



## SÃO MARTINHO POSTS NET INCOME OF R\$ 23.1 MM IN 3Q10

**São Paulo, February 10, 2010** – SÃO MARTINHO S.A. (Bovespa: SMT03; Reuters SMT03.SA and Bloomberg: SMT03 BZ), one of the largest sugar and ethanol producers in Brazil, announces today its results for the third quarter of 2010 (3Q10) in the 2009/10 harvest year.

### HIGHLIGHTS

- The São Martinho Group posted net revenue growth of 46.8% in 3Q10 versus 3Q09, reflecting better sugar and ethanol prices combined with the higher sales of both products. As a result, the group's Adjusted EBITDA in 3Q10 was R\$ 122.8 million (for adjusted EBITDA margin of 37.9%), an increase of 90.6% from 3Q09;
- In fiscal 9M10, adjusted EBITDA was R\$ 243.5 million (with adjusted EBITDA margin of 29.4%), an increase of 115.9% from 9M09. In the same period, our sugar and U.S. dollar pricing strategy, which boosted our net income by R\$ 20.9 million, increased our EBITDA after hedge effects (EBITDA hedge) to R\$ 264.4 million;
- We crushed a total of 12.9 million tons of sugarcane in the 2009/10 harvest year, for an increase of 7.7% on the previous season. The three units combined allocated approximately 42% of their mix to sugar production and 58% to ethanol production;
- Net Income in 3Q10 was R\$ 23.1 million, which represents significant improvement from the loss of R\$ 36.3 million in 3Q09. Note that Net Income in 3Q10 was negatively impacted by nonrecurring financial expenses of R\$ 21.1 million related to the marking to market of our sugar and U.S. dollar hedge positions;
- On Dec. 31, 2009, the São Martinho Group had sugar price hedges for 546,760 metric tons, of which 168,097 were related to sugar already produced in the 2009/10 harvest year and 378,663 tons to sugar that will be produced in the 2010/11 harvest year. Based on our expectations of producing approximately 840,000 tons of sugar in the 2010/11 harvest year, at the close of 3Q10 we had already hedged roughly 45% of the harvest;
- On Dec. 3, 2009, we announced a preliminary agreement for the creation of a joint venture with Amyris Biotechnologies Inc to build a specialty chemicals plant at the Boa Vista Mill. As part of the same transaction, Amyris pledged to acquire 40% of the Boa Vista Mill for R\$ 140 million and to secure 40% of this unit's debt. The signing of the final agreement is expected within the next few months.

### 3Q10 Earnings Conference Call

#### Portuguese

February 12, 2010  
2:00 pm (Brasília)  
11:00 am (U.S. EST)  
Phone: +55 (11) 2188-0188  
Code: São Martinho  
Replay: +55 (11) 2188-0188  
Webcast with Slides:  
[www.saomartinho.ind.br/ri](http://www.saomartinho.ind.br/ri)

#### English

February 12, 2010  
3:30 pm (Brasília)  
12:30 pm (U.S. EST)  
Phone: +1 (973) 935-8893  
Code: 55211999  
Replay: +1 (706) 645-9291  
Webcast with Slides:  
[www.saomartinho.ind.br/ir](http://www.saomartinho.ind.br/ir)



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## FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS (R\$ Thousand)	3Q10	3Q09	Chg. (%)	9M10	9M09	Chg. (%)
São Martinho - Consolidated						
Gross Revenue	353,399	246,766	43.2%	902,816	567,444	59.1%
Net Revenue	324,157	220,816	46.8%	827,909	507,185	63.2%
Adjusted EBITDA	122,787	64,412	90.6%	243,484	112,768	115.9%
EBITDA Margin	37.9%	29.2%	8.7 p.p.	29.4%	22.2%	7.2 p.p.
Hedge Result	(21,065)	n.m.	n.m.	20,924	n.m.	n.m.
Hedge EBITDA	101,722	n.m.	n.m.	264,408	n.m.	n.m.
Hedge EBITDA Margin	31.4%	n.m.	n.m.	31.9%	n.m.	n.m.
Consolidated Balance Sheet Indicators						
Total Assets	3,416,373	3,389,827	0.8%	3,416,373	3,389,827	0.8%
Shareholders' Equity	1,629,165	1,542,125	5.6%	1,629,165	1,542,125	5.6%
EBITDA (LTM)	320,507	175,379	82.8%	320,507	175,379	82.8%
Net Debt	953,006	998,543	-4.6%	953,006	998,543	-4.6%
Net Debt / EBITDA (LTM)	2.97 x	5.69 x		2.97 x	5.69 x	
Net Debt / Shareholders' Equity	58%	65%		58%	65%	

OPERATING DATA	9M10	9M09	Chg. (%)
São Martinho - Consolidated			
Crushed Sugarcane ('000 tons)	12,923	12,001	7.7%
Own	7,584	7,212	5.2%
Third Parties	5,339	4,789	11.5%
Mechanized Harvest	84.4%	81.4%	3.0 p.p.
Production			
Sugar ('000 tons)	702	555	26.5%
Anhydrous Ethanol ('000 m <sup>3</sup> )	226	287	-21.2%
Hydrous Ethanol ('000 m <sup>3</sup> )	367	387	-5.1%
Ribonucleic Acid (RNA) Sodium Salt ('000 Kg)	231	161	43.4%
Energy ('000 MWh)	159	89	77.7%

Despite unfavorable weather conditions, the São Martinho Group was able to crush 12.9 million metric tons of sugarcane in the 2009/10 harvest year, 7.7% more than in the previous season. This volume of sugarcane represented 59% of its total supply, with the remainder acquired from third parties (suppliers).

We opted to allocate our mix to boost sugar production, ending the harvest year with sugar production of 702,000 metric tons, which represents an increase of 26.5% from the previous harvest year. Ethanol production, on the other hand, contracted by 81,000 m<sup>3</sup> from the 2008/09 harvest year, primarily reflecting the lower TRS resulting from the unfavorable weather.

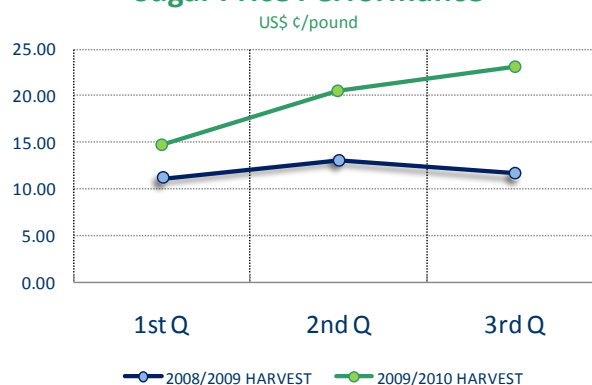


## INDUSTRY OVERVIEW – SUGAR

AVERAGE PRICES - SUGAR	3Q10	3Q09	Chg. (%)	9M10	9M09	Chg. (%)
Market Prices						
Dollar	1.74	2.28	-23.6%	1.89	1.87	1.2%
NY11 Cents / Pound	23.11	11.61	99.1%	19.48	11.96	62.9%
NY11 R\$ / Ton	886.00	582.62	52.1%	812.60	492.74	64.9%
Sugar ESALQ Net R\$ / Sack	48.08	26.13	84.0%	41.70	24.35	71.2%

During 3Q10, the NY11 international sugar price set new records in the historical data series, especially as of the second half of December 2009, with the average sugar price increasing 99.1% from 3Q09 to US\$ 23.11 cents/pound. The 23.6% appreciation in the Brazilian real against the U.S. dollar in the same comparison period adversely affected gains for Brazilian producers, which nevertheless still saw sugar prices climb by 52.1% in BRL terms from a year earlier.

### Sugar Price Performance



In the comparison of 9M10 vs. 9M09, the exchange rate remained virtually stable, with the BRL strengthening a slight 1.2% against the USD. This led sugar prices in BRL to increase by 64.9% for local producers, reflecting the sharp hike of 62.9% in sugar prices in USD terms from the previous season.

This robust recovery in sugar prices was supported by the second straight year of shortfalls in the world sugar market, basically due to the combination of: 1) Indian sugar production some 30% below the country's consumption of the commodity; and 2) the lower-than-expected growth in Brazilian sugar production caused by the heavy rains in the Center-South region.

At the start of the 2009/10 harvest year, the Center-South region was expected to produce 31.2 million metric tons of sugar, which would represent growth of over 4 million tons from the previous season. However, due to the unfavorable weather, actual production growth was only 1.7 million metric tons.

We believe Brazil's Center-South region could increase its sugar output by approximately 4 million metric tons in the 2010/11 harvest year. The main drivers of this sharp increase should be higher sugarcane crushing volume and improvement in TRS. Moreover, India's sugar production is expected to rebound to 20 million metric tons, thereby reducing its sugar import needs. These expectations are partially reflected in sugar futures contracts, with discounts of up to 800 points in shorter-dated (Mar/10 and May/10) contracts compared with longer-dated (Oct/10 and Mar/11) contracts.

## INDUSTRY OVERVIEW - ETHANOL

AVERAGE PRICES - ETHANOL	3Q10	3Q09	Chg. (%)	9M10	9M09	Chg. (%)
Market Prices						
Anhydrous ESALQ, Net DM R\$ / m <sup>3</sup>	1,107.49	895.50	23.7%	886.18	857.71	3.3%
Hydrous ESALQ, Net DM - R\$ / m <sup>3</sup>	966.66	733.08	31.9%	775.54	717.29	8.1%



In 3Q10, hydrous and anhydrous ethanol prices increased by 31.9% and 23.7% from 3Q09, respectively, reflecting the lower production volume in Brazil's Center-South region. In 9M10, prices increased by only 3.3% for anhydrous ethanol and 8.1% for hydrous ethanol, with the average of these two prices following the path of inflation very closely.

The sharp increase in ethanol prices as of 3Q10 was due to the higher demand for hydrous ethanol at the start of the harvest year, combined with the lower supply of the product, which is basically explained by the atypical rainfall in the Center-South region after July 2009.

The unfavorable weather conditions had a significant adverse affect on the quality of the sugarcane and the quantity of cane processed, with a direct impact on the volume of ethanol produced. As a result, the Center-South ended the 2009/10 harvest year with ethanol output of approximately 22.9 billion liters, down 7.54% from the previous season.

In addition, due to the strong rally in sugar prices since the start of the harvest year, mills with flexible operations opted to prioritize sugar production at the expense of ethanol production.

Meanwhile, the robust growth in ethanol demand was supported by: 1) the higher sales of flex-fuel vehicles in 2009, with more than 2 million of these vehicles added to the fleet in the period; and 2) the strong growth in hydrous ethanol consumption in the first few months of 2009, as a result of the lower prices of this product at the pump.

For the coming harvest, we expect Brazil's Center-South region to expand its ethanol production by approximately 3.0 billion liters, reestablishing a balance in the market. The main drivers of this substantial increase should be higher sugarcane crushing volume and improvement in TRS.



## FINANCIAL PERFORMANCE

NET REVENUE BREAKDOWN	3Q10	3Q09	Chg. (%)	9M10	9M09	Chg. (%)
R\$ Thousand						
<b>Domestic Market</b>	<b>184,238</b>	<b>133,551</b>	<b>38.0%</b>	<b>408,749</b>	<b>333,803</b>	<b>22.5%</b>
Sugar	11,847	6,941	70.7%	33,833	15,421	119.4%
Hydrous Ethanol	95,506	58,648	62.8%	202,467	155,417	30.3%
Anhydrous Ethanol	59,770	53,022	12.7%	119,533	123,109	-2.9%
Energy	7,862	7,017	12.0%	22,301	15,552	43.4%
Other	9,253	7,921	16.8%	30,615	24,303	26.0%
<b>Export Market</b>	<b>139,920</b>	<b>87,265</b>	<b>60.3%</b>	<b>419,160</b>	<b>173,381</b>	<b>141.8%</b>
Sugar	129,007	74,777	72.5%	349,152	124,991	179.3%
Hydrous Ethanol	4,642	4,517	2.8%	36,675	8,621	325.4%
Anhydrous Ethanol	1,699	2,691	-36.9%	21,423	29,098	-26.4%
RNA	4,571	5,279	-13.4%	11,910	10,672	11.6%
<b>Net Revenue</b>	<b>324,157</b>	<b>220,816</b>	<b>46.8%</b>	<b>827,909</b>	<b>507,185</b>	<b>63.2%</b>
Sugar	140,854	81,719	72.4%	382,985	140,412	172.8%
Hydrous Ethanol	100,148	63,165	58.5%	239,141	164,038	45.8%
Anhydrous Ethanol	61,469	55,714	10.3%	140,957	152,207	-7.4%
RNA	4,571	5,279	-13.4%	11,910	10,672	11.6%
Energy	7,862	7,017	12.0%	22,301	15,552	43.4%
Other	9,253	7,921	16.8%	30,615	24,303	26.0%

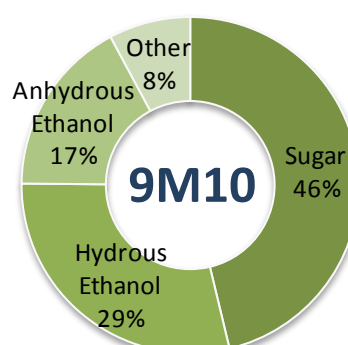
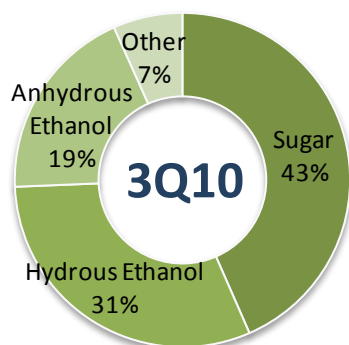
### Net Revenue

The São Martinho Group posted Net Revenue growth of 46.8% in 3Q10 from 3Q09, reflecting the increases in sugar and ethanol sales volumes of 38.6% and 12% combined with the improvement in sugar and ethanol prices of 24.4% and 21.3%, respectively.

Year to date, net revenue increased by 63.2% in relation to 9M09, driven primarily by the increases in sugar sales prices and volume of 30.8% and 108.6%, respectively.

## Breakdown – Net Revenue

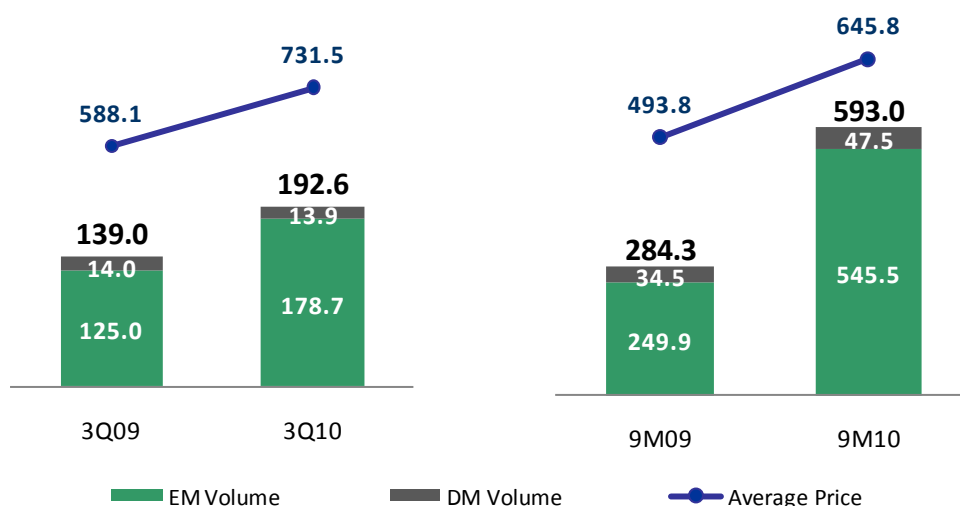
3Q10 x 9M10



## Sugar

### Sugar

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



Net revenue from sugar sales was R\$ 140.8 million in 3Q10, an increase of 72.4% from R\$ 81.7 million in 3Q09. The increase of 38.6% in sales volume and the higher prices in both the domestic and international markets were the key drivers of the strong net revenue growth.

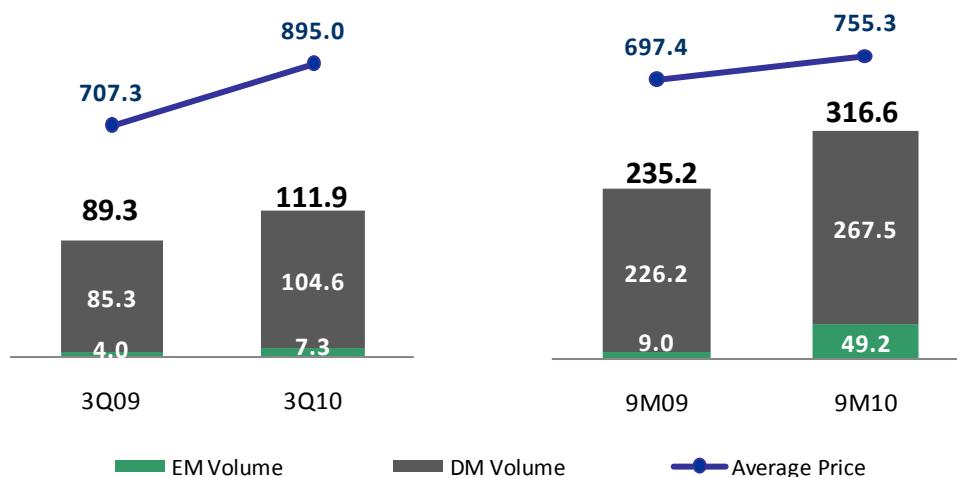
The average international sugar price stood at US\$ 18.8 cents/pound in 3Q10, an increase of 58.0% in relation to 3Q09.

Remember that the sugar sales volume in 3Q10 was hedged mainly at prices quoted for October 2009, for which the average price was US\$ 15.30 cents/pound. Consequently, the São Martinho Group was able to outperform market prices by approximately 23% for these contracts.

## Ethanol

### Hydrous Ethanol

Volume ('000 m<sup>3</sup>) and Average Price (R\$/m<sup>3</sup>)



Net revenue from hydrous ethanol sales was R\$ 100.1 million in 3Q10, increasing by 58.5% from 3Q09, driven by the higher sales volume (+25.3%) and price (+26.5%) in relation to 3Q09.

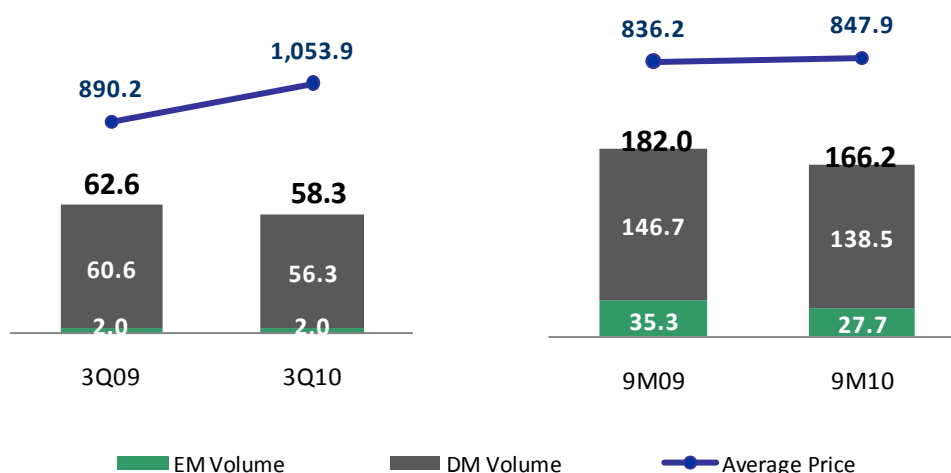
In 9M10, net revenue from hydrous ethanol sales increased by 45.8% to R\$ 239.1 million. The improvement reflects the increases in sales volume and average price of 34.6% and 8.8%, respectively, from 9M09.

The increase in hydrous ethanol sales volume is directly related to the growth of more than 80% in crushing at the Boa Vista Mill in the 2009/10 harvest year in relation to the previous season. Since the unit's production capacity is exclusively aimed at hydrous ethanol production, the São Martinho Group was able to expand the availability of this product.



## Anhydrous Ethanol

Volume ('000 m<sup>3</sup>) and Average Price (R\$/m<sup>3</sup>)



Net revenue from anhydrous ethanol sales in the quarter totaled R\$ 61.4 million in 3Q10, an increase of 10.3% in relation to 3Q09. The reduction of 6.8% in sales volume was offset by the increase of 18.4% in prices in the period.

In 9M10, net revenue from hydrous ethanol sales declined by 7.4% from 9M09, reflecting the lower sales volume (-8.7%) and the slight increase in sales price (+1.4%).

The lower sales volume was mainly due to the lower yields (lower sugarcane TRS) caused by the heavy rains that adversely affected the 2009/10 crop in the Center-South region.

### Ribonucleic Acid (RNA) Sodium Salt

Net revenue from RNA sales was R\$ 4.5 million in 3Q10, down 13.4% from 3Q09.

The result reflects both the 6.8% reduction in export volume and the 10% decrease in sales price, which ended up impacted by the local currency appreciation of 23.6% in the period.

### Electric Power

In 3Q10, net revenue from electricity sales grew 12.0% from 3Q09, basically due to the higher volume co-generated and sold in the period, which reached 56,981 MWh, up 13.0% from 3Q09.

In 9M10, net revenue from electricity sales increased by 43.4% on a year earlier to R\$ 22.3 million. Sales volume increased by 81.6%, reflecting the longer co-generation period at the Boa Vista Mill in the 2009/10 harvest year.





The price of electricity sales fell by 21.0%, impacted basically by the sales made in the energy spot market.

### Other Products and Services

Net revenue from the "Other Products and Services" line totaled R\$ 9.2 million in 3Q10 and R\$ 30.6 million in 9M10, an increase of 16.8% and 26.0%, respectively, from the same periods a year earlier. The main impact was from the higher sales volume 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	3Q10	3Q09	Chg. (%)
Sugar (tons)	250,102	275,888	-9.3%
Hydrous (m <sup>3</sup> )	82,472	151,106	-45.4%
Anhydrous (m <sup>3</sup> )	80,040	109,902	-27.2%

The decrease in ethanol inventories in 3Q10 from 3Q09 is directly related to the 12% decrease in ethanol production volume in the 2009/10 harvest year in relation to the 2008/09 harvest year.

The decrease in ethanol production was due to the prioritization of sugar production at our units with flexibility, combined with the lower sugarcane yield (lower TRS/ton) caused by the heavy rains in the Center-South region.

The decrease in sugar inventories is directly related to the strong sales volume in 9M10, which surpassed 590,000 metric tons, for an increase of 108.6% versus 9M09.



## EBITDA AND EBITDA COST BY PRODUCT

EBITDA BY PRODUCT - 3Q10	SUGAR	ETHANOL	OTHER	TOTAL
R\$ Thousand				
Net Revenues	140,854	161,617	21,686	324,157
COGS (Cash)	(63,482)	(93,657)	(15,011)	(172,150)
Gross Profit (Cash)	77,372	67,960	6,675	152,007
Gross Margin (Cash)	54.9%	42.1%	30.8%	46.9%
Sales Expenses	(10,421)	(2,646)	(130)	(13,196)
G&A Expenses	(6,663)	(9,634)	(1,811)	(18,107)
Other Revenues (Expenses)	-	-	2,084	2,084
<b>EBITDA</b>	<b>60,288</b>	<b>55,681</b>	<b>6,818</b>	<b>122,787</b>
<b>EBITDA Margin</b>	<b>42.8%</b>	<b>34.5%</b>	<b>31.4%</b>	<b>37.9%</b>
<b>EBITDA Cost (*)</b>	<b>418.4</b>	<b>622.3</b>	-	-

(\*) Sugar in R\$/Ton

Ethanol in R\$/m<sup>3</sup>

EBITDA BY PRODUCT - 9M10	SUGAR	ETHANOL	OTHER	TOTAL
R\$ Thousand				
Net Revenues	382,986	380,098	64,825	827,909
COGS (Cash)	(189,674)	(242,150)	(47,170)	(478,994)
Gross Profit (Cash)	193,312	137,948	17,655	348,915
Gross Margin (Cash)	50.5%	36.3%	27.2%	42.1%
Sales Expenses	(33,720)	(13,174)	(261)	(47,155)
G&A Expenses	(23,560)	(31,380)	(6,105)	(61,045)
Other Revenues (Expenses)	-	-	2,769	2,769
<b>EBITDA</b>	<b>136,032</b>	<b>93,394</b>	<b>14,059</b>	<b>243,484</b>
<b>EBITDA Margin</b>	<b>35.5%</b>	<b>24.6%</b>	<b>21.7%</b>	<b>29.4%</b>
<b>EBITDA Cost (*)</b>	<b>416.4</b>	<b>593.8</b>	-	-

(\*) Sugar in R\$/Ton

Ethanol in R\$/m<sup>3</sup>

In 3Q10, sugar accounted for 49% of the group's consolidated EBITDA, while ethanol and other products accounted for 45% and 6%, respectively. Sugar EBITDA margin was 42.8% in 3Q10, registering strong expansion from 2Q10 (31.8%). This margin expansion was directly related to the better sales price obtained in 3Q10, which reflects the hedging of positions at higher prices.

Ethanol EBITDA margin improved considerably to 34.5% in 3Q10 (21.7% in 2Q10), mainly driven by the 27% increase in average sales prices between 3Q10 and 2Q10. Ethanol EBITDA cost reached R\$ 622.3/m<sup>3</sup>, increasing by 6.1% from 2Q10 (R\$ 586.3/m<sup>3</sup>). The higher ethanol EBITDA cost is mainly related to the lower production volume, which had a negative impact on the dilution of fixed product costs. In 9M10, sugar accounted for 56% of the group's consolidated EBITDA, while ethanol and other products accounted for 38% and 6%, respectively. The higher contribution from sugar is directly related to the product's higher profitability in all quarters reported.



## COST OF GOODS SOLD

BREAKDOWN OF COGS - CASH	3Q10	3Q09	Chg. (%)	9M10	9M09	Chg. (%)
R\$ Thousand						
Agricultural Costs	141,820	99,145	43.0%	387,186	230,502	68.0%
Suppliers	71,427	39,706	79.9%	179,472	94,209	90.5%
Partnerships	14,209	9,056	56.9%	37,964	19,513	94.6%
Own Sugarcane	56,183	50,383	11.5%	169,750	116,780	45.4%
Industrial	16,929	15,537	9.0%	50,267	36,545	37.5%
Other Products	13,401	12,955	3.4%	41,541	37,544	10.6%
<b>Total COGS</b>	<b>172,150</b>	<b>127,638</b>	<b>34.9%</b>	<b>478,994</b>	<b>304,591</b>	<b>57.3%</b>
TRS Sold (000 Tons)	494	407	21.3%	1,451	1,017	42.6%
Unit Cost (Sugar and Ethanol Cash COGS / TRS Sold)	321	282	14.1%	301	262	14.8%

As shown above, Cash COGS in 3Q10 increased by 34.9% or R\$ 44.5 million from 3Q09. The main factors were: 1) the increase of 21.3% in sales volume (in TRS equivalent); 2) the higher costs with sugarcane suppliers and the leasing/partnership of land, due to the 23.1% increase in the CONSECANA price in the period; and 3) the lower dilution of production fixed costs due to interruptions in crushing operations in 3Q10 due to the excessive rainfall.

## SELLING EXPENSES

SELLING EXPENSES	3Q10	3Q09	Chg. (%)	9M10	9M09	Chg. (%)
R\$ Thousand						
Port Costs	1,170	1,463	-20.0%	6,054	2,948	105.4%
Freight	10,933	8,610	27.0%	38,587	20,462	88.6%
Sales Commission	1,093	633	72.6%	2,514	1,576	59.5%
<b>Selling Expenses</b>	<b>13,196</b>	<b>10,706</b>	<b>23.3%</b>	<b>47,155</b>	<b>24,985</b>	<b>88.7%</b>
TRS Sold ('000 Tons)	494	407	21.3%	1,451	1,017	42.6%
% of Net Revenues	4.1%	4.8%	-0.8 p.p.	5.7%	4.9%	0.8 p.p.

The increase in selling expenses in 3Q10 from 3Q09 is explained exclusively by the growth in sugar export volumes of 43%.

Exports accounted for 43% of the São Martinho Group's net revenue in the quarter, compared with 40% in 3Q09. Since selling expenses are directly related to export volume, the Selling Expenses/Net Revenue ratio registered improvement between 3Q10 and 3Q09.

As was also the case in 3Q10, the strong increase in selling expenses in 9M10 from 9M09 is related to the increase of 118% in sugar export volume.

## GENERAL AND ADMINISTRATIVE EXPENSES

G&A EXPENSES - (CASH*)	3Q10	3Q09	Chg. (%)	9M10	9M09	Chg. (%)
R\$ Thousand						
Personnel	7,510	6,090	23.3%	21,259	21,393	-0.6%
Taxes, Fees and Contributions	2,872	3,241	-11.4%	9,929	9,804	1.3%
Provisions for Contingencies	10	2,043	-99.5%	8,967	13,386	-33.0%
General and Third-Party Expenses	5,812	5,730	1.4%	15,215	17,057	-10.8%
Management Compensation	1,903	1,766	7.8%	5,675	6,678	-15.0%
<b>Total General and Administrative Expenses</b>	<b>18,107</b>	<b>18,870</b>	<b>-4.0%</b>	<b>61,045</b>	<b>68,318</b>	<b>-10.6%</b>

\* Excluding Depreciation and Amortization.

G&A expenses totaled R\$ 18.1 million in 3Q10, down 4.0% from 3Q09, basically reflecting the decrease in the line Provision for Contingencies (- R\$ 2.0 million).

In 9M10, there were reductions in almost all G&A expenses lines, as follows: Contingencies (- R\$ 4.4 million), General and Third-Party Expenses (- R\$ 1.8 million) and Management Compensation (- R\$ 1.0 million). The decrease in G&A expenses is the result of the measures adopted at the start of the harvest year to improve our margins.

## EBITDA

EBITDA RECONCILIATION	3Q10	3Q09	Chg. (%)	9M10	9M09	Chg. (%)
R\$ Thousand						
<b>Adjusted EBITDA</b>	<b>122,787</b>	<b>64,412</b>	<b>90.6%</b>	<b>243,484</b>	<b>112,768</b>	<b>115.9%</b>
Adjusted EBITDA Margin	37.9%	29.2%	8.7 p.p.	29.4%	22.2%	7.2 p.p.
Non Recurring Operating Revenues (Expenses)	(1,993)	(25,564)	-92.2%	(2,743)	(30,928)	-91.1%
Non Cash Items Launched in the COGS	-	(4,804)	-100.0%	(6,313)	1,817	n.m.
<b>EBITDA</b>	<b>124,780</b>	<b>94,779</b>	<b>31.7%</b>	<b>252,540</b>	<b>141,879</b>	<b>78.0%</b>
EBITDA Margin	38.5%	42.9%	-4.4 p.p.	30.5%	28.0%	2.5 p.p.
(-) Depreciation and Amortization	(72,046)	(56,369)	27.8%	(192,481)	(138,285)	39.2%
(-) Financial Revenue (Expense), net	(34,736)	(90,793)	-61.7%	35,360	(160,644)	n.m.
(=) Operating Income	17,998	(52,383)	n.m.	95,419	(157,050)	n.m.

### Adjusted EBITDA

The São Martinho Group recorded adjusted EBITDA in 3Q10 of R\$ 122.8 million, up 90.6% from 3Q09. The main positive impacts came from sugar and ethanol, both of which registered increases in prices and sales volume, as detailed in the section "Net Revenue".

In 9M10, sugar sales remained the main product, representing 56% of consolidated Adjusted EBITDA, compared with only 38% for ethanol. This difference in the year-to-date result was primarily due to the low ethanol prices in 1Q10 and 2Q10.

### EBITDA (Adjustment for Non-Cash Items)

The main adjustments made to EBITDA in 3Q10 are detailed below:

#### 3Q10: Negative adjustment to EBITDA:

- 1) "Operating Revenue (Expenses) – non-cash: - R\$ 1.9 million related to the reversal of a provision for tax contingencies given the São Martinho Group's participation in the renegotiation of tax liabilities in installments under the REFIS program - Law 11,491.

#### EBITDA HEDGE

The São Martinho Group hedged approximately US\$ 254 million at an average exchange rate of R\$ 1.97/US\$ for its sugar and ethanol exports in the 2009/10 and 2010/11 harvest year through non-deliverable forwards (NDFs) and short-term debt (ACCs). On December 31, 2009, the marking to market of these transactions generated gains of R\$ 69.2 million (in 9M10) and R\$ 6.5 million (in 3Q10), which were 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 accounting expenses of R\$ 48.3 million (in 9M10) and R\$ 27.6 million (in 3Q10), which were recognized as financial expenses.

The table below details the composition of our EBITDA excluding the impacts of these positions at market value on December 31, 2009:

EBITDA HEDGE	1Q10	2Q10	3Q10	9M10
R\$ Thousand				
Hedge EBITDA	67,880	94,806	101,722	264,408
Hedge EBITDA Margin	31.2%	33.1%	31.4%	31.9%
Hedge Result - Sugar	(6,683)	(14,011)	(27,645)	(48,340)
Hedge Result - Currency	30,368	32,315	6,580	69,263
Adjusted EBITDA	44,195	76,502	122,787	243,484
Adjusted EBITDA Margin	20.3%	26.7%	37.9%	29.4%

#### U.S. Dollar

On December 31, 2009, the São Martinho Group held a US\$ 134.3 million short position in USD currency futures through non-deliverable forwards (NDFs) at an average price of R\$ 1.9044/US\$, with maturities through January 2011.

#### Sugar

On December 31, 2009, the São Martinho Group held positions in derivatives and prices fixed with clients and in the futures market in the following volumes:



OPTIONS/PRICING	Maturity	Tons	Average Price	Position on 01/26/2010 (*)
Type				
Purchase of "PUT"	Mar/10	2,540	18.50	"Out-of-the-money"
Sale of "PUT"	Mar/10	16,764	16.73	"Out-of-the-money"
Purchase of "CALL"	Mar/10	4,267	19.68	"In-the-money"
Sale of "CALL"	Mar/10 to May/10	42,164	24.17	"In-the-money"
Future Contracts - Sold	Mar/10 to Oct/10	58,623	21.55	
	Harvest 09/10	17,221	22.99	
	Harvest 10/11	41,402	20.96	
Hedging directly with clients (no margin call)	Harvest 09/10 and 10/11	216,103	19.83	
	Harvest 09/10	150,876	19.47	
	Harvest 10/11	65,227	20.68	
Forward Sales (no margin call)	Mar/10 to Mar/11	272,034	20.51	
	Harvest 10/11	272,034	20.51	
<b>Subtotal I</b>	<b>Harvest 2009/10</b>	<b>168,097</b>	<b>19.83</b>	
<b>Subtotal II</b>	<b>Harvest 2010/11</b>	<b>378,663</b>	<b>20.59</b>	

(\*) "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

**2009/10 Harvest Year** – 168,097 metric tons of sugar hedged at an average price of US\$ 19.83 cents/pound, corresponding to approximately 67% of the sugar volume available in inventory in 3Q10.

We also had 42,164 metric tons of sugar committed through the sale of call options at prices quoted for Mar/10 and May/10 at an average price of US\$ 24.17 cents/pound.

**2010/11 Harvest Year** – 378,663 metric tons of sugar hedged at an average price of US\$ 20.59 cents/pound, corresponding to approximately 45% of the sugar production volume estimated for the entire harvest year (840,000 metric tons).

## NET FINANCIAL RESULT

FINANCIAL RESULT	3Q10	3Q09	Chg. (%)	9M10	9M09	Chg. (%)
R\$ Thousand						
Financial Revenues	994	5,354	-81.4%	4,709	10,991	-57.2%
Financial Expenses	(17,089)	(32,569)	-47.5%	(43,865)	(75,196)	-41.7%
Hedge Result - Sugar	(27,645)	6,884	n.m.	(48,339)	10,964	n.m.
Exchange Variation	10,387	(67,833)	n.m.	127,471	(99,706)	n.m.
Copersucar Monetary Variation	(1,383)	(2,629)	-47.4%	(4,615)	(7,697)	-40.0%
<b>Net Financial Result</b>	<b>(34,736)</b>	<b>(90,793)</b>	<b>-61.7%</b>	<b>35,360</b>	<b>(160,644)</b>	<b>n.m.</b>

The net financial result was heavily impacted in 3Q10 by the sugar hedge losses of R\$ 27.6 million due to the sharp hike in international sugar prices observed primarily in December 2009.

On the positive side, there was financial income from foreign exchange gains of R\$ 10.4 million, reflecting the gains from our USD-denominated debt (38%) and short positions in NDFs.



## OPERATING WORKING CAPITAL

OPERATING WORKING CAPITAL	3Q09	2Q10	3Q10	3Q10 x 2Q10	3Q10 x 3Q09
R\$ Thousand					
<b>ASSETS</b>	<b>552,405</b>	<b>559,283</b>	<b>585,327</b>	<b>(26,044)</b>	<b>(32,922)</b>
Accounts Receivable	35,476	71,970	62,804	9,166	(27,328)
Inventories	467,776	430,430	447,581	(17,151)	20,195
Tax receivable	49,153	56,883	74,942	(18,059)	(25,789)
<b>LIABILITIES</b>	<b>123,950</b>	<b>163,272</b>	<b>157,390</b>	<b>(5,882)</b>	<b>33,440</b>
Suppliers	88,341	104,475	109,211	4,736	20,870
Payroll and social contribution	26,506	46,536	35,815	(10,721)	9,309
Tax payable	9,103	12,261	12,364	103	3,261
<b>WORKING CAPITAL</b>	<b>428,455</b>	<b>396,011</b>	<b>427,937</b>	<b>(31,926)</b>	<b>518</b>

As shown above, in 3Q10, the São Martinho Group had R\$ 427.9 million in working capital invested in its operations, an amount practically unchanged from 3Q09, despite the increase of 7.7% in sugarcane processing volume in the 2009/10 harvest year in relation to the previous season.

We believe that in the next quarter the current situation of ethanol and sugar prices should support even further reductions in the amount of working capital invested.

## NET INCOME (LOSS)

The São Martinho Group recorded net income of R\$ 23.1 million in 3Q10, which compares with the net loss of R\$ 36.3 million in 3Q09. The main reasons for this improvement were: 1) the robust increase in sugar sales volume, which was supported by the higher production volume in the current harvest year; 2) the increase of 24.4% in average sugar prices in BRL; and 3) the increase of 21.3% in average ethanol prices in relation to 3Q09.

## DEBT WITH COPERSUCAR

On December 31, 2009, the São Martinho Group recognized on its balance sheet debt of R\$ 196.1 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 suretyships in the amount of R\$ 155.1 million on a consolidated basis.



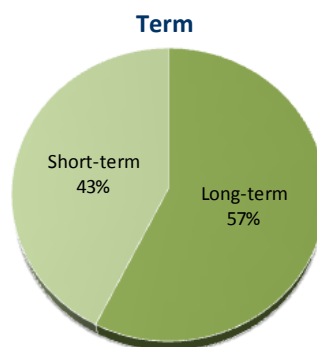
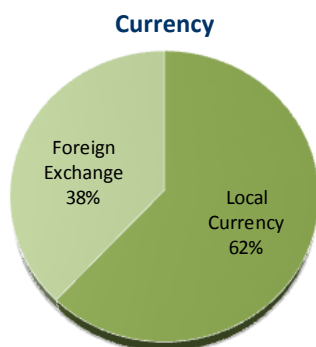


## INDEBTEDNESS

DEBT	Dec/09	Dec/08	Chg. (%)
R\$ Thousand			
PESA	73,200	80,376	-8.9%
Rural Credit	36,537	48,019	-23.9%
BNDES / FINAME	475,677	520,007	-8.5%
Working Capital	128,796	51,927	148.0%
ACC (Advances on Foreign Exchange Contracts)	200,989	204,899	-1.9%
PPE (Export prepayment)	175,667	237,174	-25.9%
Others	750	921	-18.6%
<b>Gross Debt</b>	<b>1,091,616</b>	<b>1,143,323</b>	<b>-4.5%</b>
Cash and Cash Equivalents	138,610	144,780	-4.3%
<b>Net Debt</b>	<b>953,006</b>	<b>998,543</b>	<b>-4.6%</b>
Net Debt ex. PESA	879,806	918,167	-4.2%

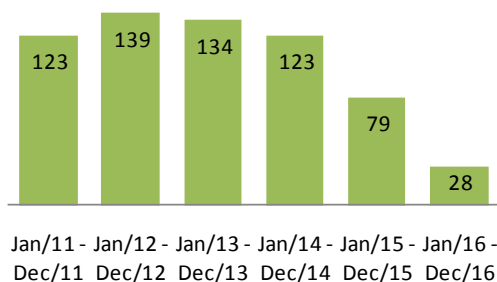
On December 31, 2009, the São Martinho Group's consolidated net debt stood at R\$ 953.0 million, a decrease of R\$ 45.5 million from a year earlier. The main factors impacting the debt position were: 1) the continued expansion of the Boa Vista Mill, with investments of R\$ 119.9 million in the last 12 months; and 2) the positive effects from foreign currency variation on our debt denominated in USD of R\$ 125.5 million, which contributed to lowering net debt in the period.

### Debt Breakdown



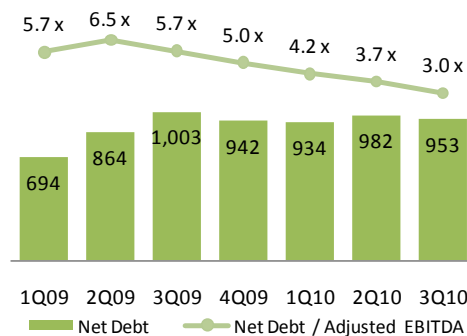
### Amortization Schedule

R\$ - Million



### Net Debt / EBITDA LTM

Performance





## CAPEX

R\$ Thousand	3Q10	3Q09	Chg. (%)	9M10	9M09	Chg. (%)
Capex (maintenance)						
Sugarcane Planting	19,577	16,398	19.4%	62,840	51,620	21.7%
Industrial / Agricultural	16,481	18,311	-10.0%	35,573	39,076	-9.0%
<b>Sub Total</b>	<b>36,058</b>	<b>34,710</b>	<b>3.9%</b>	<b>98,413</b>	<b>90,696</b>	<b>8.5%</b>
Upgrading, Mechanization and Expansion						
Industrial / Agricultural	2,079	-	n.m.	2,575	3,374	-23.7%
Other	-	5,580	n.m.	306	10,997	-97.2%
<b>Sub Total</b>	<b>2,079</b>	<b>5,580</b>	<b>-62.7%</b>	<b>2,882</b>	<b>14,372</b>	<b>-79.9%</b>
Boa Vista Mill (Greenfield)						
Sugarcane Planting	10,341	12,478	-17.1%	44,610	50,059	-10.9%
Industrial / Agricultural	4,163	30,556	-86.4%	33,696	167,069	-79.8%
<b>Sub Total</b>	<b>14,503</b>	<b>43,034</b>	<b>-66.3%</b>	<b>78,306</b>	<b>217,128</b>	<b>-63.9%</b>
<b>Total</b>	<b>52,640</b>	<b>83,324</b>	<b>-36.8%</b>	<b>179,601</b>	<b>322,196</b>	<b>-44.3%</b>

The highlight in capital expenditure in 3Q10 compared with 3Q09 was the reduction in expenses with the Boa Vista Mill. In the third quarter of fiscal year 2010, disbursements for this mill went to expanding our own sugarcane farms and acquiring agricultural equipment, in particular for harvesting.

## DISCLAIMER

This presentation 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 notice.

## ABOUT THE SÃO MARTINHO GROUP

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. São Martinho produces sugar and ethanol at three mills: Iracema, São Martinho and Boa Vista. [www.saomartinho.ind.br/ir](http://www.saomartinho.ind.br/ir)



## INCOME STATEMENT

SÃO MARTINHO S.A. - CONSOLIDATED	3Q10	3Q09	Chg. (%)	9M10	9M09	Chg. (%)
R\$ Thousand						
Gross Revenue	353,399	246,766	43.2%	902,816	567,444	59.1%
Deductions from Gross Revenue	(29,242)	(25,950)	12.7%	(74,907)	(60,259)	24.3%
<b>Net Revenue</b>	<b>324,157</b>	<b>220,816</b>	<b>46.8%</b>	<b>827,909</b>	<b>507,185</b>	<b>63.2%</b>
Cost of Goods Sold (COGS)	(240,779)	(168,642)	42.8%	(655,454)	(417,236)	57.1%
<b>Gross Profit</b>	<b>83,378</b>	<b>52,174</b>	<b>59.8%</b>	<b>172,455</b>	<b>89,949</b>	<b>91.7%</b>
Gross Margin (%)	25.7%	23.6%	2.1 p.p	20.8%	17.7%	3.1 p.p
<b>Operating Expenses</b>	<b>(30,644)</b>	<b>(13,764)</b>	<b>122.6%</b>	<b>(112,396)</b>	<b>(86,355)</b>	<b>30.2%</b>
Sales Expenses	(13,196)	(10,706)	23.3%	(47,155)	(24,985)	88.7%
General and Administrative Expenses	(18,723)	(21,118)	-11.3%	(64,088)	(74,531)	-14.0%
Management Fees	(1,903)	(1,766)	7.8%	(5,675)	(6,678)	-15.0%
Other Operating Expenses, Net	3,178	19,826	-84.0%	4,522	19,839	-77.2%
<b>Operating Profit, before financial effects</b>	<b>52,734</b>	<b>38,410</b>	<b>37.3%</b>	<b>60,059</b>	<b>3,594</b>	<b>n.m.</b>
<b>Financial Result, Net</b>	<b>(34,736)</b>	<b>(90,793)</b>	<b>-61.7%</b>	<b>35,360</b>	<b>(160,644)</b>	<b>n.m.</b>
Financial Revenues	12,111	13,459	-10.0%	52,796	35,455	48.9%
Financial Expenses	(53,325)	(56,776)	-6.1%	(110,020)	(122,700)	-10.3%
Monetary and Exchange Variation - Assets	16,057	17,280	-7.1%	138,743	25,326	447.8%
Monetary and Exchange Variation - Liabilities	(9,579)	(64,756)	-85.2%	(46,159)	(98,725)	-53.2%
<b>Income (Loss) Before Income and Social Contribution Taxes</b>	<b>17,998</b>	<b>(52,383)</b>	<b>n.m.</b>	<b>95,419</b>	<b>(157,050)</b>	<b>n.m.</b>
Income Tax and Social Contribution - Current	(195)	(954)	-79.6%	(8,626)	(954)	804.2%
Income Tax and Social Contribution - Deferred	5,652	13,191	-57.2%	(11,412)	47,194	n.m.
<b>Net Income (Loss) Before Minority Interest</b>	<b>23,455</b>	<b>(40,146)</b>	<b>n.m.</b>	<b>75,381</b>	<b>(110,810)</b>	<b>n.m.</b>
Minority Interest	(316)	3,785	n.m.	(3,086)	5,791	n.m.
<b>Net Income</b>	<b>23,139</b>	<b>(36,361)</b>	<b>n.m.</b>	<b>72,295</b>	<b>(105,019)</b>	<b>n.m.</b>
Net Margin (%)	7.1%	-16.5%	n.m.	8.7%	-20.7%	n.m.
Net Income (Loss) per Share (in R\$)	0.21	-0.32	n.m.	0.64	-0.93	n.m.



## BALANCE STATEMENT (ASSETS)

### SÃO MARTINHO S.A. CONSOLIDATED- ASSETS

R\$ Thousand

<b>ASSETS</b>	<b>Dec/09</b>	<b>Sep/09</b>
<b>SHORT-TERM ASSETS</b>		
Cash and Cash Equivalents	138,610	119,135
Accounts Receivable	62,804	71,970
Derivatives Financial Instruments	11,446	16,969
Inventories	447,581	430,430
Recoverable Taxes	74,942	56,883
Other Assets	10,537	11,359
<b>TOTAL SHORT-TERM ASSETS</b>	<b>745,920</b>	<b>706,746</b>
<b>LONG-TERM ASSETS</b>		
<b>Long-term Receivables</b>		
Related Parties	152	294
Fixed Assets Destined for Sale	390	405
Deferred Income Tax and Social Contribution	111,582	116,632
Accounts Receivable - Copersucar	3,985	3,948
Recoverable Taxes	43,108	70,849
Other Assets	230	889
	<b>159,447</b>	<b>193,017</b>
<b>Investments</b>	3,540	3,540
<b>Fixed Assets</b>	2,429,328	2,443,521
<b>Intangible</b>	40,335	40,522
<b>Deferred</b>	37,803	38,464
<b>TOTAL LONG-TERM ASSETS</b>	<b>2,670,453</b>	<b>2,719,064</b>
<b>TOTAL ASSETS</b>	<b>3,416,373</b>	<b>3,425,810</b>



## BALANCE STATEMENT (LIABILITIES)

### SÃO MARTINHO S.A. CONSOLIDATED- LIABILITIES

R\$ Thousand

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>Dec/09</b>	<b>Sep/09</b>
<b>SHORT-TERM LIABILITIES</b>		
Loans and Financing	465,291	464,922
Derivatives Financial Instruments	25,727	-
Suppliers	109,211	104,475
Accounts Payable - Copersucar	2,203	2,203
Payroll and Social Contribution	35,815	46,536
Tax Payable	12,364	12,261
Related Companies	140	-
Other Liabilities	20,054	18,878
<b>TOTAL SHORT-TERM LIABILITIES</b>	<b>670,805</b>	<b>649,275</b>
<b>LONG-TERM LIABILITIES</b>		
Loans and Financing	626,325	636,035
Accounts Payable - Copersucar	193,935	193,989
Tax Installments	46,303	8,677
Deferred Income Tax and Social Contribution	200,908	211,200
Provision for Contingencies	33,646	77,820
Other Liabilities	15,286	3,444
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>1,116,403</b>	<b>1,131,165</b>
<b>MINORITY SHAREHOLDERS</b>	<b>-</b>	<b>21,013</b>
<b>SHAREHOLDERS' EQUITY</b>		
Capital Stock	360,000	360,000
Capital Reserve	1,083,467	1,095,674
Legal Reserve	5,079	5,079
Capital Budget Reserve	94,422	94,422
Treasury Shares	(1,899)	(1,899)
Accumulated Profit	88,096	71,081
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,629,165</b>	<b>1,624,357</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>3,416,373</b>	<b>3,425,810</b>



## CONSOLIDATED CASH FLOW

SÃO MARTINHO S.A.	3Q10	9M10
R\$ Thousand		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income in the period	23,139	72,295
Adjustments to reconcile net income to the cash generated on operating		
Depreciation and amortization	72,046	192,481
Residual cost of fixed assets - write off	1,326	1,710
Financial expenses and exchange variation - related parties, loans and financing and tax payable	33,664	(58,906)
Provision for contingencies	458	5,006
Reversion of the provision for investment losses	-	(58)
Write-off (provision) for deferred income tax and social contribution	(5,242)	11,822
Adjustment to Present Value	1,409	4,292
Reversion of the for losses from the realization of inventories	-	(6,313)
Installments - Law 11941	(3,659)	(3,659)
Minority Interest	316	3,086
(Increase) decrease in operating assets:		
Accounts receivable	9,047	(17,835)
Inventories	(11,172)	(89,860)
Recoverable taxes	1,887	(5,295)
Related parties	142	3,272
Goods for sale	(13)	(105)
Derivative Financial Instrument	6,815	(2,764)
Other short-term assets	822	363
Other long-term assets	622	20,231
Increase (decrease) in operating liabilities:		
Suppliers	4,682	33,007
Wages and social contribution	(13,403)	(1,799)
Tax payable	(237)	1,856
Tax installments	46	(1,149)
Related parties	140	(3,137)
Provision for contingencies	(2,018)	(6,146)
Derivative financial instruments	-	-
Other short-term liabilities	1,176	(5,804)
Other long-term liabilities	11,842	11,968
<b>Cash flows from operating activities</b>	<b>133,835</b>	<b>158,559</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
Investments	(21,329)	(21,329)
Investments - goodwill	(1,131)	(1,131)
Fixed Assets and deferred acquisition	(55,356)	(185,224)
<b>Cash flows from investment activities</b>	<b>(77,816)</b>	<b>(207,684)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Financing - third parties	295,930	560,178
Financing (payments) - Copersucar	(1,369)	(25,088)
Financing (payments) - third parties	(318,979)	(525,292)
Payment of dividends and interest on equity	(18,331)	(18,331)
<b>Cash flows from financing activities</b>	<b>(42,749)</b>	<b>(8,533)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BALANCE</b>	<b>13,270</b>	<b>(57,658)</b>
<b>CASH AND CASH EQUIVALENTS (including financial applications)</b>		
Initial balance	119,135	190,063
Final balance	132,405	132,405
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BALANCE</b>	<b>13,270</b>	<b>(57,658)</b>
<b>ADDITIONAL INFORMATION</b>		
Interest paid during the quarter	18,324	61,239
Suppliers payable related to fixed assets acquisition	18,158	18,158
Income Tax and Social Contribution paid during the quarter	6,194	11,513