“USM”);
- Usina Boa Vista S.A. (“UBV”); e
- Omtek Indústria e Comércio Ltda. (“Omtek).

1.2 Agreement for the formation of a joint venture with Amyris Biotechnologies

On April 14, 2010, USM announced an agreement with Amyris Biotechnologies and its Brazilian subsidiary Amyris Brasil to form a joint venture to manufacture chemicals and biofuels from sugar cane by using Amyris technology in 2012. SMA Indústria Química S.A. was formed to carry out these operations.

The commencement of the construction of the chemical plant depends on the required environmental licenses being obtained and other conditions being met by December 31, 2010.

1.3 Capital increase and holding in UBV

At the Board of Directors’ Meeting held on June 18, 2010, the increase of R$ 56,000 in the capital of UBV was approved, through the subscription of 56,000,000 new common shares, increasing the subsidiary’s capital from R$ 414,288 to R$ 470,288. The payment was made through the capitalization of advances for future capital increase, R$ 8,377 by the Company and R$ 47,623 by USM.

In thousands of reais

As a result of this alteration, the Company reduced its holding in UBV from 28.30% to 26.71%. This decrease in the percentage holding generated a gain, based on the accumulated losses of UBV up to March 31, 2010, of R$ 745, recorded in “Other operating income (expenses)”, net, and calculated as follows:

Company's holding in UBV at March 31, 2010	28.30%
Company's holding in UBV at June 30, 2010	26.71%
Loss of percentage holding due to disproportional payment	1.59%
Losses of UBV up to March 31, 2010	(46,908)
Gain arising from the decrease in holding in UBV	745

However, the percentage holding for the purposes of the consolidated financial statements was not altered.

1.4 Investment agreement with Petrobrás for the production of ethanol in the State of Goiás

On June 21, 2010, the Company and Petróleo Brasileiro S.A. (“Petrobrás”), through the subsidiary Petrobrás Biocombustível S.A. (“PBio”), announced the signing of an investment agreement for the production of ethanol in the State of Goiás, midwest region of Brazil.

The agreement establishes the formation of a new company, Nova Fronteira Bioenergia S.A., which will comprise the assets of the subsidiaries UBV and SMBJ, with a participation of 51% of the Company and 49% of PBio.

The objective is to increase the processing of UBV and to implement the greenfield project in SMBJ. PBio will have the right of preference, regarding market terms and conditions, for the purchase of up to 49% of the production of ethanol and the excess electricity of the new Company.

The transaction is subject to the conclusion of the due diligence process by PBio and the, approval by the relevant Brazilian authorities and the Company’s Board of Directors and the General Stockholders’ Meeting.

2 PREPARATION AND PRESENTATION OF THE QUARTERLY INFORMATION

The Parent Company and Consolidated Quarterly Information does not include all the disclosures normally required by Brazilian accounting practices for the complete annual financial statements, but has been prepared and presented in conformity with:

(a) Brazilian accounting practices, including the amendments introduced by Law 11638/07 and Law 11941/09, which alter, revoke and introduce new provisions to Law 6404/76;

(b) standards established by the Brazilian Securities Commission (CVM);

(c) "Novo Mercado" (New Market) listing requirements of the São Paulo Stock Exchange (BOVESPA); and

(d) technical pronouncements and orientations issued by the Brazilian Accounting Pronouncements Committee (CPC).

Assets and liabilities are recorded as current when the expected realization or payment is within the next twelve months. Assets and liabilities expected to be realized or paid in more than twelve months are recorded as non-current. Monetary assets and liabilities denominated in foreign currencies were converted into Brazilian reais at the exchange rate in effect on the balance sheet date. Currency translation differences are recognized in the statement of income.

The preparation of quarterly information in conformity with CVM standards requires the management of the Company and its subsidiaries to use estimates and assumptions to record certain transactions that affect the reported amounts of assets, liabilities, income and expenses, as well as the disclosures included in the financial statements. Significant estimates related to the financial statements refer to the measurement of financial instruments, benefits to employees, determination of the useful lives of property, plant and equipment, the provisions for inventory losses, contingencies and the impairment of assets and the realizable value of deferred tax assets. Actual results, upon effective realization in subsequent periods, could differ from those estimates.

2.1 Accounting pronouncements and interpretations of standards that are not yet effective

The accounting pronouncements and interpretations of standards listed below were published and are mandatory for years beginning on or after January 1, 2010. In addition, other pronouncements and interpretations were also published, which alter the accounting practices adopted in Brazil, within the process of convergence with international standards. The Company and its subsidiaries, in accordance with CVM Resolution 603/09, amended by CVM Resolution 626/10, opted to present their Quarterly Information during the year ending March 31, 2011 based on the accounting standards adopted in the previous year. The standards below are only those that could more significantly affect the financial statements of the Company and its subsidiaries. Under the terms of CVM Resolution 603/09, the amounts presented in this Quarterly Information, including those restated for comparison purposes, should be restated up to the presentation of the financial statements for the year ending March 31, 2011.

(a) Pronouncements

. CPC 15 - Business Combinations
. CPC 16 - Inventories
. CPC 18 - Investments in Associated Companies
. CPC 19 - Investment in Joint Ventures
. CPC 20 - Borrowing Costs
. CPC 21 - Interim Financial Reporting
. CPC 22 - Segment Information
. CPC 23 - Accounting Policies, Changes in Accounting Estimates and Correction of Errors
. CPC 24 - Subsequent Events
. CPC 25 - Provisions, Contingent Liabilities and Assets

. CPC 26 - Presentation of Financial Statements
. CPC 27 - Property, Plant and Equipment
. CPC 28 - Investment Property
. CPC 29 - Biological Assets and Agricultural Produce
. CPC 30 - Revenues
. CPC 31 - Non-current Assets Held for Sale and Discontinued Operations
. CPC 32 - Taxes on Profit
. CPC 33 - Employee Benefits
. CPC 36 - Consolidated Financial Statements
. CPC 37 - First-time Adoption of International Financial Reporting Standards
. CPC 38 - Financial Instruments: Recognition and Measurement
. CPC 39 - Financial Instruments: Presentation
. CPC 40 - Financial Instruments: Disclosure

(b) Interpretations

. ICPC 03 - Complementary Aspects of Leasing Operations
. ICPC 04 - Scope of CPC 10 - Share-based Payment
. ICPC 05 - CPC 10 - Share-Based Payment
. ICPC 07 - Distribution of Dividends in kind
. ICPC 08 - Accounting for Proposed Dividends
. ICPC 09 - Individual, Separate, Consolidated Financial Statements and Application of the Equity Accounting Method
. ICPC 10 - Clarifications of CPC 27 and CPC 28

(c) Estimated effects and reasons for the non-adoption of the new accounting practices at June 30, 2010

The Company is in the process of evaluating the impacts of the new pronouncements. However, it has not yet been possible to estimate all the effects caused by the application of these changes. These pronouncements will be fully adopted in the financial statements for the year ending March 31, 2011, a comparative form with the previous year.

Based on preliminary analyses, discussions and calculations effected to date, Management understands that the significant impacts on the financial statements of the Company and its subsidiaries will arise from the following pronouncements:

- CPC 29 - Biological Assets and Agricultural Produce: insofar as it relates to the measurement of biological assets, the Company will follow the same method adopted in the preparation of the notes to the financial statements for the year ended March 31, 2010, which were disclosed/filed at July 31, 2010 referring to the reconciliation of differences between the result for the year and stockholders' equity, calculated according to the accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS); and - CPC 27 and ICPC 10 - Property,

Plant and Equipment: insofar as it relates to the recording of the new costs of assets in the opening balance sheet (deemed cost), net of the effect of deferred taxes, including on the surplus value of land, the analyses are not sufficiently advanced to permit the measurement of the possible effects arising from the adoption of these pronouncements, since Management is still in the initial phase of the evaluation of the possible impacts.

In thousands of reais

Management understands that no significant effects on the financial statements will arise from the other pronouncements, except for possible reclassifications and/or complementary disclosures.

3 CONSOLIDATION CRITERIA

The consolidated balance sheets as of June 30 and March 31, 2010, and the related consolidated statements of income and of cash flows for the quarters ended June 30, 2010 and 2009, consider the percentage of ownership interest in subsidiaries on the respective dates and the applicable proportional consolidation criteria, in accordance with the regulations of the Brazilian Securities Commission (CVM). The consolidated balances include the following subsidiaries:

Company	Main activities
USM - 100% holding	Agricultural activity: sugar cane processing from own production and production acquired from third parties; production and sale of sugar, ethanol and their byproducts; cogeneration of electricity; agricultural production and investments in other companies.
UBV – 26.71% holding at June 30, 2010 (100% including the holding of USM) and 28.30% at March 31, 2010 (90% including the holding of USM at June 30, 2009).	Agricultural activity: sugar cane processing from own production and production acquired from third parties; production and sale of ethanol and by-products; cogeneration of electricity and agricultural production.
Omtek - 99.99% holding (100% including the holding of USM).	Sodium salt processing and sale in the foreign market. The operating cycle is the same as that of the parent company, which is responsible for supplying (under specific conditions) sugar cane molasses, steam and electricity, inputs necessary for the company's production.

The quarterly information of USM is consolidated prior to the consolidation effected by the Company, using accounting practices and consolidation criteria consistent with those used by the Company.

The consolidation of USM includes the following subsidiaries:

- Mogi Agrícola S.A. ("Mogi") - 46.02% holding (proportional consolidation). The main account groups of this jointly-controlled subsidiary present the following balances:

	6/30/2010	3/31/2010
Current assets	5	1
Non-current assets:		
Long-term receivables	519	529
Investments, property, plant and equipment and intangible assets	57.143	57.147
Total assets	57.667	57.677
Current liabilities	2	3
Stockholders' equity	57.665	57.674

The accompanying notes are an integral part of these financial statements.

In thousands of reais

	6/30/2010	3/31/2010
Total liabilities and stockholders' equity	57.667	57.677

	6/30/2010	6/30/2009
Income from land leased		98
Operating expenses	(9)	(22)
Net income (loss) for the quarter	(9)	76

- USL - 41.67% holding (proportional consolidation). The main account groups of this jointly-controlled subsidiary present the following balances:

	6/30/2010	3/31/2010
Current assets	4.929	4.476
Non-current assets:		
Long-term receivables	345	294
Investments, property, plant and equipment and intangible assets	7.143	7.310
Total assets	12.417	12.080
Current liabilities	1.884	1.447
Non-current liabilities	25.404	24.624
Advance for future capital increase	1.667	3.400
Net capital deficiency	(16.538)	(17.391)
Total liabilities and net capital deficiency	12.417	12.080

	6/30/2010	6/30/2009
Net sales revenues	162	348
Operating costs and expenses	(2.108)	(1.323)
Loss for the quarter	(1.946)	(975)

- UBV – 73.29% holding in capital.
- SMBJ Agroindustrial S.A. ("SMBJ") - 99.9% holding in capital.
- SMA Indústria Química S.A. ("SMA") - 50% holding in capital.

In addition, the main consolidation procedures adopted were as follows:

a) Elimination of the holdings in the subsidiaries' stockholders' equity;
b) Elimination of the investments and equity in the earnings (loss) of subsidiaries;
c) Elimination of intercompany balances of assets and liabilities, income and expenses and any unrealized profits on intercompany transactions;
d) Reclassification of negative goodwill in indirect subsidiaries to "Long-term liabilities - Other" and of goodwill in indirect subsidiaries to "Intangible assets" and "Inventories".

In thousands of reais

4 CASH AND CASH EQUIVALENTS

	Remuneration	Parent Company 6/30/2010	Parent Company 3/31/2010
Cash and banks		33,550	24,200
Financial investments			
. Agribusiness Credit Note (LCA)	70% of the Interbank Deposit Certificate (CDI) interest rate - weighted average rate	1,884	
		35,434	24,200

	Remuneration	Consolidated 6/30/2010	Consolidated 3/31/2010
Cash and banks		193,888	92,122
Financial investments			
. Agribusiness Credit Note (LCA)	70% of the CDI interest rate - weighted average rate	14,424	35,034
. Bank Deposit Certificate (CDB)	100% of the CDI interest rate - weighted average rate	146	
. Debentures repurchase agreements	99.44% to 100% of the CDI interest rate - weighted average rate	2,265	3,478
		210,723	130,634

Cash and bank balances include deposits in current accounts which are available for immediate use. These balances are a result of the strategies and the normal flow of operations of the Company and its subsidiaries. At June 30, 2010, the Company's bank balance included deposits in foreign currency equivalent to US$ 15,106 (US$ 87,107 thousand - consolidated). The significant increase in the consolidated balance refers to the release of financing of USM at the end of the quarter, in the amount of US$ 50,000 thousand.

All financial investments may be redeemed in up to 30 days, with no loss of remuneration.

5 TRADE ACCOUNTS RECEIVABLE

The composition of the balance of trade accounts receivable is as follows:

	Parent Company		Consolidated	
	6/30/2010	3/31/2010	6/30/2010	3/31/2010
Local customers	5,050	8,202	24,330	32,525
Foreign customers	13,339	2,754	35,129	9,103
	18,389	10,956	59,459	41,628

For the quarter ended June 30, 2010, management did not identify the need to record an allowance for doubtful accounts.

In thousands of reais

The composition of accounts receivable by maturity is as follows:

	Parent Company		Consolidated	
Past due:	**6/30/2010**	**3/31/2010**	**6/30/2010**	**3/31/2010**
up to 30 days	13,339	2,920	33,599	4,605
from 31 to 60 days	4	10	264	41
over 61 days	774	31	933	109
Not yet due:				
up to 30 days	3,909	7,714	24,250	36,443
from 31 to 60 days	325	243	355	289
over 61 days	38	38	58	141
	18,389	10,956	59,459	41,628

The amounts due mainly refer to brief delays in the payment of export transactions. The average collection period for trade accounts receivable was 23 days (29 days - consolidated).

6 INVENTORIES

	Parent Company	
	6/30/2010	**3/31/2010**
Finished products and work in process	27,693	14,004
Sugar cane - crop treatment	24,381	26,315
Advances - purchases of sugar cane	5,085	2,225
Inputs, indirect materials, maintenance materials and other	9,800	6,544
	66,959	49,088

	Consolidated	
	6/30/2010	**3/31/2010**
Finished products and work in process	147,485	44,699
Sodium salt - RNA	2,756	1,499
Sugar cane - crop treatment	100,895	111,559
Advances - purchases of sugar cane	51,525	31,023
Inputs, indirect materials, maintenance materials and other	43,192	29,504
Provision for reduction of inventories to realizable value	(5,547)	(101)
	340,306	218,183

To guarantee payment of part of the obligations assumed at the time of the withdrawal from Copersucar on March 31, 2008, the Company pledged 8,908 m³ of fuel alcohol (25,757 m³ - consolidated) in favor of Copersucar.

In thousands of reais

7 TAXES RECOVERABLE

The balance of taxes recoverable can be summarized as follows:

	Parent Company	
	6/30/2010	3/31/2010
COFINS, including credits on purchases of property, plant and equipment	10,639	9,803
IRPJ	1,920	3,439
ICMS, including credits on purchases of property, plant and equipment	6,202	5,180
PIS, including credits on purchases of property, plant and equipment	2,135	1,955
CSLL	749	1,563
Other	562	31
	22,207	21,971
Current assets	(17,280)	(15,776)
Non-current assets	4,927	6,195

	Consolidated	
	6/30/2010	3/31/2010
COFINS, including credits on purchases of property, plant and equipment	65,897	67,540
ICMS, including credits on purchases of property, plant and equipment	26,168	24,591
IRPJ	5,487	8,666
PIS, including credits on purchases of property, plant and equipment	13,937	14,074
CSLL	1,403	3,360
Other	1,593	933
	114,485	119,164
Current assets	(77,321)	(71,774)
Non-current assets	37,164	47,390

COFINS: Social Contribution on Revenues
IRPJ: Corporate income tax
ICMS: Value-added Tax on Sales and Services
PIS: Social Integration Program
CSLL: Social Contribution on Net Income

The balances of taxes recoverable arise from commercial transactions and prepayments, adjusted to present value, when applicable (credits on purchases of property, plant and equipment).

In thousands of reais

8 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

a) Parent Company and Consolidated balances:

	Parent Company			
	6/30/2010		3/31/2010	
	Non-current assets	Current liabilities	Non-current assets	Current liabilities
Subsidiaries:				
USM	522	561	447	922
Omtek	401	1,795	46	3,005
UBV	492		8,625	17
Imobiliária Paramirim S.A.	13			
Subtotal	1,428	2,356	9,118	3,944
Stockholders, arising from purchase of sugar cane - Suppliers		254		193
	1,428	2,610	9,118	4,137

	Consolidated			
	6/30/2010		3/31/2010	
	Non-current assets	Current liabilities	Non-current assets	Current liabilities
Jointly-controlled subsidiaries and related parties:				
Mogi		121		123
Agropecuária Vale do Corumbatai S.A.	4		6	
Agropecuária Caieira do Norte S.A.	3		2	
Imobiliária Paramirim S.A.	15		5	
Monte Sereno Agrícola Ltda.	9		9	
SM Participações S.A.	2		2	
USL	33			
SC	117		21	
Usina da Barra S.A. - Açúcar e Álcool	156		26	
Subtotal	339	121	71	123
Stockholders, arising from leased land	160		140	
Stockholders, arising from purchase of sugar cane - Suppliers		6,875		1,396
	499	6,996	211	1,519

The balances with subsidiaries at June 30 and March 31, 2010 refer to loan agreements due every December 31, extendable for one additional year, subject to charges equivalent to 100% of the Interbank Deposit Certificate (CDI) interest rate, and other intercompany transactions.

In thousands of reais

All long-term balances with related parties are expected to be settled in a maximum of 24 months. Sugar cane purchases from stockholders are carried out under market conditions similar to those applicable to third parties.

b) Parent Company transactions in the quarter:

						6/30/2010
	Financial income	Financial and administrative expenses	Sales revenues	Expenses apportioned by subsidiary	Expenses reimbursed by subsidiaries	Purchases of products and services
USM			5	941	1,173	195
Omtek			1,716		26	12
UBV	11				511	
Stockholders						
- rental of properties		22				
- rendering of services		109				
- purchase of sugar cane						1,006
	11	131	1,721	941	1,710	1,213

						6/30/2009
	Financial income	Financial and administrative expenses	Sales revenues	Expenses apportioned by subsidiary	Expenses reimbursed by subsidiaries	Purchases of products and services
USM	8	94	2,248	1,163	796	
Omtek	49		1,736		16	
UBV		395			287	4,929
Stockholders						
- rental of properties		18				
- rendering of services		160				
- purchase of sugar cane						147
	57	667	3,984	1,163	1,099	5,076

The transactions with related parties refer to revenues and expenses in respect of charges on loan agreements, sales of molasses, electricity and steam, purchases and sales of agricultural and industrial inputs and other products, rental of properties, provision of legal services and purchases of sugar cane, carried out under terms and conditions similar to those with third parties.

The expenses apportioned by a subsidiary refer to expenditures incurred by USM with the shared services center. The expenses reimbursed by subsidiaries refer to expenditures of the Board of Directors and the Corporate office. The apportionments are supported by agreements between the parties.

In thousands of reais

c) Consolidated transactions in the quarter:

	6/30/2010	6/30/2009
Stockholders		
- rental of properties	67	44
- rendering of services	383	279
- purchase of sugar cane	3,748	2,679
	4,198	3,002

d) Remuneration of the key management personnel:

Key management personnel include the directors and officers. The remuneration paid or payable for their services is shown below:

	Parent Company		Consolidated	
	6/30/2010	6/30/2009	6/30/2010	6/30/2009
Wages and salaries	133	125	133	125
Fees and bonuses	1,004	1,011	1,807	1,869
Social security contributions	216	217	377	389
Private pension plan	42	29	102	77
Profit sharing program	9	9	9	9
Other	10	9	23	13
	1,414	1,400	2,451	2,482

9 OTHER ASSETS

	Parent Company		Consolidated	
	6/30/2010	3/31/2010	6/30/2010	3/31/2010
Prepaid expenses	492	178	3,501	1,473
Sundry advances	1,807	1,238	7,964	4,575
Other	39	37	302	229
	2,338	1,453	11,767	6,277
Current assets	(2,334)	(1,449)	(11,579)	(6,086)
Non-current assets	4	4	188	191

10 INVESTMENTS

The Parent Company's investments in subsidiaries are as follows:

In thousands of reais

10.1 Subsidiaries

	6/30/2010			
	USM	**UBV**	**Omtek**	**Total**
Shares/quotas held (thousands)	23,500	125,620	13,925	
Percentage holding	100.00%	26.71%	100.00%	
Capital	60,000	470,288	27,971	
Net equity	1,092,359	419,164	18,869	
Net income (loss) for the quarter	14,436	(8,600)	8	
Changes in the investments:				
At March 31, 2010	1,078,425	105,253	18,861	1,202,539
Capital increase		8,377		8,377
Gain (loss) on revaluation reserve of subsidiaries due to increase (decrease) in holding	68	(68)		
Capital gain due to decrease in holding in the accumulated losses up to March 31, 2010		745		745
Loss of subsidiaries on carrying value adjustments	(570)	(27)		(597)
Equity in the earnings (loss)	14,436	(2,318)	8	12,126
At June 30, 2010	1,092,359	111,962	18,869	1,223,190

	3/31/2010			
	USM	**UBV**	**Omtek**	**Total**
Shares/quotas held (thousands)	23,500	117,243	13,925	
Percentage holding	100%	28.30%	99.99%	
Capital	60,000	414,288	13,925	
Net equity	1,088,754	371,855	18,861	
Net income (loss) for the quarter	14,371	(14,682)	(451)	
Changes in the investments:				
At December 31, 2009	1,053,179	103,754	19,324	1,176,257
Provisioned dividends	(10,329)			(10,329)
Gain (loss) on revaluation reserve of subsidiaries due to increase (decrease) in holding	864	(864)		
Capital gain due to decrease in holding in the accumulated losses up to March 31, 2009		12,885		12,885
Gain of subsidiaries on carrying value adjustments	20,338	26		20,364
Equity in the earnings (loss)	14,373	(10,548)	(463)	3,362
At March 31, 2010	1,078,425	105,253	18,861	1,202,539

There are no cross-holdings between the Parent Company and the direct and indirect subsidiaries.

10.2 Goodwill, spin-off and merger of Etanol Participações S.A. ("EP")

On April 12, 2007, EP acquired shares of USL and Agropecuária Aquidaban S.A. ("AA") for R$ 184,080 and R$ 61,360, respectively, recording a total goodwill of R$ 210,117, of which R$ 154,013 referred to the acquisition of USL and R$ 56,104 to the acquisition of AA, based on the financial statements of the acquired companies as of March 31, 2007.

On December 10, 2007, the stockholders of EP announced to the market the discontinuation of the operations of USL and AA. Subsequently, on December 21, 2007, the stockholders of EP resolved to spin-off all EP's assets and liabilities, which were transferred to USL and AA. The investments of EP in USL and AA were eliminated, and the shares previously held by EP in USL and AA were transferred to its stockholders.

Due to these decisions, the allocation of the goodwill paid by EP on the acquisition of these subsidiaries, between the revaluation of assets and expected future profitability, was reviewed and the provisions of CVM Instructions No. 319, of December 3, 1999, and No. 349, of March 6, 2001, were applied in the consolidation of USM.

This review was based on an appraisal report by independent experts on the investment's economic value, taking into consideration the absorption of the operations of these subsidiaries by the controlling stockholders and the sale of a significant portion of their property, plant and equipment. The assets held for sale were classified in the consolidated balance sheet in a specific caption of non-current assets, at historical cost plus the respective goodwill, which together represented the estimated realizable value determined in a report issued by the independent appraisers. The property, plant and equipment items that will not be sold remain classified under a specific caption at the historical cost of purchase plus the respective goodwill. The remaining goodwill was classified as expected future profitability, net of the related tax benefit, and is supported by an economic appraisal report of the investment under the new operating assumptions established in December 2007.

Up to March 31, 2009, the goodwill attributed to expected future profitability was being amortized over a period of up to ten years, based on the expected return on investment in accordance with the economic appraisal report, which considered the investment's operating characteristics. As established by the Brazilian Accounting Pronouncements Committee (CPC) Pronouncement No. 1 and the Brazilian Securities and Exchange Commission (CVM) Instruction 565/08, the goodwill arising from expected future profitability should no longer be systematically amortized as from the year beginning April 1, 2009, but is to be periodically tested for impairment. The analyses made did not indicate the need for recognizing an impairment provision.

The goodwill related to the assets held for sale will be amortized on the realization of these assets.

In thousands of reais

After the above-mentioned events and amortization and write-off of assets sold, the goodwill in the consolidated financial statements is as follows:

	Goodwill	Accumulated amortization/ write-off	Net balance 6/30/2010	Net balance 3/31/2010
Expected future profitability - intangible assets	39,688	(5,673)	34,015	34,015
Revaluation surplus of assets held for sale	27,415	(27,337)	78	92
Tax benefit related to the portion of expected future profitability - deferred taxes	20,446	(11,818)	8,628	13,585
	87,549	(44,828)	42,721	47,692

11 PROPERTY, PLANT AND EQUIPMENT

				Parent Company	
				6/30/2010	3/31/2010
	Cost	Revaluation	Accumulated depreciation	Net	Net
Land	20,757	292,425		313,182	313,181
Buildings and premises	14,602	11,084	(8,382)	17,304	17,735
Industrial equipment and facilities	66,220	88,109	(59,112)	95,217	116,787
Vehicles	11,731	7,755	(10,911)	8,575	9,044
Agricultural machinery and implements	23,151	21,108	(17,806)	26,453	28,096
Sugarcane plantations	159,775		(68,597)	91,178	97,024
Other	25,847		(11,533)	14,314	2,981
Construction in progress	22,290			22,290	20,303
	344,373	420,481	(176,341)	588,513	605,151

				Consolidated	
				6/30/2010	3/31/2010
	Cost	Revaluation	Accumulated depreciation	Net	Net
Land	127,622	883,937		1,011,559	1,011,574
Buildings and premises	176,048	47,642	(31,400)	192,290	174,567
Industrial equipment and facilities	436,485	339,590	(250,708)	525,367	585,081
Vehicles	69,692	28,196	(39,338)	58,550	59,888
Agricultural machinery and implements	124,662	68,283	(68,063)	124,882	131,759
Sugarcane plantations	712,406		(285,664)	426,742	440,847
Other	113,296		(49,596)	63,700	12,276
Construction in progress	96,101			96,101	132,430
	1,856,312	1,367,648	(724,769)	2,499,191	2,548,422

In thousands of reais

The changes in property, plant and equipment in the quarters ended June 30 and March 31, 2010 can be summarized as follows:

	Parent Company		Consolidated	
	6/30/2010	3/31/2010	6/30/2010	3/31/2010
Opening balance	605,151	574,869	2,548,422	2,429,328
Additions	8,410	34,077	46,298	136,189
Net book value of disposals	(120)	(826)	(715)	(1,296)
Transfers to long-term receivables		(718)		(6,983)
Depreciation	(24,928)	(2,251)	(94,814)	(8,816)
Closing balance	588,513	605,151	2,499,191	2,548,422

The Company invested R$ 4,245 in sugarcane plantations in the quarter ended June 30, 2010 (R$ 3,892 in the quarter ended June 30, 2009), and the consolidated balance is R$ 24,087 (R$ 35,791 in the quarter ended June 30, 2009).

The Parent Company balance of construction in progress at June 30, 2010 refers to the refurbishment of the industrial facilities to increase the sugarcane production and other improvements to the plant. The consolidated balance also includes improvements to the USM and UBV plants, refurbishment of the USM industrial facilities to increase the sugarcane production, improvements to the administrative facilities and expansion work at the UBV plant.

Under the terms of certain loan and financing agreements entered into by the Company and its subsidiaries, property, plant and equipment totaling R$ 386,308 at June 30, 2010 were pledged as collateral. These items are mostly represented by industrial equipment and facilities, and agricultural machinery and implements. In addition, land in the amount of R$ 147,604 (R$ 589,720 - consolidated) was pledged as collateral for securitized rural credits, recorded in current and long-term liabilities.

At December 31, 2010, 6,136 ha of USM land, at the revalued book value of R$ 123,030, were pledged as guarantee for UBV transactions.

The Company, USM (including its subsidiaries) and Omtek recorded revaluations of land, buildings, equipment and industrial facilities at March 31, 2007 based on appraisal reports prepared by independent experts.

In thousands of reais

As from March 31, 2007, the revalued assets began to be depreciated over their estimated remaining useful lives specified in the revaluation report, at the following annual weighted average rates, when applicable:

	Annual weighted average depreciation rates	
Property, plant and equipment	**Company**	**Consolidated**
Buildings and premises	7.41%	4.50%
Industrial equipment and facilities	11.78%	8.71%
Vehicles	11.51%	7.73%
Agricultural machinery and implement	10.98%	9.94%
Sugarcane plantations	17.24%	18.71%
Other	12.36%	14.21%

Expenditures with maintenance in the inter-crop period are allocated to property, plant and equipment and are fully depreciated in the following crop.

The residual revaluation amounts of property, plant and equipment, net of depreciation and gross of deferred taxes, at June 30, 2010 and March 31, 2010 amounted to R$ 359,675 and R$ 365,247, respectively (R$ 1,140,935 and R$ 1,159,472 – consolidated).

The depreciation and write-offs of revaluation which impacted the consolidated results of operations for the quarters ended June 30, 2010 and 2009 totaled R$ 15,483 and R$ 13.987, respectively, net of amounts allocated to inventories and gross of taxes.

The Company and its subsidiaries capitalized financial charges of R$ 3,272 and R$ 1,107, respectively, in the quarters ended June 30, 2010 and 2009.

12 INTANGIBLE ASSETS

	Parent Company		Consolidated	
	6/30/2010	**3/31/2010**	**6/30/2010**	**3/31/2010**
Goodwill - expected future profitability			38,826	38,826
Accumulated amortization			(4,811)	(4,811)
Software	2,035	2,034	6,876	6,874
Accumulated amortization	(1,838)	(1,826)	(3,907)	(3,722)
	197	208	36,984	37,167

The goodwill attributed to the expected future profitability derived from the spin-off of the USL net assets, which were merged by USM, is no longer being amortized as from the fiscal year beginning April 1, 2009, as mentioned in Note 10.2.

In thousands of reais

13 DEFERRED CHARGES

	Consolidated	
	6/30/2010	**3/31/2010**
Pre-operating expenses	44,817	44,755
Other	52	52
Accumulated amortization	(5,857)	(4,630)
	39,012	40,177

The pre-operating expenses are substantially represented by those incurred by the subsidiary UBV, which are being amortized as from the plant start-up in July 2008, over a period of ten years, and proportionally to the use of the production capacity expected for the period.

In thousands of reais

14 LOANS AND FINANCING

			Parent Company	
Type	**Charges**	**Maturity**	**6/30/2010**	**3/31/2010**
In local currency:				
Securitized rural credits	General Market Price Index (IGP-M) + weighted average interest of 4.11% p.a., paid annually	Annual installments with final maturity between Sep 2018 and Jul 2020	26,043	26,216
Rural credit	Weighted average fixed interest rate of 10.07% p.a. paid on final maturity of the contracts	Single installment with final maturity between Dec 2010 and Oct 2011	27,700	27,577
FINAME/BNDES Automatic loan	Quarterly Long-term Interest Rate (TJLP) + weighted average interest of 2.86% p.a. paid monthly	Monthly installments with final maturity between Jul 2010 and Apr 2014	15,189	17,002
FINAME/BNDES Automatic loan	Weighted average fixed rate of 6.45% p.a. paid monthly	Monthly installments with final maturity between Jul 2010 and Jan 2015	4,658	4,615
Other securitized credits	Fixed interest rate of 3% p.a. paid annually	Annual installments with final maturity in Oct 2025	75	75
Working capital	Variation of 130.00 % CDI OVER CETIP (average rate for interbank loans for one day registered with CETIP) paid on final maturities of the contracts	Single installment with final maturity between May 2010 and Jun 2010		17,143
Leasing	Fixed rate of 7.08% p.a. paid monthly	Monthly installments with final maturity in Apr 2013	46	49
In foreign currency:				
ACC (Advances on foreign exchange contracts)	Fixed rate of 3.24% p.a. + USD variation paid on final maturity of the contract	Single installment with final maturity between Jul 2010 and Jul 2011	56,253	42,044
Total			129,964	134,721
Current liabilities			(89,582)	(87,811)
Non-current liabilities			40,382	46,910

The accompanying notes are an integral part of these financial statements.

São Martinho S.A. and Subsidiaries

Statements of Cash Flows
Quarters Ended June 30, 2010 and 2009
In thousands of reais

Type	Charges	Maturity	Consolidated 6/30/2010	Consolidated 3/31/2010
In local currency:				
Securitized rural credits	General Market Price Index (IGP-M) + weighted average interest of 4.61% p.a., paid annually	Annual installments with final maturity between Sep 2018 and Jul 2020	74,439	75,784
Rural credit	Weighted average fixed interest rate of 10.57% p.a. paid on final maturity of the contracts	Single installment with final maturities between Dec 2010 and Dec 2012	48,149	48,020
Rural credit	Weighted average fixed interest rate of 6.75% p.a. paid on final maturity of the contracts	Single installment with final maturity in Out 2010	9,021	
FINAME/BNDES Automatic loan	Quarterly Long-term Interest Rate (TJLP) + weighted average interest of 2.95% p.a. paid monthly	Monthly installments with final maturity between Jul 2010 and Apr 2015	66,721	72,618
FINEM - DIRECT	Quarterly Long-term Interest Rate (TJLP) + weighted average interest of 1.94% p.a. paid monthly	Monthly installments with final maturity between Jul 2010 and Jul 2015	302,582	318,159
FINAME/BNDES Automatic loan	Weighted average fixed interest rate of 7.90% p.a. paid monthly	Monthly installments with final maturity between Jul 2010 and Nov 2019	35,371	32,206
Other securitized credits	Fixed interest rate of 3% p.a. paid annually	Single installment with maturity in Oct 2025	75	75
Working capital	Variation of 129.26% CDI OVER CETIP (average rate for interbank loans for one day registered with CETIP) paid on final maturities of the contracts	Single installment with maturity between Apr 2010 and Jun 2010		25,562
Working capital	Weighted average fixed interest rate of 6.75% p.a. paid on final maturity of the contracts	Single installment with maturity in Jun 2010		17,905
Leasing	Weighted average fixed rate of 7.48% p.a. paid monthly	Monthly installments with final maturity between Jul 2010 and May 2013	654	703
In foreign currency:				
FINAME/BNDES Automatic loan	Currency basket (US Dollar, Euro and Yen) + fixed rate of 7.29% p.a. paid monthly	Monthly installments with final maturity between Jul 2010 and Mar 2012	29	36
FINEM - DIRECT	Currency basket (US Dollar, Euro and Yen) + weighted average fixed rate of 5.67% p.a. paid monthly	Quarterly installments with maturities between Jul 2010 and Jul 2015	37,071	38,592
ACC (Advances on foreign exchange contracts)	Weighted average interest of 2.20% p.a. + USD variation paid on the maturity dates	Monthly installments with maturities between Jul 2010 and Mar 2011	181,187	146,979
Export prepayment - PPE	Weighted average interest of 2.51% p.a. + USD variation paid on the maturity dates	Semiannual installments with maturities between Aug 2010 and Jun 2015	271,613	178,500
Working capital	Weighted average interest of 2.47% p.a. + USD variation paid on the maturity dates	Single installment with maturity in Oct 2010	27,031	
Total			1,053,943	955,139
Current liabilities			(364,433)	(326,746)
Non-current liabilities			689,510	628,393

The accompanying notes are an integral part of these financial statements.

In thousands of reais

Finame - National Industrial Financing Authority
BNDES - National Bank for Economic and Social Development
FINEM - Enterprises Financing
CETIP – Central System for Custody and Financial Settlement of Securities

Loans and financing are guaranteed by mortgages, liens on property, plant and equipment, including land (see Note 11), promissory notes, financial investments, agricultural guarantees and sureties. The land given as collateral for loans and financing refers to sugarcane plantation areas.

Long-term loans and financing (Parent Company and Consolidated) have the following maturities:

	6/30/2010	
	Parent Company	Consolidated
From 07/01/11 to 06/30/12	12,720	146,381
From 07/01/12 to 06/30/13	5,429	194,860
From 07/01/13 to 06/30/14	4,535	165,694
From 07/01/14 to 06/30/15	3,279	145,653
From 07/01/15 to 06/30/16	2,885	10,602
From 07/01/16 to 06/30/17	2,885	7,840
From 07/01/17 to 12/31/26	8,649	18,480
	40,382	689,510

Based on Brazilian Central Bank Resolution No. 2471/98 and other existing legal provisions, in 1998, 1999 and 2000 the Company, USM and USL securitized debts with financial institutions, by means of the purchase of National Treasury Certificates (CTN) in the secondary market, as collateral for the payment of the principal. This securitized financing, recorded as "Securitized agricultural credits", will be automatically settled on the maturity dates upon the redemption of the CTNs, which are under the custody of the creditor financial institutions. These certificates are not negotiable and are exclusively intended for paying this debt. The companies' disbursements during the 20 years in which this securitization is effective is limited to the annual payment of amounts equivalent to variable percentages between 3.9% and 4.96% per annum on the securitized amount, monetarily adjusted based on the General Market Price Index (IGP-M), limited to 9.5% per annum up to the annual payment date. This obligation was recorded in the financial statements at June 30 and March 31, 2010, based on the amount of future disbursements adjusted to present value.

15 SUPPLIERS

	Parent Company		Consolidated	
	6/30/2010	3/31/2010	6/30/2010	3/31/2010
Sugarcane	9,971	3,558	55,289	26,322
Materials, services and other	9,015	13,427	41,658	47,850
	18,986	16,985	96,947	74,172

In thousands of reais

The sugar cane harvest period, between April and December of each year on average, has a direct impact on the balance payable to sugar cane suppliers and providers of harvesting, loading and transportation services.

16 PAYABLES TO COPERSUCAR (Cooperative)

Copersucar provided funds to companies during their period as cooperative members through bills of exchange, for the purpose of financing their operations. The Cooperative's funds originated from amounts obtained by the Cooperative in the market and transferred to the cooperative members for short-term settlement, from temporary cash surpluses and funds arising from injunctions in lawsuits claiming the suspension of liabilities. These cash surpluses relate to provisions for contingencies recorded by the Cooperative in long-term liabilities. However, in the event of unfavorable outcomes in lawsuits in which the Cooperative obtained an injunction, the Company may be required to reimburse, within 120 days, the amount that was transferred to it. The main amounts included in these liabilities arise from Excise Tax (IPI) whose constitutionality and legality has been challenged in court by the Cooperative, of R$ 15,019 and R$ 14,886, as of June 30 and March 31, 2010, respectively (R$ 59,779 and R$ 59,253 - Consolidated, respectively).

The amounts payable to Copersucar are as follows:

	Parent Company	
	6/30/2010	**3/31/2010**
Bill of Exchange - Updated based on the SELIC*	35,050	34,679
Bill of Exchange - Onlending not subject to charges	11,409	11,409
Bill of Exchange - Updated based on the TJLP	3,754	4,027
Bill of Exchange - Updated based on USD variation + interest of 4.17% p.a.	1,566	1,703
Total	51,779	51,818
Current liabilities	(589)	(589)
Non-current liabilities	51,190	51,229

	Consolidated	
	6/30/2010	**3/31/2010**
Bill of Exchange - Updated based on the SELIC*	135,943	134,540
Bill of Exchange - Onlending not subject to charges	43,934	43,935
Bill of Exchange - Updated based on the TJLP	10,997	11,798
Bill of Exchange - Updated based on USD variation + interest of 4.17% p.a.	5,493	5,972
Total	196,367	196,245
Current liabilities	(2,203)	(2,203)
Non-current liabilities	194,164	194,042

* SELIC – Special System for Settlement and Custody

All the liabilities of the Company and its subsidiaries with Copersucar are guaranteed by directors' sureties.

In thousands of reais

In accordance with the terms of the withdrawal from Copersucar, as from the date thereof, the Company, USM and USL will remain liable for the liabilities recorded under "Payables to Copersucar" in long-term liabilities, without any change in maturity dates, until the matters that gave rise to these liabilities and are under judicial dispute, handled by the Cooperative's legal counsel, are finally and definitively judged by the courts. Such liabilities continue to be collateralized by bank guarantees in the amount of R$ 42,963 (R$ 143,000 - consolidated).

17 TAXES PAYABLE IN INSTALLMENTS

	Parent Company		Consolidated	
	6/30/2010	3/31/2010	6/30/2010	3/31/2010
ICMS	9,396	9,524	9,396	9,524
REFIS installment program - Law 11941	6,532	6,440	42,192	41,628
	15,928	15,964	51,588	51,152
Current liabilities (taxes payable)	(1,734)	(1,593)	(4,112)	(3,939)
Non-current liabilities	14,194	14,371	47,476	47,213

The Company and its subsidiaries USM, Omtek and USL, applied for the Tax Recovery Program (REFIS), established by Law 11941, of May 27, 2009, with benefits of the reduction of interest, fines and legal charges.

Copersucar has also applied for the benefits of the REFIS program and is awaiting the determination of the total amounts by the Federal Revenue Secretariat. The amount to be included in the installment payment will be allocated to the cooperative and ex-cooperative members once approved by the Board of Directors, after the following issues are satisfied: (i) final calculation of all the contingencies, considering the REFIS benefits, (ii) identification of the sugar mills responsible for the obligations, (iii) changes of the current guarantees for a new amount and type, and (iv) approval in a Board of Directors' meeting. The management of Copersucar, based on its analyses, discussions and preliminary calculations up to the present, has formally confirmed to the Company that there will be no significant effects on the accounts of its cooperative and ex-cooperative members, when the final and correct calculations of the debits and credits arising from this installment payment program are completed.

In thousands of reais

18 OTHER LIABILITIES

	Parent Company		Consolidated	
	6/30/2010	3/31/2010	6/30/2010	3/31/2010
Unbilled sales	116	442	1,426	2,103
Advances from customers	714	421	2,867	439
Unappropriated revenues	1,983	2,158	1,983	2,158
Social security contributions payable in installments			825	882
Mitsubishi Corporation			16,661	16,224
Other	1,986	709	5,412	7,085
	4,799	3,730	29,174	28,891
Current liabilities	(3,494)	(2,276)	(13,468)	(13,353)
Non-current liabilities	1,305	1,454	15,706	15,538

The outstanding balance with Mitsubishi Corporation arises from the acquisition of the investment in UBV, effected in November 2009 with final maturity in 2014.

19 STOCKHOLDERS' EQUITY

(a) Capital

At June 30 and March 31, 2010, the capital stock was divided into 113,000,000 registered common shares, without par value.

(b) Treasury stock

On September 22, 2008, the Board of Directors approved the common share repurchase program, such shares to be held in treasury for subsequent sale or cancellation, without reducing capital, pursuant to the Company's By-laws, CVM Instructions No. 10/80 and 268/97 and other statutory provisions. The share repurchases were carried out up to September 22, 2009 on the BM&FBovespa S.A. - Stock, Commodities and Futures Exchange, at market prices, with the intermediation of brokerage firms.

The Company repurchased 139,000 common shares, for R$ 1,899, at a minimum price per share of R$ 9.30 and a maximum price of R$ 19.20, resulting in an average price of R$ 13.65. At June 30, 2010, the market value of these shares was R$ 1,918 (R$ 2,264 at March 31, 2010).

The purpose of this program is to maximize the creation of stockholder value.

In thousands of reais

(c) Revaluation reserves

These reserves correspond to the revaluation balances of land, buildings and premises, equipment and industrial installations, vehicles and machinery, and agricultural implements, as described in Note 11. The reserves are recorded net of tax effects (except that of land). Their realization is based on the depreciation, write-off or sale of the related revalued assets, and the realized amounts are transferred to retained earnings.

(d) Legal and capital budget reserves

The legal reserve is recorded annually through the appropriation of 5% of net income for the year and cannot exceed 20% of the capital. The purpose of the legal reserve is to guarantee the integrity of capital and it may be used only to offset losses and increase capital.

Up to March 31, 2009, the capital budget reserve, of R$ 95,923, comprised the remaining balance of retained earnings of prior years to be invested in increasing the production capacity and in several projects intended for improving processes, based on a budget approved in a General Meeting of stockholders. The reserve will be capitalized at the next General Meeting of stockholders since the related investments have already been made. At March 31, 2010, management proposed a new appropriation to this reserve with the remaining balance of the net income for the year, plus the realization of the revaluation reserve, totaling R$ 104,139, which was approved at the Ordinary General Meeting held on July 30, 2010, together with the related investment plan.

(e) Dividends and retained earnings

Stockholders are entitled to receive a minimum dividend of 25% of the net income for the year, after deduction of the accumulated deficit and appropriation to the legal reserve.

The Board of Directors’ Meeting held on July 30, 2010 approved an additional dividend distribution of R$ 8,838 (R$ 0.0783 per share), totaling a dividend distribution of R$ 30,933 (R$ 0.2741 per share), corresponding to 35% of the net income for the previous year after appropriation of the legal reserve.

The changes in retained earnings and total stockholders’ equity for the quarter ended June 30, 2010 are summarized as follows:

	Retained earnings	Stockholders' equity
At March 31, 2010:		1,690,755
Realization of revaluation reserve	10,216	
Gain on derivative transactions - hedge accounting		(2,885)
Net income for the quarter	22,923	22,923
At June 30, 2010:	33,139	1,710,793

In thousands of reais

(f) Reconciliation of net income for the quarter and stockholders' equity of the Parent Company with the Consolidated information

	6/30/2010
Stockholders' equity	
Parent Company stockholders' equity	1,710,793
Interest on loan agreement allocated to deferred charges of UBV	(1,296)
Consolidated stockholders' equity	1,709,497
Net income for the quarter	
Parent Company net income	22,923
Interest on loan agreement allocated to deferred charges of UBV	41
Consolidated net income	22,964

(g) Stock Option Plan

The Extraordinary General Meeting of stockholders held on March 26, 2009 approved the Company's Stock Option Plan, which is intended to foster the Company's growth, the achievement and exceeding of corporate goals, to promote the Company's good performance, and retain its professionals. The plan is managed by the Board of Directors, which may grant stock options to the Company's executives, officers and employees.

The total number of common shares for which options may be granted cannot exceed 2% of the total common shares of the Company's capital stock. The Company's Stock Option Plan is available at the CVM.

Currently, the Regulations and Adhesion Agreements are being prepared by the Board of Directors, to be implemented by the Company. The Board of Directors will also define the eligible beneficiaries.

20 EMPLOYEE AND MANAGEMENT BENEFITS PLAN

In September 2008, the Company and its subsidiaries contracted a supplementary pension plan for all their employees and officers, of the PGBL (annuity pension plan) type, which is a defined contribution pension plan.

All employees are entitled to participate, but participation is optional. The contributions of the Company and its subsidiaries are limited to 1% of the nominal salaries of their employees, up to the limit of the plan reference unit and up to 6% of the amount of the nominal salaries that exceed such limit. However, participants are entitled to contribute more than these percentage limits, without a corresponding increase of the contributions of the Company and its subsidiaries.

The contributions at June 30, 2010 and 2009, recorded as operating costs or expenses in the consolidated results of operations, amounted to R$ 396 and R$ 365, respectively.

In thousands of reais

21 PROFIT SHARING PROGRAM

In conformity with the Collective Bargaining Agreements with the employee labor unions, the Company and its subsidiaries introduced a profit sharing program based on operating and financial targets previously agreed upon with the employees.

The operating and financial indicators agreed upon between the Company and its subsidiaries and employees, through labor unions representing them, are related to the following: (i) use of agribusiness time; (ii) agribusiness productivity; (iii) budget index; (iv) occupational accident; (v) customer satisfaction; (vi) management information closing deadline; (vii) economic gains on changes of processes and respective quality; (viii) profile of existing debt; (ix) financial performance measured especially by indebtedness level and quality; (x) financial and economic performance; and (xi) quality of analyses and presentations to the market. These indicators are segregated for specific application in the departments involved, which are divided, for purposes of this program, into the agribusiness, shared services center and corporate areas.

The profit sharing for the quarters ended June 30, 2010 and 2009, recorded as operating costs or expenses in the consolidated statement of income, was R$ 2,522 and R$ 2,335, respectively.

22 INCOME TAX AND SOCIAL CONTRIBUTION ON NET INCOME

a) The deferred income tax and social contribution are as follows:

	Parent Company		Consolidated	
Assets	**6/30/2010**	**3/31/2010**	**6/30/2010**	**3/31/2010**
Income tax losses	21,126	22,481	49,824	51,352
Social contribution losses	7,679	8,166	18,779	19,337
Provision for contingencies	5,182	5,215	18,560	19,170
Tax benefit on merged goodwill			12,951	13,970
Derivative financial instruments	2,188	2,799	4,807	5,550
Other	1,278	864	5,359	2,768
	37,453	39,525	110,280	112,147
Liabilities				
Revaluation of assets	(14,093)	(15,756)	(80,991)	(86,124)
Accelerated depreciation with incentives	(22,540)	(23,192)	(95,619)	(95,755)
Securitized financing	(9,547)	(9,210)	(10,542)	(9,784)
Adjustments to present value	(3,244)	(3,333)	(9,110)	(9,417)
Derivative financial instruments	(11,935)	(13,114)	(22,119)	(23,624)
Other	(112)	(22)	(727)	(143)
	(61,471)	(64,627)	(219,108)	(224,847)

In thousands of reais

Income tax and social contribution losses can be carried forward indefinitely without monetary adjustment or interest, but their offset is limited to 30% of annual taxable income. Deferred tax credits arising from tax loss carryforwards are recognized based on projections of taxable income of the Company and its subsidiaries, which support the recovery of the tax credits, in accordance with current accounting practices. On a conservative basis, the Company and its subsidiaries classify all deferred tax credits in long-term receivables.

The recovery of all the deferred tax credits, indicated by the projections of taxable income approved by management and by the expected realization of temporary differences, is as follows:

	Estimated realization	
Years ended March 31:	**Parent Company**	**Consolidated**
2011	3,282	10,612
2012	3,719	10,803
2013	2,477	8,650
2014	2,477	8,650
2015	2,477	8,650
2016 and thereafter	23,021	62,915
	37,453	110,280

The deferred income tax and social contribution liabilities are realized principally through the depreciation and disposal of the property, plant and equipment items that gave rise to them. The realization of this liability is estimated at the average rate of 15% per year, according to the depreciation rates of the respective property, plant and equipment items.

In addition, the period for settlement of securitized loans with maturity through 2021 impacts the period for recovery of the deferred income and social contribution tax assets.

In thousands of reais

b) Reconciliation of income tax and social contribution

The income tax and social contribution (charge) benefit are reconciled to the effective rates as shown below:

	6/30/2010		6/30/2009	
Parent Company:	**Income tax**	**Social contribution**	**Income tax**	**Social contribution**
Profit before taxation	27,250	27,250	26,869	26,869
Standard rates of tax - %	25%	9%	25%	9%
	(6,813)	(2,453)	(6,717)	(2,418)
Reconciliation to the effective rate:				
Permanent differences				
Equity in the earnings of subsidiaries	3,031	1,091	8,196	2,950
Capital gain due to decrease in percentage holding	186	67		
Other permanent differences	358	130	(10)	(4)
Workers' Meal Program (PAT)	76			
Income tax and social contribution (charge) benefit	(3,162)	(1,165)	1,469	528
Income tax and social contribution (charge) benefit	(4,327)		1,997	

	6/30/2010		6/30/2009	
Consolidated:	**Income tax**	**Social contribution**	**Income tax**	**Social contribution**
Profit before taxation	33,173	33,173	44,185	44,185
Standard rates of tax - %	25%	9%	25%	9%
	(8,293)	(2,986)	(11,046)	(3,977)
Reconciliation to the effective rate:				
Permanent differences				
Tax incentives - non-taxable ICMS	240	86	426	153
PAT and donations with incentives	266		30	
Other permanent differences	558	200	708	256
Deferred income tax and social contribution assets, not recorded	(206)	(74)	(98)	(35)
Income tax and social contribution charge	(7,435)	(2,774)	(9,980)	(3,603)
Income tax and social contribution charge	(10,209)		(13,583)	

In thousands of reais

23 INVESTMENT SUBSIDIES

UBV has enrolled in a state tax incentive program in the State of Goiás, consisting of the deferral of the payment of Value-added Tax on Sales and Services (ICMS), denominated "Program for the Industrial Development of Goiás - Produzir", with a partial reduction of ICMS. To use this benefit, UBV has to be in compliance with all the obligations defined in the program, the conditions of which refer to events under the control of UBV.

The benefit related to the tax reduction is calculated on the liability determined in each taxable period, through the application of the discount percentage granted by the benefit.

The investment subsidy obtained in the period was recorded in the statement of income under "Gross sales deductions", as a reduction of the account "ICMS payable". As it is not possible to distribute these amounts as dividends, a Reserve for Tax Incentives in the amount of the investment grant is recorded as an appropriation from retained earnings (accumulated deficit).

The incentive amounts credited to operations for the quarters ended June 30, 2010 and 2009, were R$ 961 and R$ 1,705, respectively.

24 PROVISION FOR CONTINGENCIES

The Company and its subsidiaries, based on legal counsel's assessment of probable losses, maintain the following provisions for contingencies (amounts monetarily restated):

	Parent Company				
	3/31/2010	Additions	Utilization/ reversals	Monetary restatement	6/30/2010
Tax	3,072			10	3,082
Civil	7,912	386	(159)	142	8,281
Labor	6,439	257	(892)	158	5,962
	17,423	643	(1,051)	310	17,325
(-) Judicial deposits	(5,624)	(29)	19	(28)	(5,662)
	11,799	614	(1,032)	282	11,663

	Consolidated				
	3/31/2010	Additions	Utilization/ reversals	Monetary restatement	6/30/2010
Tax	4,192	472		60	4,724
Civil	10,431	426	(574)	462	10,745
Labor	53,271	3,201	(4,774)	1,261	52,959
	67,894	4,099	(5,348)	1,783	68,428
(-) Judicial deposits	(28,585)	(1,485)	767	(269)	(29,572)
	39,309	2,614	(4,581)	1,514	38,856

In thousands of reais

The nature of the main lawsuits included in the above provisions at June 30, 2010 is as follows (Parent Company and Consolidated):

I) Tax lawsuits:

These refer to: (i) taxes that are being challenged in court by the Company and its subsidiaries in which the amounts challenged have been deposited in court; (ii) contracts with success fees payable to different legal advisors for defenses in tax lawsuits.

II) Civil lawsuits:

These refer to: (i) compensation for material and moral damages; (ii) public civil actions to stop the burning of sugar cane straw and formation of a legal reserve; and (iii) environmental lawsuits.

III) Labor lawsuits:

Labor claims refer mainly to claims for: (i) overtime; (ii) commuting hours; (iii) indemnity for elimination of the lunch break; (iv) hazardous duty and health hazard premiums; (v) refund of payroll deductions such as confederation dues, union dues, etc.; (vi) night shift premium; and (vii) recognition of employment relationship with the consequent payment of the 13th month salary and vacation pay, plus 1/3 vacation bonus.

The Company and its subsidiaries are parties to several cases involving tax and civil matters that were assessed by their legal counsel as possible losses. No provision has been recorded for these cases. The nature and the amount of these lawsuits are as follows:

IV) Tax lawsuits:

Consolidated

Subject		Number of lawsuits	Stage: Administrative	Stage: Trial court	Stage: Lower court	Stage: Higher court	Total
(i)	Social security contributions	18	58,902	11,860			70,762
(ii)	Negative balance of IRPJ	4	3,813	87	203	1,384	5,487
(iii)	Offset of credits - PIS	2	3,490		1,612		5,102
(iv)	Offset of federal taxes	3	1,200		1,340		2,540
(v)	Other tax cases	46	9,826	547	1,513		11,886
		73	77,231	12,494	4,668	1,384	95,777

In thousands of reais

In addition, in accordance with the terms of the withdrawal from Copersucar, the Company, USM and USL remain liable for the payment of any obligations, proportionate to their interest in Copersucar in previous harvests, which result from tax assessments that may arise and that relate to periods in which the Company and its subsidiaries were cooperative members. The State Finance authorities have issued tax assessments against Copersucar with respect to Value-added Tax on Sales and Services (ICMS) on fuel and industrial alcohol sales made by Copersucar up to December 31, 2008, as principal taxpayer or substitute taxpayer of the distribution companies. The adjusted amount, calculated proportionately to the interest of the Company and its subsidiaries in the Cooperative, amounts to R$ 37,781. Legal counsel assesses these lawsuits as a possible loss.

Copersucar believes that it has strong arguments to successfully defend the fines imposed by the State Finance Departments in these assessments.

V) Civil and environmental lawsuits:

Consolidated					Stage	
Subject	Number of lawsuits	Administrative	Trial court	Lower court	Higher court	Total
Environmental	88	1,830	6,121	3,651	4,205	15,807
Civil						
Indemnities	29		2,833	205	24	3,062
Review of contracts	11			22		22
Rectification of area and land registration	1					
Permits for obtaining Research License	6					
	135	1,830	8,954	3,878	4,229	18,891

The management of the Company and its subsidiaries, based on legal counsel's opinion, believe that there are no significant risks not covered by provisions in the financial statements or that might result in a significant impact on future results of operations.

25 FINANCIAL INSTRUMENTS

25.1 General considerations of risk management

The Company and its subsidiaries have policies and procedures to manage, through the use of financial instruments, the market risks related to interest rates, foreign exchange variations and the volatility of the sugar price in the international commodities market, which are inherent to their business. These policies are monitored by Management and approved by the Board of Directors and include: (a) management and continuous monitoring procedures on the exposure levels in terms of sales volumes contracted; (b) estimates of the value of each risk based on the established limits of foreign exchange exposure and sales prices of sugar; and (c) estimates of future cash flows and the definition of approval limits to enter into derivative instruments designed to protect product prices and to hedge sales performance against foreign exchange rate fluctuations and volatility in sugar prices.

In accordance with such policies, derivative financial instruments are only contracted for the purpose of pricing and hedging the sugar and ethanol export transactions of the Company and its subsidiaries against foreign exchange risks and sugar price fluctuations in the international market. The contracted transactions do not exceed sales values and volumes to be delivered to customers and their purpose is to ensure minimum profitability levels on the future sales. No transactions with financial instruments are carried out for speculative purposes or to hedge financial assets or liabilities.

The Company and its subsidiaries actively manage the contracted positions so that adjustments may be made in response to market conditions, operating mainly in the futures and options market of the New York Intercontinental Exchange (ICE Futures US) and in the over-the-counter market with solid financial institutions. The treasury area identifies, evaluates and contracts financial instruments in order to hedge the Company and its subsidiaries against possible financial risks regarding interest and exchange rates.

25.2 Derivative financial instruments

In accordance with accounting practices adopted in Brazil, derivative financial instruments must be classified as "held for trading" and recorded at their fair value in current assets when the fair value is positive and in current liabilities when it is negative. Fair value variations must be recorded in the statement of income, except when the derivative is designated for hedge accounting. The use of hedge accounting is optional and its purpose is to record the effects of derivative financial instruments at the same moment when the objects hedged affect the entity’s results of operations, in order to respect the accrual basis of accounting and to reduce the volatility arising from derivatives marked to market.

As from March 1, 2010, the Company and its subsidiaries opted for the use of hedge accounting to record a part of their derivative financial instruments. The instruments elected are sugar and foreign currency (U.S. dollar) derivatives - which cover the sales of the 2010/2011 crop and were classified as hedge of cash flows of highly probable expected transactions (future sales).

Derivatives designated for hedge accounting are recorded at their fair value in the balance sheet. The effective variations in the fair value of the designated derivatives, contracted to establish the prices and hedge sugar and ethanol exports, and which qualify for hedge accounting are recorded in "Carrying value adjustments" in stockholders' equity, net of taxes, and recorded in the statement of income in "Gross sales revenues" when the revenue of the related hedged sale is recognized, which occurs in the month the sold products are shipped. The ineffective portion of the variations is recorded as financial income or expense in the same period in which it occurs.

In order to utilize hedge accounting, prospective tests were made to verify efficiency. These tests proved that the instruments designated for hedge provide a highly effective offset for the effects of price variations on the value of future sales.

In thousands of reais

In the case of foreign exchange hedges, derivatives were designated as a hedge of cash flows arising from future sales in foreign currency. These hedges are carried out by contracting Non-Deliverable Forwards (NDFs) with leading financial institutions.

In the case of sugar hedges, derivatives were designated as a hedge of cash flow variations arising from future sales of sugar. These transactions are carried out in the New York Intercontinental Exchange (ICE Futures US) and with leading financial institutions through over-the-counter contracts.

The balances of assets and liabilities at June 30 and March 31, 2010, relating to transactions involving derivative financial instruments, were as follows:

	Parent Company		Consolidated	
	6/30/2010	3/31/2010	6/30/2010	3/31/2010
Margin deposits	4,376	1,335	8,572	4,170
Potential results - futures - sugar	4,376	6,351	4,337	8,661
Potential results - options - sugar	422	1,195	99	1,195
Potential results - forward contracts - foreign exchange	1,664	947	5,115	2,682
Potential results - forward contracts - sugar	7,764	22,391	18,831	41,696
Potential results - swap contracts			(321)	
	18,602	32,219	36,633	58,404
Assets - current assets	18,690	32,469	37,793	58,984
Liabilities - current liabilities	(88)	(250)	(1,160)	(580)
	18,602	32,219	36,633	58,404

Margin deposit balances refer to funds maintained in current accounts with brokers to cover the initial margins established by the Commodities Exchange in which the contracts are entered into, to collateralize outstanding contracts, and net remittances related to daily adjustments resulting from fluctuations in contract prices in the futures and options market.

Sugar futures and options contract balances refer to the cumulative positive effect of the fair value of derivative financial instruments, under future and option contracts.

Forward contract balances payable - foreign exchange - refer to the cumulative positive (negative) effect of the fair value of derivative financial instruments, under forward foreign exchange contracts.

Sugar forward contract balances receivable refer to the cumulative positive effect of the fair value of derivative financial instruments, under commodity future contracts.

Swap contract balances payable refer to the cumulative negative effect of the fair value of derivative financial instruments, under swap contracts.

The maturity dates of the derivative financial instruments to hedge sugar and ethanol exports are based on the estimated shipment dates of the hedged sugar, and expected cash flows from these shipments, as agreed with the customers. The maturity dates of the derivative financial instruments contracted for the loans and financing in foreign currency are determined based on the maturities of the contracts.

In thousands of reais

25.2.1 Statement of fair value of the derivative financial instruments

At June 30 and March 31, 2010, the composition of the fair value of the assets and liabilities related to transactions involving derivative financial instruments is as follows:

a) Futures and options contracts:

	6/30/2010					3/31/2010				
Parent Company	Volume (Metric ton)	Average price (¢/lb)	Notional amount - R$	Fair value - R$	Payable/ receivable - R$	Volume (Metric ton)	Average price (¢/lb)	Notional amount - R$	Fair value - R$	Payable/ receivable - R$
Products - Sugar #11										
Futures Contracts										
Sales commitment	40,488	18.64	29,975	4,088	4,088	54,000	19.62	41,602	6,506	6,506
Purchase commitment	12,954	15.50	7,975	288	288	1,524	19.19	1,148	(155)	(155)
					4,376					**6,351**
Options Contracts										
Purchased position - sale	5,080	17.75	3,581	474	474	14,224	18.27	10,204	1,375	1,375
Purchased position - purchase	4,064	21.00	3,390	36	36	25,400	25.50	25,433	11	11
Written position - purchase	9,144	20.72	7,525	(88)	(88)	39,624	24.04	37,403	(191)	(191)
					422					**1,195**

	6/30/2010					3/31/2010				
Consolidated	Volume (Metric ton)	Average price (¢/lb)	Notional amount - R$	Fair value - R$	Payable/ receivable - R$	Volume (Metric ton)	Average price (¢/lb)	Notional amount - R$	Fair value - R$	Payable/ receivable - R$
Products - Sugar #11										
Futures Contracts										
Sales commitment	86,970	17.30	59,754	4,049	4,049	74,066	19.58	56,951	8,816	8,816
Purchase commitment	12,954	15.50	7,975	288	288	1,524	19.19	1,148	(155)	(155)
					4,337					**8,661**
Options Contracts										
Purchased position - sale	10,160	17.38	7,011	902	902	14,224	18.27	10,204	1,375	1,375
Purchased position - purchase	4,064	21.00	3,390	36	36	25,400	25.50	25,433	11	11
Written position - purchase	28,448	19.25	21,748	(839)	(839)	39,624	24.04	37,403	(191)	(191)
					99					**1,195**

The transactions listed above are based on the following terminology:

a) Purchased position - sale: purchase of put options that grant the Company the right, but not the obligation, to sell at a previously established price.
b) Purchased position - purchase: purchase of call options that grant the Company the right, but not the obligation, to purchase at a previously established price.
c) Written position - purchase: sale of call options under which the Company has the obligation to sell at the agreed price at the buyer's discretion.
d) Written position - sale: sale of put options under which the Company has the obligation to sell at the agreed price at the buyer's discretion.

In thousands of reais

b) Foreign currency forward contracts (NDF over-the-counter - CETIP):

					Parent Company -	6/30/2010
Maturity	Position	US$ thousand	Average fixed rate - R$/US$ 1	Notional amount - R$	Fair value - R$	Receivable - R$
Jul/10	Sold	4,057	1.8308	7,427	119	119
Aug/10	Sold	10,537	1.8448	19,439	356	356
Sep/10	Sold	7,007	1.8451	12,928	141	141
Oct/10	Sold	9,925	1.8582	18,443	189	189
Nov/10	Sold	19,000	1.8729	35,586	364	364
Jan/11	Sold	5,000	1.9869	9,935	495	495
		55,526				1,664

					Consolidated -	6/30/2010
Maturity	Position	US$ thousand	Average fixed rate - R$/US$ 1	Notional amount - R$	Fair value - R$	Receivable - R$
Jul/10	Sold	9,863	1.8274	18,023	254	254
Aug/10	Sold	24,834	1.8470	45,869	891	891
Sep/10	Sold	17807	1.8866	33,594	1085	1,085
Oct/10	Sold	27,282	1.8724	51,082	894	894
Nov/10	Sold	34,339	1.8848	64,724	1,053	1,053
Dec/10	Sold	2,240	1.9310	4,325	137	137
Jan/11	Sold	23,241	1.9185	44,589	801	801
		139,606				5,115

					Parent Company -	3/31/2010
Maturity	Position	US$ thousand	Average fixed rate - R$/US$ 1	Notional amount - R$	Fair value - R$	Receivable - R$
Jun/10	Sold	6,847	1.8204	12,465	121	121
Jul/10	Sold	4,057	1.8308	7,427	64	64
Aug/10	Sold	10,537	1.8448	19,439	166	166
Sep/10	Sold	5,977	1.8535	11,078	68	68
Oct/10	Sold	9,925	1.8582	18,443	32	32
Nov/10	Sold	19,000	1.8729	35,586	78	78
Jan/11	Sold	5,000	1.9869	9,935	418	418
		61,343				947

In thousands of reais

					Consolidated -	3/31/2010
Maturity	Position	US$ thousand	Average fixed rate - R$/US$ 1	Notional amount - R$	Fair value - R$	Receivable - R$
Jun/10	Sold	8,767	1.8212	15,967	162	162
Jul/10	Sold	9,863	1.8274	18,023	123	123
Aug/10	Sold	21834	1.8430	40,240	305	305
Sep/10	Sold	13,777	1.8870	25,998	600	600
Oct/10	Sold	26,282	1.8703	49,155	387	387
Nov/10	Sold	34,339	1.8848	64,724	528	528
Dec/10	Sold	2,240	1.9310	4,325	103	103
Jan/11	Sold	23,241	1.9185	44,589	474	474
		140,343				2,682

The counterparties of the forward contracts are the financial institutions: Citibank, Rabobank, Bradesco, Santander, HSBC and Itaú BBA.

c) <u>Sugar forward contracts "sugar 11" (NDF over-the-counter - CETIP)</u>:

					Parent Company -	6/30/2010
Maturity	Position	US$ thousand	Average fixed rate - R$/US$ 1	Notional amount - R$	Fair value - R$	Receivable - R$
Oct/10	Sold	960	19.71	34,087	7,024	7,024
Mar/10	Sold	100	20.30	3,656	740	740
		1,060				7,764

					Consolidated -	6/30/2010
Maturity	Position	US$ thousand	Average fixed rate - R$/US$ 1	Notional amount - R$	Fair value - R$	Receivable - R$
Oct/10	Sold	2,471	19.62	87,321	17,616	17,616
Mar/10	Sold	370	18.22	12,147	1,215	1,215
		2,841				18,831

In thousands of reais

					Parent Company -	3/31/2010
Maturity	Position	US$ thousand	Average fixed rate - R$/US$ 1	Notional amount - R$	Fair value - R$	Receivable - R$
May/10	Sold	540	21.81	20,975	5,289	5,289
Jul/10	Sold	1,313	20.45	47,828	10,293	10,293
Oct/10	Sold	960	19.71	33,699	6,102	6,102
Mar/11	Sold	100	20.30	3,615	707	707
		2,913				22,391

					Consolidated -	3/31/2010
Maturity	Position	US$ thousand	Average fixed rate - R$/US$ 1	Notional amount - R$	Fair value - R$	Receivable - R$
May/10	Sold	765	21.84	29,760	7,567	7,567
Jul/10	Sold	2,514	20.17	90,312	18,297	18,297
Oct/10	Sold	2,306	19.78	81,225	14,967	14,967
Mar/11	Sold	120	20.37	4,354	865	865
		5,705				41,696

The counterparties of the sugar forward contracts "sugar 11" are the financial institutions: Citibank, Rabobank, Itaú BBA and Macquarie.

d) Swap contracts – USD x CDI (over-the-counter - CETIP):

					Consolidated -	6/30/2010
Maturity	Notional amount	Base value - R$	Asset position	Liability position	Fair value - R$	Payable - R$
Oct/10	USD 40,000	71,936	USD + 1.56%	108.7% of CDI	(321)	(321)
						(321)

In thousands of reais

It is expected that the fair value of the derivative financial instruments will be realized in the following periods/months:

Consolidated	Maturity by months - R$		
	Oct/10	Mar/11	Total
PRODUCTS			
Derivatives designated as hedge			
Fair value of futures purchased	288		288
Fair value of futures sold	4,109	(60)	4,049
Fair value of NDFs sold	17,616	1,215	18,831
	22,013	1,155	23,168
Derivatives not designated as hedge			
Options			
Fair value of held position - sale	474	428	902
Fair value of held position - purchase	36		36
Fair value of written position - purchase	(297)	(542)	(839)
	213	(114)	99
TOTAL	22,226	1,041	23,267

Consolidated	Maturity by period - R$			
	2Q10	3Q10	4Q10	Total
FOREIGN CURRENCY				
Derivatives designated as hedge				
Fair value of NDFs sold	2,230	2,084	801	5,115
OTHER				
Derivatives not designated as hedge				
Swaps				
Fair value of Swap - U.S. dollar x CDI			(321)	(321)
TOTAL	2,230	2,084	480	4,794

In thousands of reais

The results of transactions involving derivative financial instruments that affected the results in the quarters ended June 30, 2010 and 2009 were:

	6/30/2010		6/30/2009	
Contracts linked to products:	Parent Company	Consolidated	Parent Company	Consolidated
Future contracts	7,997	12,893	(312)	(23)
Options	55	3	(3,044)	(6,375)
Commissions and brokerage fees	(92)	(171)	(225)	(285)
Foreign exchange variations	102	179	18	(639)
	8,062	12,904	(3,563)	(7,322)
Contracts linked to currency:				
Forward contracts	170	238	(56)	20,411
Contracts linked to debt:				
Swap - U.S. dollar x CDI		(321)		
Net effect	8,232	12,821	(3,619)	13,089
Effect on the statement of income captions:				
Gross revenue	8,159	13,106		
Financial income	714	771	111	21,730
Financial expenses	(743)	(1,235)	(3,748)	(8,002)
Foreign exchange and monetary variation gain	102	179	18	200
Foreign exchange and monetary variation loss				(839)
	8,232	12,821	(3,619)	13,089

25.3 Measurement of fair value

The determination of the fair value of the financial instruments contracted by the Company and its subsidiaries is effected based on information obtained from the financial institutions and prices quoted in an active market, utilizing the standard market pricing methodology, which comprises evaluating their nominal value up to the due date and discounting this to present value at future market rates. The use of different assumptions may cause estimated fair values to differ from realized amounts, since considerable judgment is required in interpreting market data.

The fair value of futures negotiated in the New York - Intercontinental Exchange (ICE Futures US) is calculated by the difference between the price of the derivative in the contract and the market closing price on the base date, obtained from quotations in the active market, and reconciled with creditor or debtor balances with the brokers. The fair value of options negotiated in the ICE is obtained from quotations in the market.

In thousands of reais

The fair value of forward contracts, both foreign exchange and sugar, contracted in the over-the-counter market with leading banks, is calculated using discounted future cash flow methods, which are based on market data on the date of each contract closing date, specifically the DI and DDI interest curves published by the BM&F, PTAX published by the Brazilian Central Bank, and prices of sugar futures in the ICE.

The fair value of interest rate swaps is calculated considering the estimated future cash flows, based on the yield curve adopted by the market.

25.4 Margin deposits given in guarantee

In order to comply with the guarantees required by derivative exchanges for certain derivative transactions, the Company and its subsidiaries maintained at June 30 and March 31, 2010 the following amounts as guarantees for derivative transactions.

	Parent Company		Consolidated	
Brokers	**6/30/2010**	**3/31/2010**	**6/30/2010**	**3/31/2010**
Natixis	4,376	1,335	4,376	1,336
New Edge			4,195	2,836
Prudential			1	(2)
	4,376	1,335	8,572	4,170

25.5 Future price risk

At June 30, 2010, the prices of 260,436 metric tons of sugar were hedged by sales contracts for future delivery scheduled for the period between July 2010 and March 2011, priced at an average of 19.52 ¢/lb (cents per pound weight) with the New York - ICE Futures US Exchange.

25.6 Exposure to credit risk

The Company's credit risk management policy is to contract only with leading financial institutions, which comply with the risk assessment criteria of Company and its subsidiaries, duly approved by the Board of Directors, through the Risk Management Policy.

Among these criteria, the New York - Intercontinental Exchange (ICE Futures US) has a credit risk accepted by the Company.

In thousands of reais

At June 30 and March 31, 2010, the Company's credit risk on derivative financial instruments was as follows:

	Parent Company		Consolidated	
Counterparty	**6/30/2010**	**3/31/2010**	**6/30/2010**	**3/31/2010**
ICE Futures US	9,174	7,546	13,008	9,856
Itaú BBA	2,783	14,728	10,832	27,587
Rabobank		1,429	3,007	7,666
Citibank	5,305	6,359	6,933	7,310
HSBC Bank Brasil	512	277	1,096	701
Santander	274	141	943	678
Bradesco	554	404	624	436
Macquarie			190	
	18,602	30,884	36,633	54,234

25.7 Financial investments

Financial investments consist principally of repurchase agreements backed by government securities and fixed-income funds, indexed to the Interbank Deposit Certificates (CDI) interest rate, with high liquidity and trading in the market, entered into with financial institutions that meet the risk assessment criteria of the Company and its subsidiaries.

25.8 Assets and liabilities subject to foreign exchange variation

The table below summarizes foreign currency-denominated assets and liabilities (in U.S. dollars - US$), recorded in the consolidated balance sheet at June 30, 2010:

Current assets	**R$**	**Thousands of US$ equivalents**
Cash and banks	156,854	87,107
Trade accounts receivable	35,129	19,509
Derivative financial instruments	37,793	20,988
Total assets	229,776	127,604
Liabilities		
Current:		
Loans and financing	(217,177)	(120,553)
Derivative financial instruments	(1,160)	(644)
Other liabilities	(4,563)	(2,533)
Non-current:		
Loans and financing	(299,754)	(166,391)
Other liabilities	(13,329)	(7,399)
Total liabilities	(535,983)	(297,520)
Net exposure - liabilities	(306,207)	(169,916)

In thousands of reais

These assets and liabilities were adjusted and recorded in the financial statements at June 30, 2010 at the exchange rate in effect on that date, of R$ 1.8007 per US$ 1.00 for assets and R$ 1.8015 per US$ 1.00 for liabilities.

The balance of short-term loans and financing, totaling US$ 120,553 thousand, refers basically to Advances on Foreign Exchange Contracts (ACC), maturing in July 2010 and March 2011, which are linked to product exports. The balance of long-term loans and financing, of US$ 166,391 thousand, refers to U.S. dollar-denominated export prepayment loans, raised by USM with international financial institutions, maturing in five (5) years.

As the above agreements will be settled through product exports, the Company's management believes that these transactions represent a natural hedge and thus the foreign exchange variations will only have a timing effect on the statements of income, without a corresponding effect on the companies' cash flows.

25.9 Sensitivity analysis

In accordance with CVM Instruction No. 475, the sensitivity analysis below has been prepared by the Company showing the effects of changes in the fair values of financial instruments relating to pricing and hedging against foreign exchange rate fluctuations and of other financial assets and liabilities in foreign currency at June 30, 2010, considered by management as the major risk to which the Company is exposed. This analysis considers management expectations with respect to the future scenario projected. For this reason, this analysis has not been reviewed by the independent auditors.

Parent Company:		**Probable scenario**		**Possible scenarios**	
Transaction	**Risk**	**Average rate/ price**	**Effect on the statement of income and cash flows**	**Deterioration 25%**	**Deterioration 50%**
Cash and banks	US$ devaluation	R$ 1.83	366	(6,526)	(13,417)
Trade accounts receivable	US$ devaluation	R$ 1.83	179	(3,200)	(6,580)
Short and long-term loans and financing	US$ appreciation	R$ 1.83	(757)	(15,009)	(29,262)
Forward contracts - foreign currency - NDF	US$ appreciation	R$ 1.83	2,382	(22,962)	(48,306)
Forward contracts - sugar - NDF	Increase in the commodity price	18.59 ¢/lb	(5,300)	(15,237)	(25,175)
Futures market - purchase	Decrease in the commodity price	15.50 ¢/lb	1,317	(502)	(2,897)
Futures market - sale	Increase in the commodity price	18.64 ¢/lb	(1,735)	(3,062)	(10,536)
"Call" sale	Increase in the commodity price	20.72 ¢/lb	(143)	(201)	(258)
"Call" purchase	Decrease in the commodity price	21.00 ¢/lb	58	35	11
"Put" purchase	Decrease in the commodity price	17.75 ¢/lb	(297)	(341)	(385)

In thousands of reais

Consolidated:			**Probable scenario**	**Possible scenarios**	
Transaction	**Risk**	**Average rate/ price**	**Effect on the statement of income and cash flows**	**Deterioration 25%**	**Deterioration 50%**
Cash and banks	US$ devaluation	R$ 1.83	2,111	(37,631)	(77,372)
Trade accounts receivable	US$ devaluation	R$ 1.83	473	(8,428)	(17,328)
Short and long-term loans and financing	US$ appreciation	R$ 2.00	(53,701)	(189,601)	(325,500)
Accounts payable	US$ appreciation	R$ 2.04	(2,184)	(6,895)	(11,607)
Forward contracts - foreign currency - NDF	US$ appreciation	R$ 1.83	7,321	(56,400)	(120,121)
Forward contracts - sugar - NDF	Increase in the commodity price	18.57 ¢/lb	(14,025)	(40,641)	(67,258)
Futures market - purchase	Decrease in the commodity price	15.50 ¢/lb	1,317	(502)	(2,897)
Futures market - sale	Increase in the commodity price	17.30 ¢/lb	(5,830)	(13,501)	(29,539)
"Call" sale	Increase in the commodity price	19.25 ¢/lb	(806)	(1,217)	(1,628)
"Call" purchase	Decrease in the commodity price	21.00 ¢/lb	58	35	11
"Put" purchase	Decrease in the commodity price	17.38 ¢/lb	(432)	(549)	(667)
Short-term loans and financing	Swap (risk of US$ devaluation)	R$ 1.83	364	7,213	14,062
	Debt (risk of US$ appreciation)	R$ 1.83	(364)	(7,213)	(14,062)

26 OTHER INCOME (EXPENSES), NET

In the quarter ended June 30, 2010, the caption Other income (expenses), net was mainly impacted by gain of R$ 745 arising from the decrease in percentage holding in UBV as mentioned in Note 1.3, and other operating income and expenses of R$ 1,355.

In thousands of reais

27 FINANCIAL INCOME (EXPENSES)

	Parent Company		Consolidated	
Financial income	**6/30/2010**	**6/30/2009**	**6/30/2010**	**6/30/2009**
Interest income	369	474	2,436	1,418
Gains on derivatives	714	111	771	21,730
Other income	39	158	465	450
	1,122	743	3,672	23,598
Financial expenses				
Interest expense	(2,637)	(3,221)	(15,496)	(10,580)
Losses on derivatives	(743)	(3,748)	(1,235)	(8,002)
Other expenses	(364)	(516)	(3,111)	(1,871)
	(3,744)	(7,485)	(19,842)	(20,453)
Monetary and foreign exchange variations				
Gains	3,574	9,168	21,106	75,035
Losses	(4,070)	(3,419)	(23,893)	(21,074)
	(496)	5,749	(2,787)	53,961
Net financial result	(3,118)	(993)	(18,957)	57,106

*   *   *

The accompanying notes are an integral part of these financial statements.

São Martinho

1Q11

Results

2010/2011 Harvest

1Q11 Earnings Conference Calls

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

English
August 18, 2010
3:30 p.m. (Brasília)
2:30 p.m. (US EST)
Dial-in: +1 (412) 858-4600
Code: São Martinho
Replay: +1 (412) 317-0088
Code: 443135#
Webcast with Slides:
www.saomartinho.ind.br/ir

Investor Relations

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

Tel: +55 11 2105-4100
E-mail: ri@saomartinho.ind.br
IR Website: www.saomartinho.ind.br/ir

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

São Paulo, August 16, 2010 - SÃO MARTINHO S.A. (BM&FBovespa: SMTO3; Reuters SMTO3.SA and Bloomberg SMTO3 BZ), one of the largest sugar and ethanol producers in Brazil, announces today its results for the first quarter of fiscal year 2011 (1Q11) of the 2010/11 harvest.

HIGHLIGHTS

- Adjusted EBITDA of the São Martinho Group amounted to R$118.5 million in 1Q11, an increase of 168.1% from 1Q10. The strong performance is primarily due to the combination of the increase of approximately 26% in sugar sales volume and the increases in sugar and ethanol sales prices of 27% and 34%, respectively.

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

- As a result of our sales strategy, sugar sales volume in 1Q11 totaled 217,500 metric tons with an average sales price of US$20.60 cents/pound. On June 30, 2010, 478,000 metric tons of sugar were hedged through the end of the harvest year at an average price of US$19.15 cents/pound. This amount is equivalent to roughly 72% of the total volume of sugar available for sale in the coming months.

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

- In 1Q11, sugarcane crushing volume increased by 17.1%, especially of own sugarcane, for which crushing grew by 23.9% in relation to 1Q10. Sugar and ethanol production also increased by 32.5% and 11.4%, respectively, and anhydrous ethanol production was 37.7% higher than in the previous year, with the start of anhydrous ethanol production at the Boa Vista Mill in Goiás.

SMTO3 NOVO MERCADO BM&FBOVESPA

FINANCIAL HIGHLIGHTS

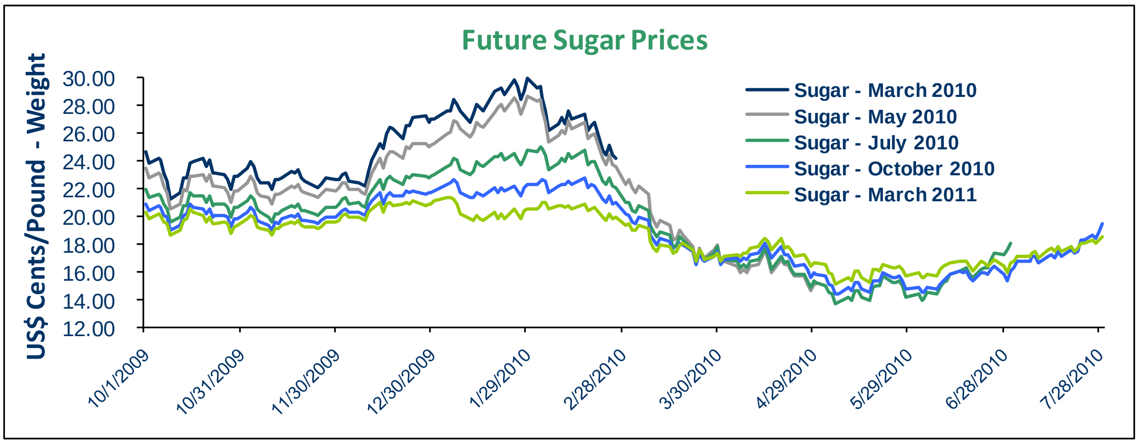
FINANCIAL HIGHLIGHTS (R$ Thousand)	1Q11	1Q10	Chg. (%)
São Martinho - Consolidated			
Gross Revenue	304,164	241,265	26.1%
Net Revenue	285,451	217,455	31.3%
Adjusted EBITDA	118,473	44,195	168.1%
EBITDA Margin	41.5%	20.3%	21.2 p.p.
Consolidated Balance Sheet Indicators			
Total Assets	3,468,098	3,339,181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

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

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

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

INDUSTRY OVERVIEW – SUGAR



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

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

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

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

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

INDUSTRY OVERVIEW - ETHANOL

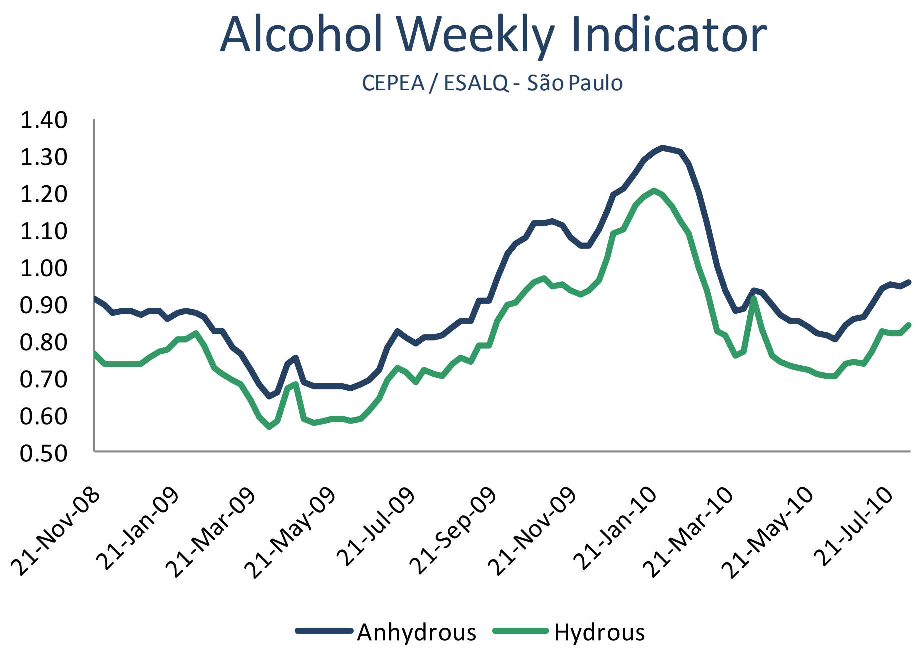
AVERAGE PRICES - ETHANOL	1Q11	1Q10	Chg. (%)
Market Prices			
Anhydrous ESALQ, Net DM R$ / m^3	861.56	690.08	24.9%
Hydrous ESALQ, Net DM - R$ / m^3	753.39	604.45	24.6%

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

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

Note that in July 2010 ethanol prices began to post a recovery, reflecting the strong consumption in the domestic market. In the week ended August 6, 2010, average anhydrous and hydrous prices were already at R$900/m³, i.e., 10% higher than in 1Q11.

As part of our sales strategy, we plan to partially use our ethanol storage capacity during the harvest period, which historically presents more depressed ethanol prices. Today our storage capacity is approximately 450,000 m³, which represents nearly 70% of estimated production.



FINANCIAL PERFORMANCE

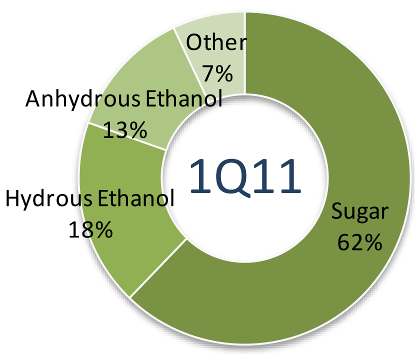
NET REVENUE BREAKDOWN	1Q11	1Q10	Chg. (%)
R$ Thousand			
Domestic Market	**103,609**	**104,976**	**-1.3%**
Sugar	9,753	11,131	-12.4%
Hydrous Ethanol	47,618	50,121	-5.0%
Anhydrous Ethanol	28,633	26,448	8.3%
Energy	5,719	5,434	5.2%
Other	11,887	11,842	0.4%
Export Market	**181,842**	**112,479**	**61.7%**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

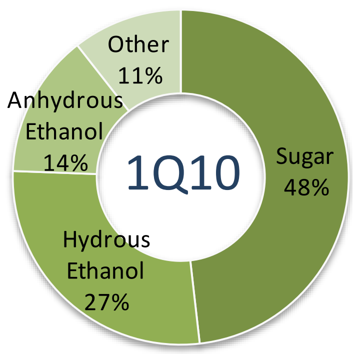
Net Revenue

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

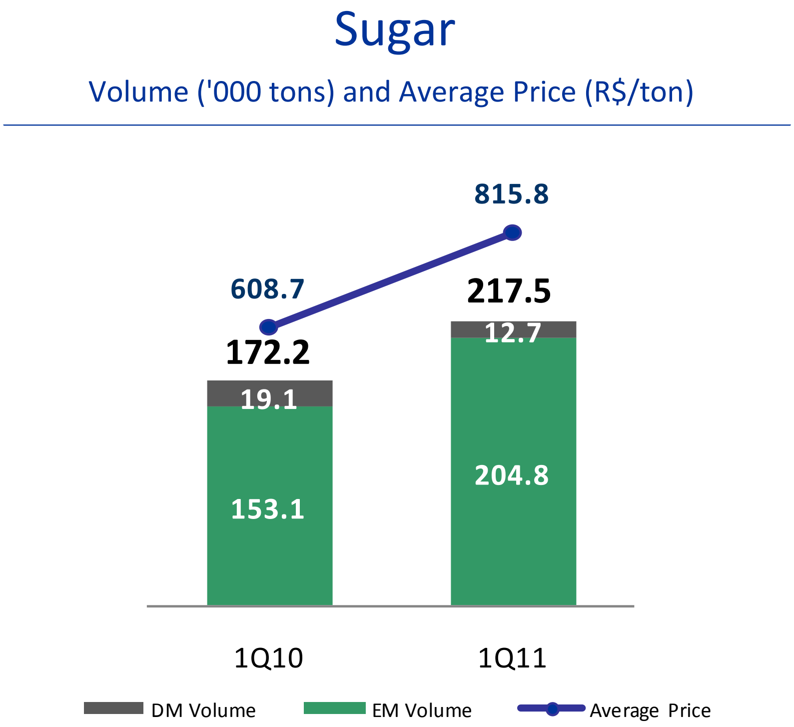
Breakdown – Net Revenue

1Q11 x 1Q10





Sugar

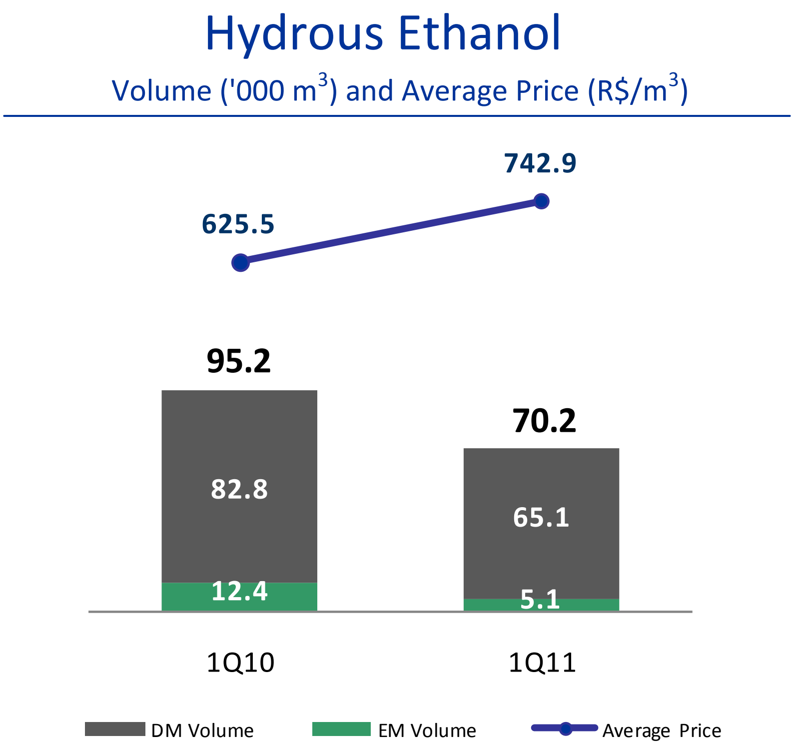


Net revenue from sugar sales totaled R$177.4 million in 1Q11, an increase of 69.3% from R$104.8 million in 1Q10. The increase of 26.3% in sugar sales volume combined with the increase of more than 30% in sugar prices in both the domestic and international markets were the key drivers of the strong net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

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

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

Ethanol



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

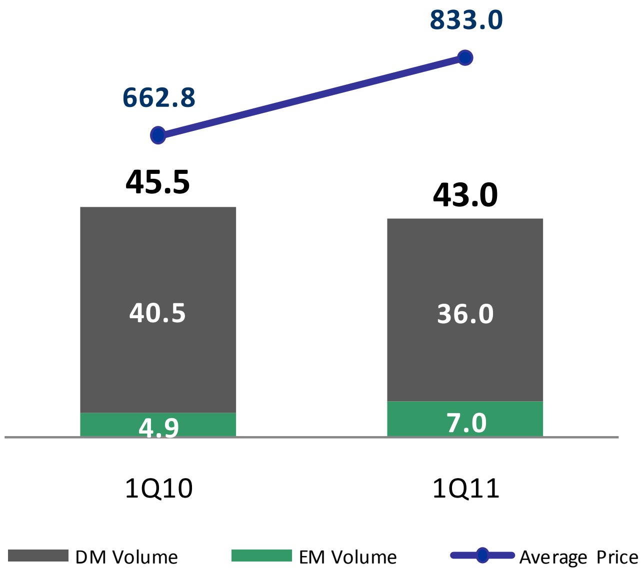
The decrease in hydrous ethanol sales in 1Q11 is due to the Group's sales strategy to concentrate sales of hydrous ethanol in the off-harvest period, when prices are higher.

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

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

Anhydrous Ethanol

Volume ('000 m^3) and Average Price (R$/$m^3$)



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

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

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

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

Ribonucleic Acid (RNA) Sodium Salt

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

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

Electricity

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

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

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

Other Products and Services

Net revenue from the “Other Products and Services” line totaled R$11.9 million in 1Q11, virtually stable in relation to the previous year. In line with its policy of maintaining long-term relationships with its suppliers, the São Martinho Group occasionally buys high quantities of inputs and resells them to sugarcane suppliers at cost.

INVENTORIES

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

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

EBITDA AND EBITDA COST BY PRODUCT

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

(*) Sugar in R$/Ton
Ethanol in R$/$m^3$

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

(*) Sugar in R$/Ton
Ethanol in R$/$m^3$

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

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

COST OF GOODS SOLD (COGS)

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

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

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

SELLING EXPENSES

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

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

GENERAL AND ADMINISTRATIVE EXPENSES

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

G&A expenses totaled R$19.8 million in 1Q11, down 1.3% from 1Q10, chiefly due to: 1) Personnel Expenses: impacted by the pay increase under the collective bargaining agreement of 7% for the 2010/11 harvest year and the higher expenses associated with the payment of variable compensation for the harvest year ended in March 2010; and 2) Provisions for Contingencies: the reduction in provisions for contingencies reflects the higher number of agreements settled in 1Q11, which enabled the reduction in the amount provisioned in comparison with 1Q10.

EBITDA

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

Adjusted EBITDA

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

EBITDA (Adjustment for Non-Cash Items)

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

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

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

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

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

HEDGE

U.S. Dollar

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

Sugar

On June 30, 2010, the São Martinho Group held positions in derivatives and prices fixed with clients and in the futures market in the following amounts:

OPTIONS/PRICING	Maturity	Tons	Average Price
Type			
Purchase of "PUT"	**Oct/10 to Mar/11**	**10,160**	**17.38**
Sale of "CALL"	**Oct/10 to Mar/11**	**24,384**	**18.96**
Future Contracts - Sold	**Oct/10 to Mar/11**	**74,016**	**17.28**
Hedging directly with clients (no margin call)	**May/10 to Mar/11**	**260,436**	**19.52**
Forward Sales (no margin call)	**May/10 to Mar/11**	**144,323**	**19.43**
Total	**2010/11 Harvest**	**478,774**	**19.15**

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

Hedge Accounting – As of March 2010, inclusive, the Company and its subsidiaries began adopting hedge accounting for these derivatives, with their potential results recorded under the specific balance sheet line ("Adjustments to book value"), net of deferred income tax and social contribution tax (potential gain of R$42.9 million in June 2010).

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

NET FINANCIAL RESULT

FINANCIAL RESULT	1Q11	1Q10	Chg. (%)
R$ Thousand			
Financial Revenues	2,792	1,846	51.2%
Financial Expenses	(17,604)	(17,304)	1.7%
Exchange Variation	(2,753)	74,295	n.m.
Copersucar Monetary Variation	(1,393)	(1,731)	-19.6%
Net Financial Result	**(18,957)**	**57,106**	**n.m.**

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

OPERATING WORKING CAPITAL

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

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

NET INCOME

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

DEBT WITH COPERSUCAR

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

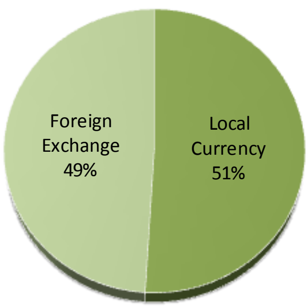
INDEBTEDNESS

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

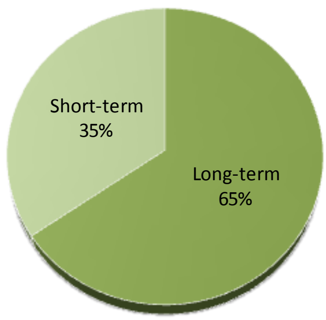
The Group's net debt reached R$843.2 million in June 2010, a reduction of 9.7% from 1Q10. In the same period, the Net Debt/EBITDA ratio stood at 1.9 x, representing significant reduction from 4.2 x in June 2009.

Indebtedness Breakdown

Currency

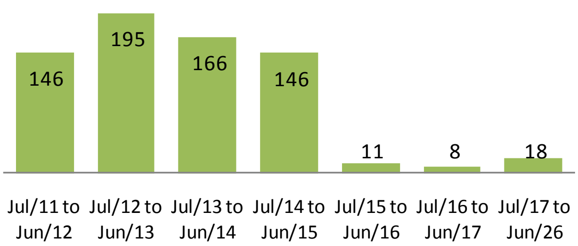


Term



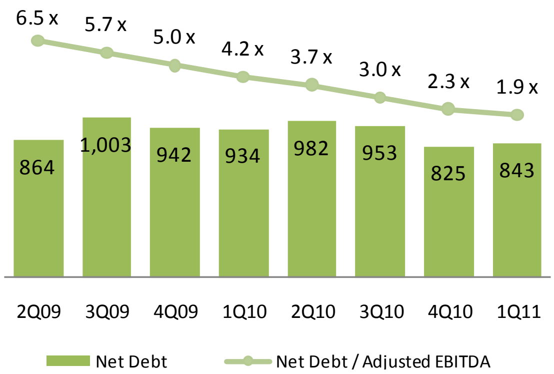
Amortization Schedule

R$ - Million



Net Debt / EBITDA LTM

Evolution



CAPEX

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

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

DISCLAIMER

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

ABOUT SÃO MARTINHO

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

INCOME STATEMENT

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

BALANCE SHEET (ASSETS)

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

BALANCE SHEET (LIABILITIES)

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

CONSOLIDATED CASH FLOW

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