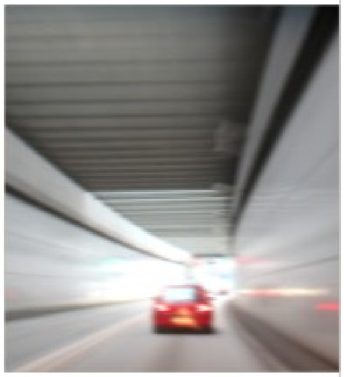


São Martinho

1Q10 Results
2009/10 Harvest

SÃO MARTINHO REPORTS NET INCOME OF R$ 29 MILLION IN 1Q10

Net Revenue Grows 136.2% to R$ 217.4 Million in 1Q10

São Paulo, August 14, 2009 – SÃO MARTINHO S.A. (Bovespa: 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 2010 (1Q10) and the 2009/10 harvest year. The 1Q10 results are presented on a consolidated basis, in accordance with Brazilian Corporate Law, including the partial consolidation of 41.67% of Usina Santa Luiza.

1Q10 Highlights

- The São Martinho Group posted Net Revenue growth of 136.2% in 1Q10 versus 1Q09, reflecting the higher ethanol and sugar sales volume and the increase of 51.8% in average sugar prices in the period.

- Adjusted EBITDA in 1Q10 was R$ 44.2 million (with adjusted EBITDA margin of 20.3%), up 230.2% on 1Q09, driven by the higher ethanol and sugar sales volume and the increase of 51.8% in average sugar prices in the period.

- The sugar and dollar pricing strategy for the 2009/10 harvest generated net financial income of R$ 23.7 million in 1Q10. As a result, adjusted EBITDA after currency and sugar pricing effects ("Hedge EBITDA") totaled R$ 67.9 million in 1Q10 (Hedge EBITDA Margin of 31.2%).

- We ended 1Q10 with 197,463 tons of sugar in inventory, compared with 106,243 tons at the close of 1Q09. Based on our sugar production estimate for the 2009/10 harvest of approximately 452,000 tons, sugar sales volume in the coming quarters could reach 649,463 tons, representing a 55.5% increase in sugar sales volume over the 2008/09 harvest.

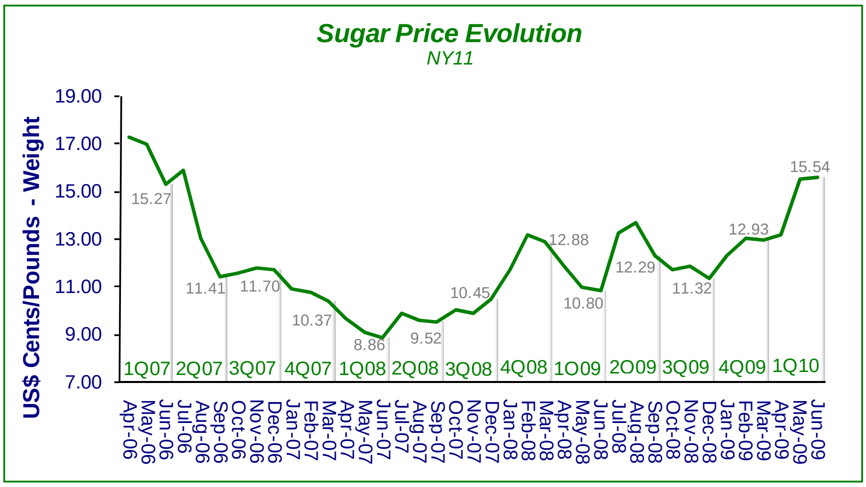
- Average prices of anhydrous and hydrous ethanol fell 16.2% and 4.7%, respectively, over the same period of the prior year, pressuring the adjusted EBITDA margin of São Martinho Group and preventing even better results.

- On June 30, 2009, the sugar prices fixed by the São Martinho Group corresponded to 297,637 tons at an average price of US$ 14.70 cents/pound. In addition, on the same date, sales of calls corresponded to 69,393 tons of sugar at an average price of US$ 18.72 cents/pound. As a result, our sugar position available for price fixing on June 30, 2009 was approximately 282,000 tons.

Industry Overview

Sugar

Average Sugar Prices	1Q10	4Q09	1Q09	Chg.% 1Q10 x 1Q09	Chg.% 1Q10 x 4Q09
US$/R$ Exchange rate	2.07	2.31	1.66	25.2%	-10.3%
NY11 US$ cents/pound	14.71	12.73	11.20	31.4%	15.5%
NY11 R$ / Ton	672.20	648.78	408.75	64.5%	3.6%
Sugar ESALQ Net R$/50-kilogram sack	37.26	36.26	22.61	64.8%	2.8%



During 1Q10, international sugar prices continued the upward trend observed since December 2008, mainly due to the prospects of lower sugar production in India.

The average sugar price in Brazilian Real in 1Q10 was 64.5% higher than in 1Q09, due to the combined impacts from the local currency depreciation and the hike in sugar prices (NY11) of 25.2% and 31.4%, respectively.

Sugar prices remain favorable for 2009 and 2010 due to expectations of a world sugar deficit. In India, projections for sugar production in the next harvest, which begins in September 2009, are calling for maximum production of 18 million tons, which corresponds to 75% of the country's domestic consumption.

In Brazil, sugar production in the Center-South region should grow by 16% to 31.2 million tons in the 2009/10 harvest. This growth was fueled by changes in the mix, with sugar production prioritized at the expense of ethanol production, since in the current price scenario sugar in average 65% more profitable than ethanol.

We expect the world sugar deficit to persist through 2010, since we do not expect investments from Brazilian producers to augment supply, given that the high investments in ethanol production in recent years are currently limiting higher debt levels in the industry.

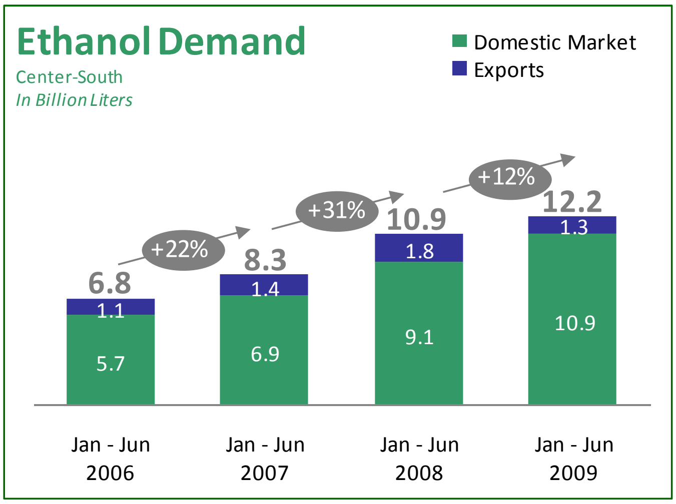
The key issue for determining the sustainability sugar prices at current levels will be India's output in the 2010/11 harvest year (which begins in September 2010). At current price levels, there is a high possibility that India will increase its production volume to fully meet its internal demand of 23 million tons.

Ethanol

Average Ethanol / Oil Prices	1Q10	4Q09	1Q09	Chg.% 1Q10 x 1Q09	Chg.% 1Q10 x 4Q09
Anhydrous ESALQ, Net DM R$ / M3	690.08	825.15	799.00	-13.6%	-16.4%
Hydrous ESALQ, Net DM - R$ / M3	604.45	735.50	688.29	-12.2%	-17.8%
Anhydrous ESALQ EM R$ / M3	757.16	894.10	790.57	-4.2%	-15.3%
Hydrous ESALQ EM - R$ / M3	600.09	907.30	706.47	-15.1%	-33.9%
Oil NY	59.79	43.31	123.98	-51.8%	38.0%

In 1Q10, domestic anhydrous and hydrous ethanol prices decreased by 13.6% and 12.2%, respectively, in relation to 1Q09.

The main pressure on domestic ethanol prices was the sharp contraction in credit to certain companies in the industry after the onset of the crisis in September 2008. This scenario, coupled with the additional working capital requirements for the 2009/10 crop, forced many companies to sell ethanol at prices below production cost.



In July 2009, domestic ethanol prices began to recover, fueled by the higher demand and the lower working capital requirements of companies given the higher cash flow from sugar sales, since sugar prices are at their highest levels for some years.

According to estimates from the São Paulo Sugarcane Industry Association (UNICA), ethanol production in the Center-South region should grow by only 1.1 billion liters to 26.3 billion liters in the 2009/10 harvest year. On the demand side, we expect growth in the domestic market of approximately 3 billion liters, due to the combination of: 1) stable flex-fuel vehicle sales volume in relation to 2008 (approximately 2.3 million units); and 2) higher ethanol consumption driven by the growing share of flex-fuel vehicles in the domestic fleet. As a result, we expect domestic ethanol consumption of approximately 25 billion liters in 2009/10, with only 3 billion liters directed to exports. Note that this forecast volume of ethanol exports represents a historical low for the industry.

According to the latest data from UNICA (considering crushing up to July 16, 2009 in the Center-South region), and similar to events in June, heavy rains in the first half of July not only shortened the time available for sugarcane crushing in the Center-South region, but also reduced the sugar content of the crop. This leads us to believe that the ethanol production estimate of 26.3 billion liters will be revised downwards in the near term, which should support better ethanol prices in the Brazilian market.

Operating Performance

Operating Highlights

Operating Data	1Q10	1Q09	Chg. %
Crushed Sugarcane (‘000 tonnes)	4,484	2,996	49.7%
Own	3,158	2,152	46.8%
Third Parties	1,327	844	57.2%
Mechanized Harvest (%)	85.8%	81.4%	4.4 p.p
Production			
Sugar (‘000 tonnes)	228	137	66.8%
Anhydrous Ethanol (‘000 m^3)	59	64	-7.2%
Hydrous Ethanol (‘000 m^3)	135	74	82.1%
RNA - Ribonucleic Acid ('000 Kg)	57	12	388.9%
Energy ('000 MWh)	49.5	-	n.m.

Financial Performance

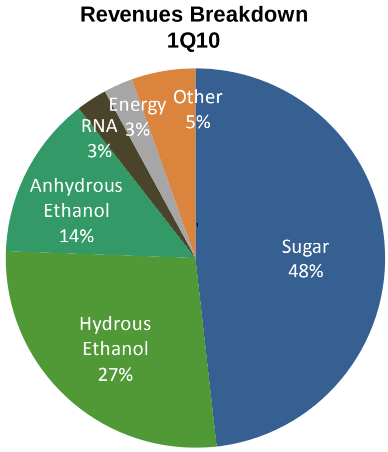
Operating Revenue

Net Revenues Breakdown R$ Thousand	1Q10	1Q09	Chg.% 1Q10 x 1Q09
Domestic Market	**104,976**	**71,054**	**47.7%**
Sugar	11,131	1,610	591.3%
Hydrous Ethanol	50,121	31,650	58.4%
Anhydrous Ethanol	26,448	30,659	-13.7%
Energy	5,434	1,281	324.1%
Other	11,842	5,853	102.3%
Export Market	**112,479**	**21,001**	**435.6%**
Sugar	93,681	12,651	640.5%
Hydrous Ethanol	9,424	-	n.m.
Anhydrous Ethanol	3,680	5,514	-33.3%
RNA	5,695	2,836	100.8%
Net Revenue	**217,455**	**92,056**	**136.2%**
Sugar	104,812	14,261	635.0%
Hydrous Ethanol	59,545	31,650	88.1%
Anhydrous Ethanol	30,127	36,173	-16.7%
RNA	5,695	2,836	100.8%
Energy	5,434	1,281	324.1%
Other	11,842	5,853	102.3%

Net Revenue

São Martinho's net revenue climbed by 136.2% in relation to 1Q09, driven by the higher sugar prices and higher ethanol and sugar sales volume in the quarter.

In addition, revenue from electricity sales totaled R$ 5.4 million in the quarter, up 324.1% in relation to 1Q09, due to the higher volume of electricity cogeneration at the Boa Vista Mill in the current harvest year.



Sales Performance			
Products	**1Q10**	**1Q09**	**Chg.% 1Q10 x 1Q09**
Domestic Market			
Sugar (tonnes)	19,135	3,958	383.5%
Hydrous Ethanol (m3)	82,755	48,243	71.5%
Anhydrous Ethanol (m3)	40,543	39,023	3.9%
Energy (MWh)	52,365	5,141	918.7%
Export Market			
Sugar (tonnes)	153,064	31,612	384.2%
Hydrous Ethanol (m3)	12,433	-	n.m.
Anhydrous Ethanol (m3)	4,914	6,704	-26.7%
RNA (Kg)	78,000	82,560	-5.5%
Consolidated			
Sugar (tonnes)	172,198	35,570	384.1%
Hydrous Ethanol (m3)	95,188	48,243	97.3%
Anhydrous Ethanol (m3)	45,457	45,727	-0.6%
Energy (MWh)	52,365	5,141	918.7%
RNA (Kg)	78,000	82,560	-5.5%

Average Prices	1Q10	1Q09	Chg.% 1Q10 x 1Q09
Domestic Market			
Sugar (R$/tonnes)	581.73	406.86	43.0%
Hydrous Ethanol (R$/m^3)	605.66	656.06	-7.7%
Anhydrous Ethanol (R$/m^3)	652.34	785.66	-17.0%
Energy (R$/MWh)	103.77	249.27	-58.4%
Export Market			
Sugar (R$/tonnes)	612.04	400.19	52.9%
Hydrous Ethanol (R$/m^3)	757.94	-	n.m.
Anhydrous Ethanol (R$m^3)	748.76	822.50	-9.0%
RNA (R$/Kg)	73.01	34.35	112.5%
Consolidated			
Sugar (R$/tonnes)	608.67	400.93	51.8%
Hydrous Ethanol (m^3)	625.55	656.06	-4.7%
Anhydrous Ethanol (m^3)	662.77	791.07	-16.2%
Energy (R$/MWh)	103.77	249.27	-58.4%
RNA (R$/Kg)	78.00	34.49	126.1%

Sugar

Net revenue from sugar sales increased by 635.0% to R$ 104.8 million in 1Q10, compared with R$ 14.3 million in 1Q10. The increase of 384.1% in sales volume and the higher prices in both the domestic and international markets were the key drivers of the strong growth in net revenue.

The average international sugar price stood at US$ 13.4 cents/pound in 1Q10, representing an increase of 22.5% in relation to 1Q09.

Note that sugar sales in 1Q10 were fixed at prices quoted for March and May 2009, with average prices at US$ 12.62 cents/pound and US$ 12.99 cents/pound, respectively, during 2009 through the maturity of contracts. Consequently, the São Martinho Group was able to outperform market prices by 5% for these contracts.

Ethanol

<u>Hydrous</u>

Net revenue from hydrous ethanol sales totaled R$ 59.5 million in 1Q10, up 88.1% in relation to 1Q09.

Sales volume represented the main positive impact, increasing 97.3% year on year to 95,188 m^3, driven by the expansion in the domestic flex-fuel fleet.

Anhydrous

Net revenue from anhydrous ethanol sales in the quarter totaled R$ 30.1 million, down 16.7% in relation to 1Q09, impacted mainly by the decline of 16.2% in prices.

The lower prices are related to the overproduction of ethanol at the start of the harvest year, coupled with the cash requirements of certain companies in the industry. As mentioned in the "Market" section, the short-term pressure from the level of ethanol supply has eased and prices began to recover already in July 2009, reaching levels similar to those in the previous harvest year.

Ribonucleic Acid (RNA) Sodium Salt

RNA net revenue totaled R$ 5.7 million in 1Q10, increasing by 100.8% on 1Q09. The main factors for this strong increase were: 1) adjustments in RNA prices in U.S. dollar (40%, effective as of the 2008/09 harvest year); and 2) the depreciation in Brazilian real in the period, since most RNA production is exported.

Electric Power

Following the startup of crushing at our greenfield project (the Boa Vista Mill) and certain investments made at the São Martinho Mill, starting in fiscal 2009, we substantially increased our sales of electricity.

For the 2009/10 harvest, the São Martinho Group expects power cogeneration of approximately 159,700 MW/h, representing an increase of 78.63% in relation to the previous harvest year.

In 1Q10, net revenue from electricity sales grew 324.1% year on year, mainly due to higher sales volume.

Other Products and Services

Net revenue from the "Other Products and Services" line totaled R$ 11.8 million in 1Q10, an increase of 102.3% year on year. This increase was due to higher sales of inputs to sugarcane suppliers. 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 suppliers at cost.

Inventories

Inventories	1Q10	1Q09	Chg.% 1Q10 x 1Q09
Sugar (Tonnes)	197,463	106,243	85.9%
Hydrous (m^3)	72,871	25,891	181.5%
Anhydrous (m^3)	33,836	22,854	48.1%

The sharp variation in sugar and ethanol inventories in 1Q10 in relation to 1Q09 is directly related to the higher volume of sugar production in the 2009/10 harvest year and the concentration of ethanol sales in the second half of 2010 (September 2009 to March 2010).

Estimates – Product Availability in 2009/10 Harvest Year

Inventories / Production Estimates (*)	Inventories 1Q10	Remaining production 2009/10 harvest	Available Volume 2009/10 Harvest (Estimated)
Sugar ('000 tonnes)	197	452	649
Ethanol ('000 m^3)	107	493	599

(*) Estimated production from July through the end of the 2009/10 harvest

As shown in the table above, we ended 1Q10 with sugar inventories of 197,000 tons, which, when combined with our estimated production through the end of the harvest year, totals 649,000 tons of sugar available for sale in the coming quarters. Note that this amount represents 95% of our total production in the 2009/10 harvest year.

Total ethanol availability through the end of the 2009/10 harvest year should come to 599,000 m³, equivalent to 87% of the volume produced in the entire harvest year. As mentioned above, we will concentrate our sales in the period after August 2009, when we expect consistent improvement in prices should occur.

EBITDA by Product

EBITDA by Product - 1Q10				
R$ Thousand	**Sugar**	**Ethanol**	**Others**	**TOTAL**
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 (*)	R$ 422.9	R$ 567.9	-	-

(*) Sugar in R$/Tonne
Ethanol in R$/M³

Cost of Goods Sold

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

Breakdown of Cost of Goods Sold (COGS) - Cash			
R$ Thousand	**1Q10**	**1Q09**	**Chg.%**
Agricultural Costs	**105,375**	**41,216**	**155.7%**
Suppliers	*38,451*	*11,310*	*240.0%*
Partnerships	*12,010*	*3,457*	*247.5%*
Own Sugarcane	*54,914*	*26,450*	*107.6%*
Industrial	**16,224**	**7,378**	**119.9%**
Other Products	**16,850**	**8,897**	**89.4%**
Total COGS	***138,449***	***57,491***	***140.8%***
TRS Sold (000 Tonnes)	***422***	***200***	***111.4%***
Unit Cost (Sugar and Ethanol Cash COGS / TRS Sold)	*288*	*243*	***18.4%***

As shown above, Cash COGS in 1Q10 was 140.8% higher year on year, at R$ 80.9 million. The main factors for this increase were: 1) the increase of 111.4% in sales volume (in TRS equivalent); 2) the higher costs with sugarcane suppliers and the leasing of land held by "Partners", due to the 14.7% increase in the CONSECANA price in the period; and 3) the growth of 49.7% in sugarcane crushing volume, led by the 57.2% increase in sugarcane from suppliers (see the table "Operational Highlights").

In addition, the higher costs in the "Other Products" line are directly related to the revenue line "Other Products and Services". The São Martinho Group purchases high quantities of inputs and resells them to suppliers at cost.

Selling Expenses

Selling Expenses Breakdown			
R$ Thousand	**1Q10**	**1Q09**	**Chg.%**
Port Costs	1,840	65	2740.5%
Freight	11,727	2,507	367.8%
Sales Comission	908	299	204.2%
Selling Expenses	**14,475**	**2,870**	**404.4%**
TRS Sold ('000 Tonnes)	*422*	*200*	111.4%
% of Net Revenues	*6.7%*	*3.1%*	*3.5 p.p.*

The sharp increase in selling expenses in 1Q10 in relation to 1Q09 is exclusively due to the significant growth in sugar and ethanol export volumes of 384.2% and 158.8%, respectively.

Exports accounted for 51.7%¨of São Martinho Group's net revenue in the quarter, up from only 22.8% in 1Q09. Since selling expenses are directly related to export volume, the Selling Expenses/Net Revenue ratio presented a proportional increase of 3.5 percentage points in the year-on-year comparison.

General and Administrative Expenses

General and Administrative Expenses Breakdown (Excluding Depreciation)			
In R$ Thousand	**1Q10**	**1Q09**	**Chg.%**
Personnel	6,744	6,673	1.1%
Taxes, Fees and Contributions	1,737	1,398	24.2%
Provisions for Contingencies	5,353	6,337	-15.5%
General Expenses and Third-Party Services	4,385	4,319	1.5%
Management fee	1,869	1,795	4.1%
Total General and Administrative Expenses	**20,088**	**20,522**	-2.1%

G&A expenses totaled R$ 20.1 million in 1Q10, down 2.1% on 1Q09. The main factor in this decline was the lower expenses with contingencies related to the high number of labor suits in 1Q09 following the termination of operations at the Santa Luiza Mill.

EBITDA

EBITDA Reconciliation R$ Thousand	1Q10	1Q09	Chg.%
Adjusted EBITDA	**44,195**	**13,383**	**230.2%**
Adjusted EBITDA Margin	*20.3%*	*14.5%*	*5.8 p.p.*
Non Recurring Operatiing Revenues (Expenses)	*366*	*(2,213)*	n.m.
Non Cash Itens Launched in the COGS	*1,990*	*10,897*	-81.7%
EBITDA	**41,839**	**4,699**	**790.5%**
EBITDA Margin	*19.2%*	*5.1%*	*14.1 p.p.*
(-) Depreciation and Amortization	(54,760)	(33,157)	65.2%
(-) Financial Revenue (Expense), net	57,106	(11,151)	n.m.
(=) Operating Income (Loss)	**44,185**	**(39,609)**	**n.m.**

Adjusted EBITDA

The São Martinho Group recorded adjusted EBITDA in 1Q10 of R$ 44.2 million, up 230.2% in relation to 1Q09. The main drivers of this improvement were: 1) strong growth in ethanol and sugar sales volumes due to the higher availability of these products at the close of 4Q09 in relation to 4Q08; 2) the increase of 51.8% in sugar prices in local currency terms, given the combination of better export prices and the depreciation in the Brazilian real of 25.2% against the U.S. dollar.

EBITDA (Adjustment for Non-Cash Items)

The main adjustments made to EBITDA in 1Q10 are detailed below:

1) Positive adjustment to EBITDA – "Non-cash items booked in COGS": 1Q10: R$ 1.99 million

Bear in mind that this represents an accounting adjustment that will be reversed over the coming quarters with the evolution of sugar and ethanol production and the achievement of higher yields. The adjustment results from the fact that at the close of 1Q10 the volume of finished products in inventory is typically very low (we produce on average 25% of the total harvest in this period), while a large portion of our fixed costs (depreciation, labor, etc.) are already allocated in inventories. Therefore, the calculation of the unit cost of finished products in our stocks is sometimes higher. After comparing this cost with the sugar and ethanol prices practiced in the market, we must make adjustments (reduction) to the market value in order to offset the cost of goods sold.

EBITDA HEDGE (Pricing 2009/10 Harvest)

The São Martinho Group hedged approximately US$ 192 million at an average exchange rate of R$ 2.106/US$ for its sugar and ethanol exports in the 2009/10 harvest year through non-deliverable forwards (NDFs) and short-term debt (ACCs). On June 30, 2009, the marking to market of these transactions generated a gain of R$ 30.4 million, which was recognized as financial income and foreign exchange gains.

On the same date, the marking to market of our sugar prices set through derivative instruments (see details in the "Sugar" section below) generated an accounting expense of R$ 6.7 million, which was recognized as a financial expense.

The table below presents a breakdown of our EBITDA excluding the impacts of these positions at market value on June 30, 2009.

EBITDA Hedge R$ Thousand	1Q10
EBITDA Hedge	**67,880**
Hedge EBITDA Margin	*31.2%*
Hedge Result - Sugar	(6,683)
Hedge Result - Currency	30,368
Adjusted EBITDA	**44,195**
Adjusted EBITDA Margin	*20.3%*

U.S. Dollar

On June 30, 2009, the São Martinho Group held a US$ 46.7 million short position in US$ currency futures through non-deliverable forwards (NDFs) at an average price of R$ 2.218/US$, with maturities through March 2010.

Sugar

On June 30, 2009, the São Martinho Group held positions in derivatives and prices fixed with clients and in the futures market in the following volumes:

1) Purchase of puts for 16,764 tons of sugar at an average price of US$ 16.73 cents/pound, with maturity in October 2009;
2) Sale of calls for 69,393 tons of sugar at an average price of US$ 18.72 cents/pound, with maturity between September 2009 and March 2010;
3) Sale of puts for 17,780 tons of sugar at an average price of US$ 14.84 cents/pound, with maturity between September 2009 and March 2010;
4) In addition, 297,637 tons of sugar were priced through sale contracts for delivery between July and December 2009, at an average price of US$ 14.70 cents/pound, on the New York Stock Exchange (ICE Futures US).

Details on Options Positions and Prices

Options / Pricing					
Type	**Maturity**	**Tonnes**	**Average Price**	**Position on 08/10/09(*)**	**Price on 08/10/09**
Purchase of "PUT"	**Oct/09**	**16,764**	**16.73**	"Out-of-the-money"	
Sale of "CALL"	**Sep/09 to Mar/10**	**69,393**	**18.72**		
	Sep/09	*8,128*	*17.50*	"In-the-money"	*22.00*
	Oct/09	*25,908*	*18.03*	"In-the-money"	*22.00*
	Mar/10	*35,357*	*19.50*	"In-the-money"	*23.31*
Sale of "PUT"	**Sep/09 to Oct/09**	**17,780**	**14.84**		
	Sep/09	*8,128*	*15.00*	"Out-of-the-money"	
	Oct/09	*9,652*	*14.71*	"Out-of-the-money"	
Prices Fixed	**Jul/09 to Dec/09**	**297,637**	**14.70**		

(*) "Out-of-the-money" – Based on the current price of the futures contract, the option will not be exercised
"In-the-money" – Based on the current price of the futures contract, the option will be exercised

Following the strong rally in the sugar market in recent months, only a portion of our options contracts are currently “in-the-money”, as shown in the table above.

Therefore, assuming that these options will be exercised at maturity, the São Martinho Group closed June 30, 2009 with 367,030 tons of sugar priced at US$ 15.46 cents/pound, with the prices for 282,000 tons still to be set.

Net Financial Result

Net Financial Result Breakdown			
R$ Thousand	**1Q10**	**1Q09**	**Chg.%**
Financial Revenue	1,846	1,952	-5.4%
Financial Expense	(10,621)	(12,867)	-17.5%
Hedge Result - Sugar	(6,683)	837	n.m.
Exchange Variation	74,295	1,493	n.m.
Copersucar Monetary Variation	(1,731)	(2,566)	-32.5%
Net Financial Result	**57,106**	**(11,151)**	**n.m.**

The net financial result in 1Q10 was strongly impacted by the appreciation of 15.7% in the real against the dollar, since in December 2009 45% of our debt was denominated in U.S. dollar, as well as short positions in NDFs.

Furthermore, the strong rally in international sugar prices during 1Q10 led our sugar price hedge position to generate an accounting loss of R$ 6.7 million. This loss was fully recognized in the quarter and will be reversed through sugar exports in the coming quarters.

Working Capital

Working Capital R$ - Million	1Q09	4Q09	1Q10	Chg. 1Q10 x 4Q09	Chg. 1Q10 x 1Q09
ASSETS	**342,745**	**394,920**	**444,410**	**(49,490)**	**(101,665)**
Accounts Receivable	41,876	45,544	27,883	**17,661**	**13,993**
Inventories	261,125	296,404	353,050	**(56,646)**	**(91,925)**
Tax receivable	39,744	52,972	63,477	**(10,505)**	**(23,733)**
LIABILITIES	**124,871**	**120,786**	**148,648**	**27,862**	**23,777**
Suppliers	80,410	76,150	88,628	**12,478**	**8,218**
Payroll and social contribution	35,309	34,932	47,958	**13,026**	**12,649**
Tax payable	9,152	9,704	12,062	**2,358**	**2,910**
WORKING CAPITAL	**217,874**	**274,134**	**295,762**	**(21,628)**	**(77,888)**

As shown above, the São Martinho Group invested working capital of R$ 295.7 million in its operations in 1Q10, for an increase of R$ 77.9 million in relation to 1Q09.

The higher working capital is essentially due to the build in inventories, reflecting the combination of: 1) higher sugar production in the current harvest; and 2) the strategy to concentrate ethanol sales in the second half of the 2009/10 harvest.

Net Income (Loss)

The São Martinho Group posted net income of R$ 28.9 million in 1Q10, compared with a net loss of R$ 26.2 million in 1Q09. The main reasons for this improvement were: 1) the strong growth in ethanol and sugar sales volume driven by the higher ending inventory levels in 4Q09 in relation to 4Q08; 2) the increase of 51.8% in sugar prices in local currency terms due to the higher international prices; and 3) the positive impact from foreign exchange gains on our dollar-denominated debt because of the appreciation in the real against the dollar.

Debt with Copersucar

On June 30, 2010, the São Martinho Group recognized debt of R$ 211.0 million with Copersucar. In view of the terms negotiated in the process to terminate the membership at Copersucar, we will continue to book under long-term liabilities in the line “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 sureties in the amount of R$ 140.2 million on a consolidated basis.

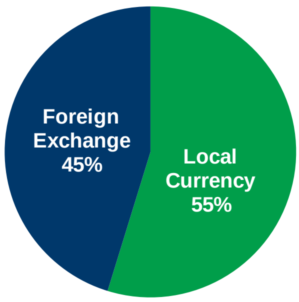
Indebtedness

Debt R$ Thousand	Jun/09	Jun/08	Chg.%
PESA	76,788	81,821	-6.2%
Rural Credit	22,325	125,078	-82.2%
BNDES / FINAME	520,295	354,066	46.9%
Working Capital	-	135,865	n.m.
ACC (Advances on Foreign Exchange Contracts)	222,924	44,711	398.6%
PPE (Export Prepayment)	202,713	-	n.m.
Others	839	996	-15.8%
Gross Debt	**1,045,874**	**742,537**	**40.9%**
Cash and Cash Equivalents	112,108	48,851	129.5%
Net Debt	**933,766**	**693,686**	**34.6%**
Net Debt ex. PESA	**856,988**	**611,865**	**40.1%**

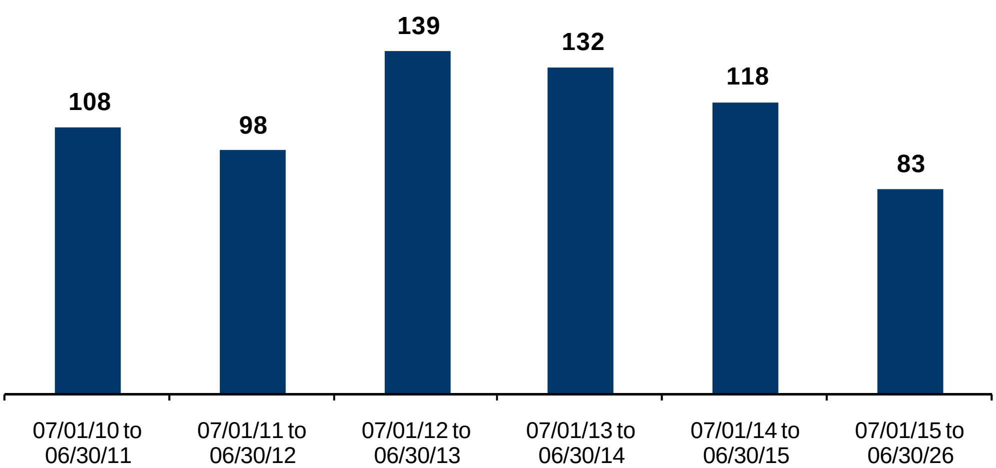
On June 30, 2009, São Martinho Group's consolidated gross debt stood at R$ 1,046 million, an increase of R$ 303.3 million from a year earlier.

On the same date, cash and cash equivalents amounted to R$ 112.1 million, 129.5% higher than the balance of R$ 48.8 million recorded on June 30, 2008. The main reasons for this R$ 240.1 million increase in net debt are: 1) the investments in the Boa Vista Mill, which totaled R$ 185.5 million in the last 12 months; and 2) the increase of R$ 77.9 million in working capital.

1Q10 Debt Breakdown



Long Term Debt Repayment Schedule - R$ MM



The above schedule includes all our PESA bank debt.

Capex

In R$ Thousand			
Capex (Maintenance)	**1Q10**	**1Q09**	**Chg.%**
Sugarcane Planting	23,472	18,058	30.0%
Industrial / Agricultural	13,898	16,266	-14.6%
Sub Total	**37,370**	**34,324**	**8.9%**
Upgrading, Mechanization and Expansion			
Industrial / Agricultural	496	3,374	-85.3%
Other	306	4,098	-92.5%
Sub Total	**803**	**7,472**	**-89.3%**
Boa Vista Mill (Greenfield)			
Sugarcane Planting	15,750	21,406	-26.4%
Industrial / Agricultural	20,877	88,511	-76.4%
Sub Total	**36,628**	**109,917**	**-66.7%**
Total	**74,801**	**151,712**	**-50.7%**

The highlight in capital expenditure in 1Q10 compared with 1Q09 was the reduction in expenses with the Boa Vista Mill. In the first quarter of fiscal 2010, disbursements for this mill went to expanding our own sugarcane farms and acquiring agricultural equipment, in particular for harvesting.

Upcoming Events

1Q10 Earnings Conference Calls	
Portuguese	**English**
Date: 08/18/2009	Date: 08/18/2009
Time: 2:00 p.m. (Brasília) / 1:00 p.m. (US ET)	Time: 3:30 p.m. (Brasília) / 2:30 p.m. (US ET)
Telephone: +55 (11) 2188-0188	Telephone: +1 (973) 935-8893
Replay: +55 (11) 2188-0188	Replay: +1 (706) 645-9291
Code: São Martinho	Code: 19359784
Webcast with Slides: www.saomartinho.ind.br/ri	Webcast with Slides: www.saomartinho.ind.br/ir

Investor Relations Contacts

João Carvalho do Val
Chief Financial and Investor Relations Officer

Felipe Vicchiato
Investor Relations Manager

Alexandre Gorla
Investor Relations Analyst

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

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 about 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 notice.

About São Martinho

São Martinho S.A. is one of the leading sugar and ethanol producers in Brazil. The group has annual crushing capacity of 13.2 million tons and produces sugar and ethanol at its three units, the Iracema, São Martinho and Boa Vista mills. www.saomartinho.ind.br/ir

Income Statement

São Martinho S.A. - Income Statement In R$ Thousand	1Q10 Apr/09 - Jun/09	1Q09 Apr/08 - Jun/08	Chg. %
Gross Revenue	**241,265**	**103,410**	**133.3%**
Deductions from Gross Revenue	(23,810)	(11,354)	109.7%
Net Revenue	**217,455**	**92,056**	**136.2%**
Cost of Goods Sold (COGS)	(191,814)	(93,392)	105.4%
Gross Profit	**25,641**	**(1,336)**	**n.m.**
Gross Margin (%)	*11.8%*	*-1.5%*	13.2 p.p
Operating Expenses	**(38,562)**	**(27,122)**	**42.2%**
Sales Expenses	(14,475)	(2,870)	404.4%
General and Administrative Expenses	(21,525)	(22,474)	-4.2%
Management Fees	(1,869)	(1,795)	4.1%
Other Operating Expenses, Net	(693)	17	n.m.
Operating Profit, before financial effects	**(12,921)**	**(28,458)**	**-54.6%**
Financial Result, Net	**57,106**	**(11,151)**	**n.m.**
Financial Revenue	23,598	4,052	482.4%
Financial Expenses	(20,453)	(16,494)	24.0%
Monetary and Exchange Variation - Assets	75,035	1,951	n.m.
Monetary and Exchange Variation - Liabilitties	(21,074)	(660)	n.m.
Income (Loss) Before Income and Social Contribution Taxes	**44,185**	**(39,609)**	**n.m.**
Income Tax and Social Contribution - Current	(1,640)	-	n.m.
Income Tax and Social Contribution - Deferred	(11,943)	13,379	n.m.
Net Income (Loss) Before Minority Interest	**30,602**	**(26,230)**	**n.m.**
Minority Interest	**(1,695)**	**-**	**n.m.**
Net Income	**28,907**	**(26,230)**	**n.m.**
Net Margin (%)	*13.3%*	*-28.5%*	n.m.
Net Income (Loss) per Share (in R$)	**0.26**	**(0.23)**	**n.m.**

Balance Statement (Assets)

São Martinho S.A. - Consolidated Balance Sheet - ASSETS R$ thousand		
ASSETS	**Jun/09**	**Mar/09**
SHORT-TERM ASSETS		
Cash and Cash Equivalents	112,108	190,063
Accounts Receivable	27,883	45,544
Derivatives Financial Instruments	13,062	6,110
Inventories	353,050	296,404
Tax receivable	63,477	52,972
Other Assets	10,518	10,900
TOTAL SHORT-TERM ASSETS	**580,098**	**601,993**
LONG-TERM ASSETS		
Related Parties	3,069	3,424
Fixed Assets Destined for Sale	422	520
Deferred Income Tax and Social Contribution	119,408	130,973
Accounts Receivable - Copersucar	3,911	24,092
Recoverable taxes	66,787	67,578
Other assets	402	354
Property Plant and Equipment		
Investments	3,540	3,482
Fixed assets	2,481,714	2,481,605
Intangible	40,706	40,887
Deferred	39,124	39,784
TOTAL LONG-TERM ASSETS	**2,759,083**	**2,792,699**
TOTAL ASSETS	**3,339,181**	**3,394,692**

Balance Statement (Liabilities)

São Martinho S.A. - Consolidated Balance Sheet - LIABILITIES R$ Thousand		
LIABILITIES	**Jun/09**	**Mar/09**
SHORT TERM		
Loans and Financing	366,348	401,115
Derivatives Financial Instruments	2,112	6,269
Suppliers	88,628	76,150
Accounts Payable - Copersucar	2,203	2,203
Payroll and social contribution	47,958	34,932
Tax payable	12,062	9,704
Related Companies	2,901	3,277
Other Liabilities	22,471	25,858
TOTAL	**544,683**	**559,508**
LONG TERM LIABILITIES		
Loans and Financing	679,447	730,486
Accounts Payable - Copersucar	194,796	216,369
Tax Installments	8,834	8,963
Income Tax and Social Contribution	208,855	208,477
Provision for Contingencies	75,452	74,127
Other Liabilities	3,068	3,318
TOTAL	**1,170,452**	**1,241,740**
MINORITY SHAREHOLDERS	**19,938**	**18,243**
SHAREHOLDERS' EQUITY		
Capital Stock	360,000	360,000
Capital Reserve	1,108,369	1,117,599
Legal Reserve	5,079	5,079
Capital Budget Reserve	94,422	94,422
Treasury shares	(1,899)	(1,899)
Accumulated Profit (Losses)	38,137	-
TOTAL	**1,604,108**	**1,575,201**
TOTAL LIABILITIES	**3,339,181**	**3,394,692**

Cash Flow

São Martinho S.A. - Statement of Cash Flows In R$ Thousand	1Q10
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income in the period	**28,907**
Adjustments to reconcile net income to the cash generated on operating	
Depreciation and amortization	54,760
Residual cost of fixed assets - write off	1,118
Financial expenses and exchange variation - related parties, loans and	(63,783)
Provision for contingencies	3,359
Reversion of the provision for investment losses	(58)
Write-off (provision) for deferred income tax and social contribution	11,943
Adjustment to Present Value	1,575
Constitution of provision for losses from the realization of inventories	1,990
Minority Interest	1,695
(Increase) decrease in operating assets:	
Accounts receivable - Copersucar	17,923
Inventories	(37,637)
Tax receivable	(9,714)
Related parties	355
Goods for sale	(78)
Derivative Financial Instrument	(6,952)
Other short term assets	382
Other non-current assets	20,133
Increase (decrease) in operating liabilities:	
Suppliers	12,478
Wages and social contribution	13,026
Tax payable	2,293
Tax Installments	(584)
Related parties	(376)
Provision for contingencies	(3,511)
Derivative financial instruments	(4,157)
Other short-term liabilities	(3,387)
Other long-term liabilities	(250)
Cash flows from operating activities	**41,450**
CASH FLOWS FROM INVESTMENT ACTIVIITES	
Fixed Assets and deferred acquisition	(75,969)
Cash flows from investment activities	**(75,969)**
CASH FLOWS FROM FINANCING ACTIVITIES	-
Financing - third parties	97,209
Financing (payments) - Copersucar	(22,319)
Financing (payments) - third parties	(118,326)
Cash flows from financing activities	**(43,436)**
INCREASE IN CASH AND CASH EQUIVALENTS BALANCE	**(77,955)**
CASH AND CASH EQUIVALENTS	
Initial balance	190,063
Final balance	112,108
INCREASE IN CASH AND CASH EQUIVALENTS BALANCE	**(77,955)**
ADDITIONAL INFORMATION	
Interest paid during the quarter	18,563
Suppliers paybable related to fixed assets acquisition	4,976
Income Tax and Social Contribution paid during the quarter	483