



THE SÃO MARTINHO GROUP RECORDS NET INCOME AND EBITDA GROWTH FOR THE THIRD CONSECUTIVE SEMESTER

São Paulo, November 14, 2011 – SÃO MARTINHO S.A. (BM&FBovespa: SMT03; Reuters SMT03.SA and Bloomberg SMT03 BZ), one of the largest sugar and ethanol producers in Brazil, announces today its results for the second quarter of 2012 (2Q12).

2Q12 Highlights

/// The São Martinho Group recorded EBITDA of **R\$188.5 million (EBITDA margin of 47.4%)**, which represented 29.6% up from 2Q11. In the 6M12 x 6M11 comparison, the EBITDA **increased by 23.0% totaling R\$ 335.7 million (EBITDA Margin of 46.2%)**. In both cases, the better performance of EBITDA was driven by higher ethanol and sugar prices in comparison to the same period in the previous harvest;

/// The Adjusted EBITDA of the São Martinho Group (indicator adjusted by non-recurring items and biological assets variation) reached **R\$ 163.1 million in 2Q12 (Adjusted EBITDA Margin of 41.0%)** representing growth of **8.1% over 2Q11**;

/// **Net Income totaled R\$48.7 million in 2Q12, representing a 16.8% increase over 2Q11, mainly due to the adjusted EBITDA growth in the period.** In 6M12, net income reached R\$86.6 million, representing growth of 42.6% over 6M11;

/// We are reducing our **estimated crushing capacity for the current harvest by 11.8%, due to the adverse weather conditions throughout the center-south region during the 2011/12 harvest.** As a result, **we expect to process 10.7 million tons of sugarcane** by the end of the harvest (already proportionally adjusted with our stake in Nova Fronteira), producing approximately 770,000 tons of sugar, 200,000 m³ of anhydrous ethanol and 180,000 m³ of hydrous ethanol;

/// The increase in sugar and ethanol production costs in 2Q12 compared with 2Q11 and in 6M12 compared with 6M11 was the result of: 1) **the 40% increase in the Consecana price in the periods**, which impacted costs with suppliers and leasing and 2) **the rise in unit production costs** as a result of lower capacity utilization, caused by the decrease in sugarcane quality and reduction in the volume of crushed sugarcane;

/// On September 30, 2011, we held hedge positions **for the 2012/13 harvest year equivalent to 126,000 tons at an average price of USD 25.90 cents/pound.** This volume corresponds to approximately **22% of our sugar production available to export for the coming harvest year.** In addition, on the same date, of our sugar volume available for sale in this season we had approximately 194,000 tons of sugar already hedged at USD 25.80 cents/pound;



FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS (R\$ Thousand)	2Q12	2Q11	Chg. (%)	6M12	6M11	Chg. (%)
São Martinho - Consolidated						
Gross Revenue	416,739	357,354	16.6%	765,210	661,518	15.7%
Net Revenue	398,122	338,752	17.5%	727,070	624,203	16.5%
Adjusted EBITDA	163,075	150,915	8.1%	306,365	290,405	5.5%
EBITDA Margin	41.0%	44.6%	-3.6 p.p.	42.1%	46.5%	-4.4 p.p.
Consolidated Balance Sheet Indicators						
Total Assets	4,409,813	4,030,417	9.4%	4,409,813	4,030,417	9.4%
Shareholders' Equity	1,989,126	1,953,486	1.8%	1,989,126	1,953,486	1.8%
EBITDA (LTM)	632,345	576,330	9.7%	632,345	576,330	9.7%
Net Debt	666,241	930,683	-28.4%	666,241	930,683	-28.4%
Net Debt / EBITDA (LTM)	1.05 x	1.61 x		1.05 x	1.61 x	
Net Debt / Shareholders' Equity	33%	48%		33%	48%	

OPERATING DATA	6M12	6M11	Chg.(%)
São Martinho - Consolidated			
Crushed Sugarcane ('000 tons)	9,341	10,813	-13.6%
Own	5,682	6,640	-14.4%
Third Parties	3,659	4,173	-12.3%
Mechanized Harvest	85.7%	85.7%	0.0 p.p
Production			
Sugar ('000 tons)	628	706	-11.0%
Anhydrous Ethanol ('000 m ³)	186	211	-12.0%
Hydrous Ethanol ('000 m ³)	170	270	-37.1%
Ribonucleic Acid (RNA) Sodium Salt ('000 Kg)	130	147	-11.6%
Energy ('000 MWh)	165	127	29.9%

Due to adverse conditions in this harvest, such as frost and sugarcane flowering, the center-south region should crush 12.3% less than in the 2010/11 harvest, according to UNICA's latest estimates.

As all of the São Martinho Group's production units are located in this region, they were all equally affected. As a result, we are reducing our production guidance by 11.8%, as shown in the following table. We will close the 2011/12 harvest at the end of November/2011 with approximately 10.7 million tons of sugarcane crushed, producing 771,000 tons of sugar and 379,000 m³ of ethanol, already considering our proportional stake in Nova Fronteira Bioenergia S.A.

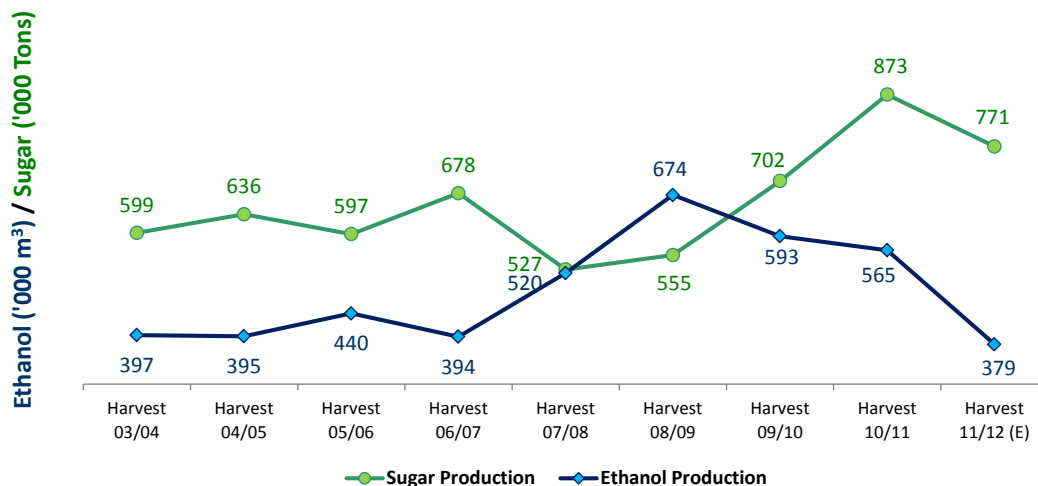


GUIDANCE REVIEW FOR THE 2011/2012 HARVEST

Guidance	São Martinho S.A.	Nova Fronteira Bioenergia S.A.	Total	Proportional São Martinho S.A. Group (*)
Crushing ('000 tons)	9,340	2,150	11,490	10,692
Sugar ('000 tons)	771	-	771	771
Ethanol ('000 m ³)	266	180	446	379
Anhydrous ('000 m ³)	146	85	231	199
Hydrous ('000 m ³)	120	96	215	180

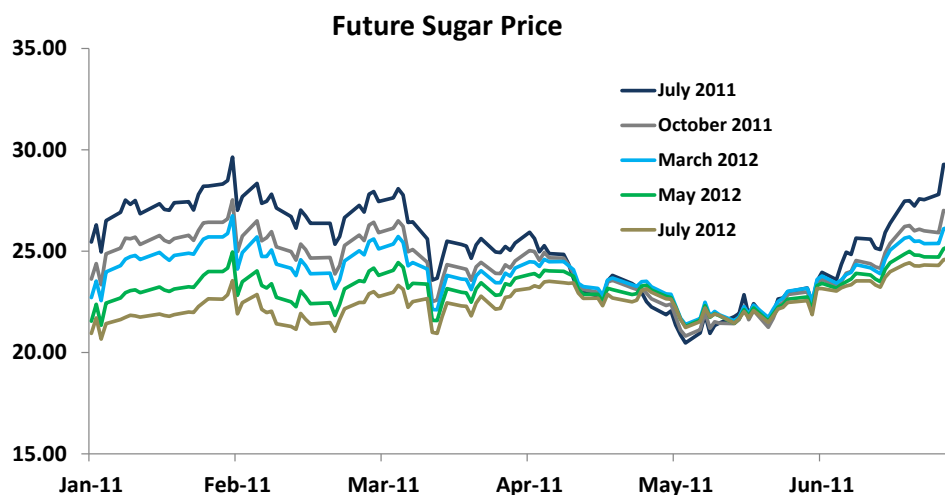
(*) Considers 62.89% interest in Nova Fronteira Bioenergia S.A.

Grupo São Martinho's Sugar and Ethanol Production Evolution





INDUSTRY OVERVIEW - SUGAR



Sugar prices began to increase in mid-May/11 and remained high at the beginning of July when 2Q12 began. At the end of 2Q12, prices for the 2011/12 harvest year were at an average of above USD 24 cents/pound. In 2Q12, the São Martinho Group shipped approximately 300,000 tons of sugar, at an average price of USD 25.00 cents/pound, as a result of the company's hedge position.

With the beginning of the Northern Hemisphere's 2011/12 harvest (in September/11), all the eyes are focused on the increase in sugar output in Europe, Russia, Thailand and India. According to projections, this production increase could reach 5 million tons. Even so, we believe it will still not be enough to replenish global inventories, and as a result, we do not expect to see a significant increase in exports from these countries. This should allow sugar prices to remain above USD 23.00 cents/pound during the 2012/13 harvest, even if output of sugar production in Brazil's center-south stages a partial recovery.

According to UNICA's latest projections, the center-south region will should produce 30.8 million tons of sugar, down 8% from the previous harvest, due to: (i) the 12.30% reduction in sugarcane crushing during the 2011/12 harvest in relation to the 2010/11 harvest and (ii) the lower amount of sugar extracted per ton of cane (measured in kg of TRS/ton of sugarcane).

The main reasons for this reduction in yield are: (i) the advanced age of the plantations and (ii) the impact of the unfavorable weather conditions on plant development, including a prolonged drought during the winter months of the last two harvests, and frost and flowering at the beginning of the current harvest.



INDUSTRY OVERVIEW - ETHANOL

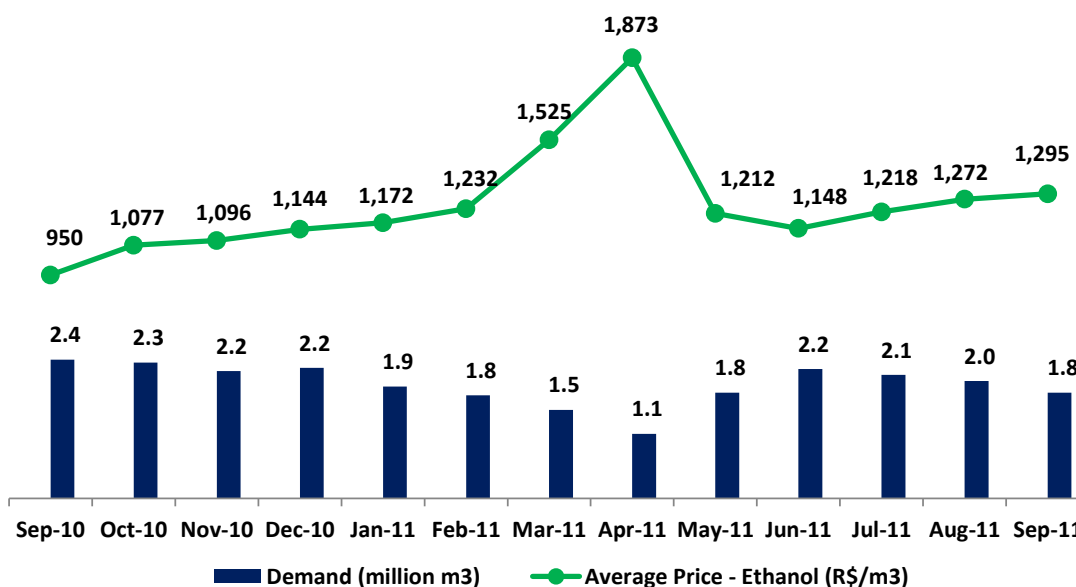
AVERAGE PRICES - ETHANOL	2Q12	2Q11	Chg. (%)	6M12	6M11	Chg. (%)
Market Prices						
Anhydrous ESALQ, Net DM R\$ / m ³	1,346.41	968.30	39.0%	1,518.75	914.93	66.0%
Hydrous ESALQ, Net DM - R\$ / m ³	1,176.04	830.04	41.7%	1,182.11	791.72	49.3%

The significant increase in prices in 2Q12 and 6M12 reflected scarce supply of these products as a consequence of reduced harvest in Brazil's center-south.

Anhydrous and hydrous ethanol prices rose by 39.0% and 41.7%, respectively, over 2Q11. The upturn was even more significant in 6M12, with anhydrous and hydrous prices climbing by 66.0% and 49.3%, respectively.

To understand the increase in the prices, based on UNICA's latest estimate for the center-south harvest, total ethanol production is expected to fall by 19.7%, representing a reduction of 5.0 billion liters available for sale.

As a result, even though ethanol prices reached R\$1,295/m³ in September/11, 36,32% more than in September/10 (as shown in the graph below), demand remained strong as in the last year. We believe demand will remain resilient over the next harvests, ensuring ethanol producers sufficient profitability to offset the capital employed in biofuel production.





FINANCIAL PERFORMANCE

NET REVENUE BREAKDOWN	2Q12	2Q11	Chg. (%)	6M12	6M11	Chg. (%)
R\$ Thousand						
Domestic Market	127,502	117,191	8.8%	263,849	220,800	19.5%
Sugar	12,744	9,610	32.6%	24,417	19,363	26.1%
Hydrous Ethanol	39,862	44,215	-9.8%	89,985	91,833	-2.0%
Anhydrous Ethanol	41,736	39,967	4.4%	100,563	68,600	46.6%
Energy	10,236	10,547	-2.9%	14,246	16,266	-12.4%
Other	22,924	12,851	78.4%	34,639	24,737	40.0%
Export Market	270,620	221,561	22.1%	463,219	403,403	14.8%
Sugar	260,029	203,729	27.6%	445,601	371,423	20.0%
Hydrous Ethanol	6,901	5,773	19.5%	8,678	10,333	-16.0%
Anhydrous Ethanol	-	9,736	n.m.	-	16,906	n.m.
RNA	3,689	2,322	58.9%	8,940	4,741	88.6%
Net Revenue	398,122	338,752	17.5%	727,070	624,203	16.5%
Sugar	272,773	213,339	27.9%	470,017	390,786	20.3%
Hydrous Ethanol	46,764	49,989	-6.5%	98,663	102,166	-3.4%
Anhydrous Ethanol	41,736	49,703	-16.0%	100,563	85,506	17.6%
Energy	10,236	10,547	-2.9%	14,246	16,266	-12.4%
Other	26,613	15,173	75.4%	43,580	29,478	47.8%

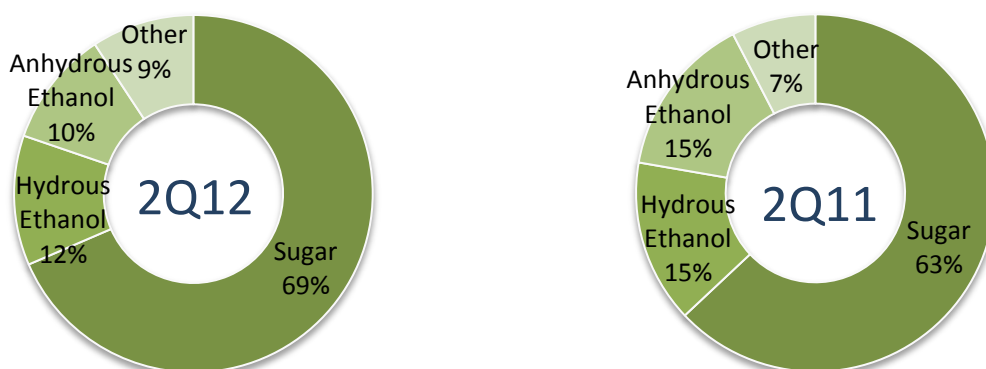
Net Revenue

The São Martinho Group recorded Net Revenue growth of 17.5% in 2Q12 compared with 2Q11, due to the increase in the average sales price of ethanol and sugar, which rose by 34.6% and 16.0% respectively.

Year-to-date net revenue went up by 16.5% in relation to 6M11, driven by the increase in sugar and ethanol prices, which offset the 9.8% reduction in sales volume (in TRS equivalent). The reduction in the sales volume was a consequence of the decrease in the sugar and ethanol output, due to the decline in crushed volume caused by adverse weather conditions in the center-south (as explained in more detail in the "Industry Overview – Sugar" item).

Breakdown of Net Revenue

2Q12 x 2Q11

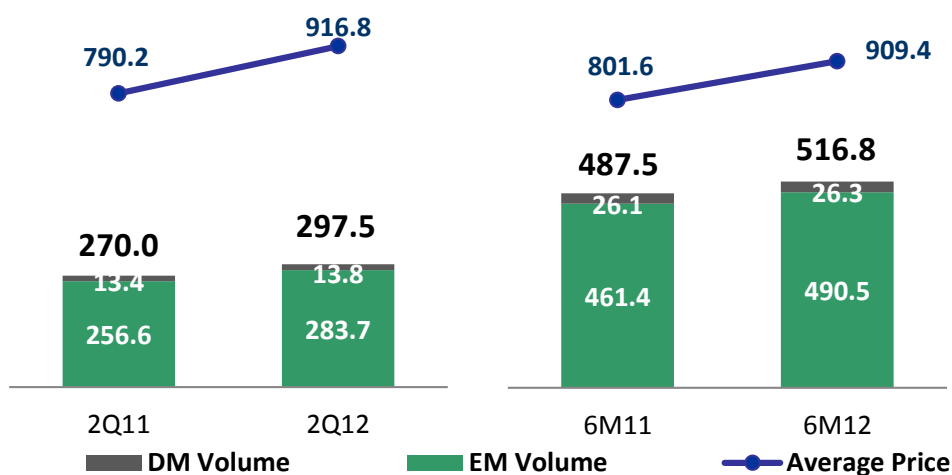




Sugar

Sugar

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



Net revenue from sugar sales totaled R\$ 272.8 million in 2Q12, up 27.9% from 2Q11, due to higher sales volume and the upturn in average prices.

The average price of the sugar exported stood at USD 25.51 cents/pound in 2Q12, which represented an increase of 24.0% from the price of USD 20.58 cents/pound in 2Q11.

The increase in sales volume was the result of negotiations with our clients to bring forward shipments, as the improve of the efficiency of shipment logistics, especially in regard to rail transport.

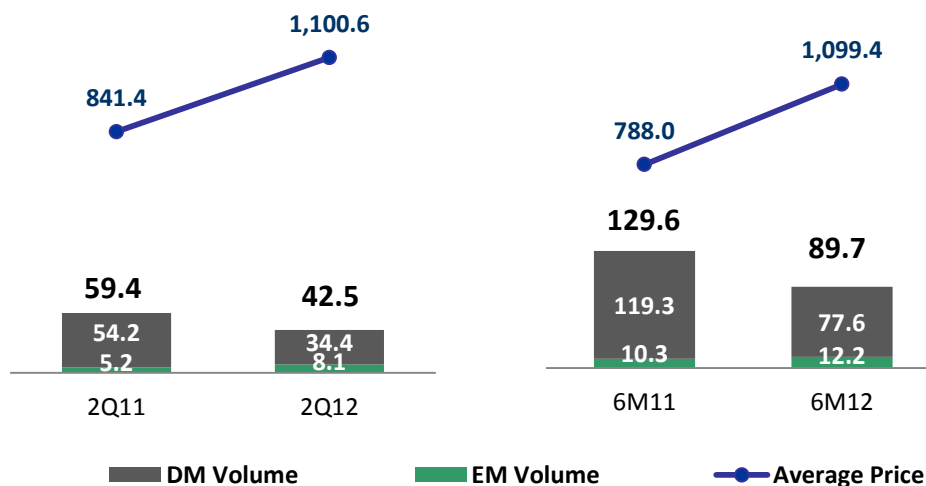
Year-to-date net revenue from sugar sales grew by 20.3%, reflecting the 6.0% increase in sales volume and, mainly, the 13.4% upturn in the sales price, when compared to the same period of the last harvest.



Ethanol

Hydrous Ethanol

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



Net revenue from hydrous ethanol sales was R\$ 46.8 million in 2Q12, down 6.5% from 2Q11, mainly due to 28.5% reduction in sales volume, which was partially offset by the 30.8% increase in the average sales price to R\$1,100.6.

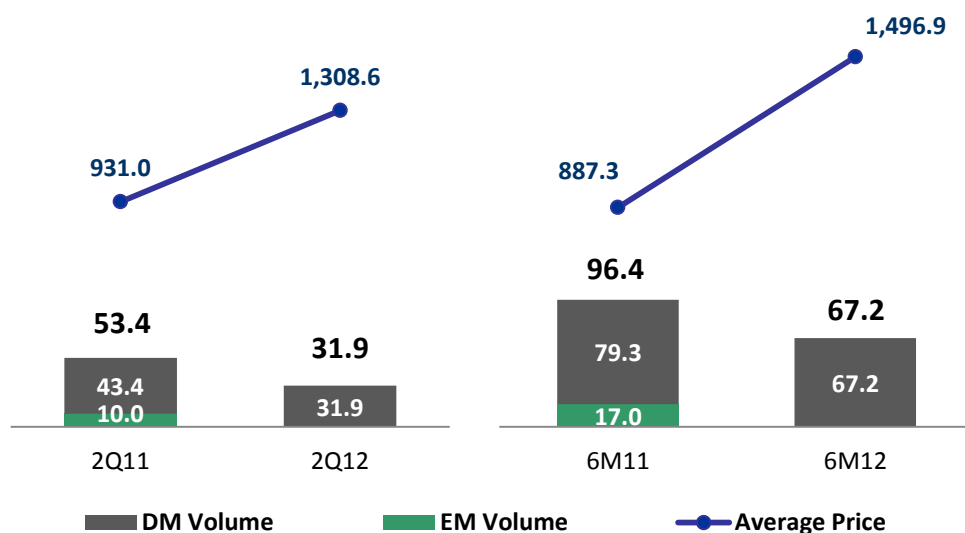
The lower hydrous ethanol sales volume in 2Q12 occurred, mainly, due to the reduction in the output in the 2011/12 harvest, as a consequence of the adverse weather conditions which affected the whole center-south region, including units of production of the São Martinho Group. In addition, with the conclusion of the operation with Petrobrás Biocombustível S.A., we began to consolidate 62.89% of the revenue from Usina Boa Vista S.A. (Usina Boa Vista), which represented a drop proportional to 10,300 m³ in the reported volume of hydrous ethanol sales in 2Q12.

In 6M12, net revenue of the hydrous ethanol totaled R\$ 98.7 million representing a decrease of 3.4% in relation to the same period in the previous harvest. Despite the reduction of 30.8% in the sales volume, the average sales price totaled R\$ 1,099.4 representing an increase of 39.5% in comparison with 6M11.



Anhydrous Ethanol

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



Net revenue from anhydrous ethanol decreased by 16.1% from 2Q11, mainly impacted by the 40.3% reduction in sales volume, but partially offset by the 40.6% upturn in the average sales price to R\$1,308.6.

The reduction in sales volume of anhydrous ethanol was a consequence of the same reasons which we described in - Hydrous Ethanol Item.

In addition, due to the partial consolidation of 62.89% in the revenue from Usina Boa Vista S.A., the volume of anhydrous ethanol sales reported in 2Q12 registered a proportional drop of 6,500 m³.

In 6M12, net revenue recorded R\$100.6 million, up 17.6% in relation to the same period in the previous harvest. Despite the reduction of 30.3% in the sales volume, the average sales price totaled R\$ 1,496.9 representing a substantial increase of 68.7% in comparison with the average sales price of 6M11.



Electricity

Net revenue from electricity sales fell by 2.9% (R\$10.2 million) in 2Q12 in relation to the same period in the previous year directly impacted by lower prices on the energy spot market.

Year-to-date net revenue fell by 12.4% (R\$14.2 million) from 6M11, primarily due to the fact that the crushing at the Boa Vista Mill began 30 days later than in the previous harvest.

Considering that this delay was part of our operational strategy to make better use of the industrial plant, we expect that the sales volume totaled 223 MW/h in this harvest which we will consolidate 51.0% of our proportional stake in the Usina Boa Vista S.A.

Other Products and Services

Net revenue from Other Products and Services totaled R\$ 26.6 million in 2Q12, up 75.4% on the same period of previous harvest, basically reflecting the increase in the volume of RNA exports (+69.0%) in relation to 2Q11, due to the difference in the schedule of shipments in the comparison periods.

INVENTORIES / PRODUCT AVAILABILITY

INVENTORIES	2Q12	2Q11	Chg. (%)
Sugar (tons)	169,584	240,699	-29.5%
Hydrous (m ³)	72,432	158,831	-54.4%
Anhydrous (m ³)	111,103	130,726	-15.0%

As mentioned before, the reduction in sugar and ethanol inventories in 2Q12 when compared with 2Q11 reflects the reduction of the production volume of these products, as a consequence of the decrease of the volume of crushed sugarcane (as already outlined in the "Industry Overview" item).

Regarding ethanol, the reduction in hydrous inventories was more expressive, given that we will be prioritizing anhydrous output this harvest to meet domestic consumption needs.

Additionally, the sale of a 49.0% interest in the Boa Vista Mill to Petrobrás Biocombustível S.A. and the consequent partial consolidation of the accounting statements, reduced our inventories of both hydrous and anhydrous ethanol by 15,800 m³ and 17,500 m³ respectively.



PRODUCT AVAILABILITY			
	2Q12 Inventories	2011/12 Remaining Production (*)	Volume Available for Sale
Hydrous Ethanol (m ³)	72,432	41,000	113,432
Anhydrous Ethanol (m ³)	111,103	38,000	149,103
Total Ethanol (m³)	183,534	79,000	262,534
Sugar (tons)	169,584	143,000	312,584

(*) Production estimate from october/2011 until the end of 2011/2012 harvest

As a result of our strategy, the sales volume in the first semester was concentrated in the sugar exports, which represented approximately 67.0% of all the 2011/2012 harvest production.

For the second semester (October/11 – March/12), the large increase in the sales volume should be concentrated in the ethanol production, since the volume available for sale (approx. 263,000 m³ of ethanol as described above) superpasses in almost 70.0% all sold volume during the first semester.

EBITDA AND EBITDA COST BY PRODUCT

EBITDA BY PRODUCT - 2Q12	SUGAR	ETHANOL	OTHER	TOTAL
R\$ Thousand				
Net Revenues	272,774	88,499	36,849	398,122
COGS (Cash)	(114,676)	(47,771)	(23,907)	(186,354)
Gross Profit (Cash)	158,098	40,728	12,942	211,768
Gross Margin (Cash)	58.0%	46.0%	35.1%	53.2%
Sales Expenses	(16,468)	(1,496)	(748)	(18,711)
G&A Expenses (Cash)	(21,122)	(8,669)	(3,310)	(33,101)
Other Revenues (Expenses)	-	-	3,119	3,119
Adjusted EBITDA	120,509	30,564	12,003	163,075
Adjusted EBITDA Margin	44.2%	34.5%	32.6%	41.0%
EBITDA Cost (*)	511.8	778.9	-	-

(*) Sugar in R\$/Ton

Ethanol in R\$/m³



EBITDA BY PRODUCT - 2Q11	SUGAR	ETHANOL	OTHER	TOTAL
R\$ Thousand				
Net Revenues	213,339	99,692	25,721	338,752
COGS (Cash)	(76,495)	(43,974)	(16,796)	(137,265)
Gross Profit (Cash)	136,844	55,718	8,925	201,487
Gross Margin (Cash)	64.1%	55.9%	34.7%	59.5%
Sales Expenses	(15,460)	(2,963)	(23)	(18,446)
G&A Expenses (Cash)	(17,314)	(11,898)	(3,246)	(32,458)
Other Revenues (Expenses)	-	-	335	335
Adjusted EBITDA	104,070	40,858	5,991	150,915
Adjusted EBITDA Margin	48.8%	41.0%	23.3%	44.6%
EBITDA Cost (*)	404.7	521.6	-	-

(*) Sugar in R\$/Ton

Ethanol in R\$/m³

EBITDA BY PRODUCT - 6M12	SUGAR	ETHANOL	OTHER	TOTAL
R\$ Thousand				
Net Revenues	470,018	199,226	57,826	727,070
COGS (Cash)	(200,986)	(91,722)	(43,875)	(336,583)
Gross Profit (Cash)	269,032	107,504	13,951	390,487
Gross Margin (Cash)	57.2%	54.0%	24.1%	53.7%
Sales Expenses	(28,544)	(2,332)	(1,242)	(32,117)
G&A Expenses (Cash)	(33,212)	(16,554)	(5,530)	(55,296)
Other Revenues (Expenses)	-	-	3,291	3,291
Adjusted EBITDA	207,277	88,618	10,471	306,365
Adjusted EBITDA Margin	44.1%	44.5%	0	42.1%
EBITDA Cost (*)	508.4	704.8	-	-

(*) Sugar in R\$/Ton

Ethanol in R\$/m³

EBITDA BY PRODUCT - 6M11	SUGAR	ETHANOL	OTHER	TOTAL
R\$ Thousand				
Net Revenues	390,786	187,672	45,745	624,203
COGS (Cash)	(135,375)	(85,372)	(29,516)	(250,263)
Gross Profit (Cash)	255,411	102,300	16,229	373,940
Gross Margin (Cash)	65.4%	54.5%	35.5%	59.9%
Sales Expenses	(26,906)	(5,744)	(104)	(32,754)
G&A Expenses (Cash)	(26,720)	(20,336)	(5,228)	(52,284)
Other Revenues (Expenses)	-	-	1,502	1,502
Adjusted EBITDA	201,785	76,221	12,400	290,405
Adjusted EBITDA Margin	51.6%	40.6%	27.1%	46.5%
EBITDA Cost (*)	387.7	493.1	-	-

(*) Sugar in R\$/Ton

Ethanol in R\$/m³



In 2Q12, sugar accounted for 73.9% of the Group's consolidated EBITDA, while ethanol and other products accounted for 18.7% and 7.4%, respectively. The 2Q12 sugar EBITDA margin was 44.2%, 4.6 p.p. down from 2Q11, due to the 26.5% increase in the EBITDA cost of the product, offset by the 16.0% increase in the sales price in 2Q12, when compared with the same period of the previous harvest.

In the case of ethanol, the EBITDA cost amounted to R\$ 778.9 in 2Q12, up 49.3% from 2Q11, offset by the 34.6% increase in the average sales price from R\$ 883.8, in the previous harvest, to R\$ 1,189.8.

In 6M12, sugar accounted for 67.7% of the Group's consolidated EBITDA, while ethanol and other products accounted for 28.9% and 3.4%, respectively. The sugar EBITDA margin fell by 7.5 p.p. in relation to 6M11, due to the 13.3% increase in EBITDA cost. However, this was offset by the 31.1% increase in the sales price.

The ethanol EBITDA cost stood at R\$ 704.8 in 6M12, up 42.9% over 6M11, offset by the 52.9% upturn in the average sales price from R\$ 830.4, in the same period in the previous harvest, to R\$1,269.6.

The increase in the EBITDA cost for both sugar and ethanol was due to (i) the approximately 40% upturn in the Consecana price, which impacted costs with suppliers and leasing; and (ii) the rise in unit production costs due to lower capacity utilization, given reduced sugarcane quality and the 11.8% decline in crushed sugarcane volume over the previous harvest.

COST OF GOODS SOLD (COGS)

BREAKDOWN OF COGS - CASH	2Q12	2Q11	Chg. (%)	6M12	6M11	Chg. (%)
R\$ Thousand						
Agricultural Costs	144,648	108,394	33.4%	257,561	195,785	31.6%
Suppliers	88,227	70,881	24.5%	142,790	108,814	31.2%
Partnerships	17,100	10,657	60.5%	36,115	25,071	44.1%
Own Sugarcane	39,322	26,856	46.4%	78,656	61,900	27.1%
Industrial	18,700	14,842	26.0%	36,640	29,644	23.6%
Other Products	23,006	14,029	64.0%	42,382	24,834	70.7%
Total COGS	186,354	137,265	35.8%	336,583	250,263	34.5%
TRS Sold (000 Tons)	440	478	-7.9%	813	901	-9.8%
Unit Cost (Sugar and Ethanol Cash COGS / TRS Sold)	371	258	43.9%	362	250	44.7%

In 2Q12, Cash COGS recorded growth of 35.8% from 2Q11, as a result of (i) the 40% increase in the Consecana price, which impacted costs with "Suppliers" and "Partners" and (ii) the rise in unit production costs, as discussed in the "Own Sugarcane" and "Industrial" items.

The rise in own sugarcane and industrial costs reflected lower industrial capacity utilization due to the reduced volume of crushing during the current harvest, as already mentioned in the "Sector Overview" item.

In 6M12, Cash COGS grew by 34.5% over 6M11, for the same reasons as in 2Q12 over 2Q11, as outlined above.



SELLING EXPENSES

SELLING EXPENSES	2Q12	2Q11	Chg. (%)	6M12	6M11	Chg. (%)
R\$ Thousand						
Port Costs	2,621	2,259	16.0%	4,042	3,073	31.5%
Freight	15,336	15,488	-1.0%	26,701	28,442	-6.1%
Sales Commission	754	699	7.9%	1,373	1,239	10.9%
Selling Expenses	18,711	18,446	1.4%	32,117	32,754	-1.9%
TRS Sold ('000 Tons)	440	478	-7.9%	813	901	-9.8%
% of Net Revenues	4.7%	5.4%	-0.7 p.p.	4.4%	5.2%	-0.8 p.p.

Selling expenses increased by 1.4% from 2Q11 due to the 11.0% upturn in sugar export volumes. When analyzing the costs variation, considering the sales volume, there was a reduction of 8% given that we spent approximately R\$ 69/ton in 2Q11 and R\$ 63/ton in 2Q12, which was the result of the higher volume of sugar transported by rail.

In 6M12, expenses fell by 1.9%, due to the same reasons mentioned above, when in comparison with 6M11.

GENERAL AND ADMINISTRATIVE EXPENSES

G&A EXPENSES - (CASH)	2Q12	2Q11	Chg. (%)	6M12	6M11	Chg. (%)
R\$ Thousand						
Personnel	10,619	9,034	17.5%	20,083	16,726	20.1%
Taxes, Fees and Contributions	5,048	4,480	12.7%	6,013	5,707	5.4%
Provisions for Contingencies	6,219	5,567	11.7%	9,973	9,456	5.5%
General Expenses and Third-Party Services	4,178	5,066	-17.5%	9,968	10,276	-3.0%
Management Fee	3,716	2,412	54.1%	5,935	4,219	40.7%
Total Recurring General and Administrative Expenses	29,779	26,558	12.1%	51,974	46,384	12.1%
Non-Recurring Items	3,322	5,900	-43.7%	3,322	5,900	-43.7%
Total General and Administrative Expenses	33,101	32,458	2.0%	55,296	52,284	5.8%

In 2Q12, G&A expenses grew by 12.1%, or R\$ 3.2 million, from 2Q11, basically reflecting the R\$1.6 million upturn in personnel expenses, which was the result of: (i) a pay rise by the agreement with syndicate and (ii) the 5.2% increase in the workforce.

In addition, G&A expenses in 2Q12 were impacted by non-recurring items totaling around R\$3.3 million related to the provision for labor contingencies due to the winding up of activities at the Santa Luiza Mill (acquired by the São Martinho Group in 2007). Considering that operations have now been terminated, we believe labor demands will diminish considerably in the coming quarters.

In 6M12, G&A expenses totaled R\$ 51.9 million, up 12.1% on the same period in the previous harvest, for the same reasons mentioned above.



EBITDA

EBITDA RECONCILIATION	2Q12	2Q11	Chg. (%)	6M12	6M11	Chg. (%)
R\$ Thousand						
Adjusted EBITDA	163,075	150,915	8.1%	306,365	290,405	5.5%
Adjusted EBITDA Margin	41.0%	44.6%	-3.6 p.p.	42.1%	46.5%	-4.4 p.p.
Non Recurring Operating Revenues (Expenses)	2,763	548	404.6%	1,954	(822)	n.m.
Biological Assets	(28,226)	9,132	n.m.	(27,431)	17,104	n.m.
Non Cash Items Launched in the COGS	-	(4,256)	n.m.	(3,804)	1,192	n.m.
EBITDA	188,537	145,491	29.6%	335,646	272,931	23.0%
EBITDA Margin	47.4%	42.9%	4.4 p.p.	46.2%	43.7%	2.4 p.p.
(-) Depreciation and Amortization	(87,845)	(80,536)	9.1%	(174,114)	(161,748)	7.6%
(-) Financial Revenue (Expense), net	(25,479)	(2,139)	n.m.	(34,619)	(21,096)	64.1%
(-) Equity Income	(2,783)	-	n.m.	(2,783)	-	n.m.
(=) Operating Income (Loss)	72,430	62,816	15.3%	124,130	90,087	37.8%

Adjusted EBITDA

In 2Q12, the São Martinho Group recorded adjusted EBITDA of R\$ 163.1 million, up 8.1% from 2Q11, mainly driven by the improvement in ethanol and sugar sales prices, which climbed by 34.6% and 16.0% respectively. In fact, the indicator would have been considerably higher if the production costs in the period had not risen by more than 30%.

As already described in the "Industry Overview" item, the 2011/12 harvest was impacted by adverse weather conditions, which substantially reduced agricultural yields in the entire center-south region, impacting the performance of the Group's mills.

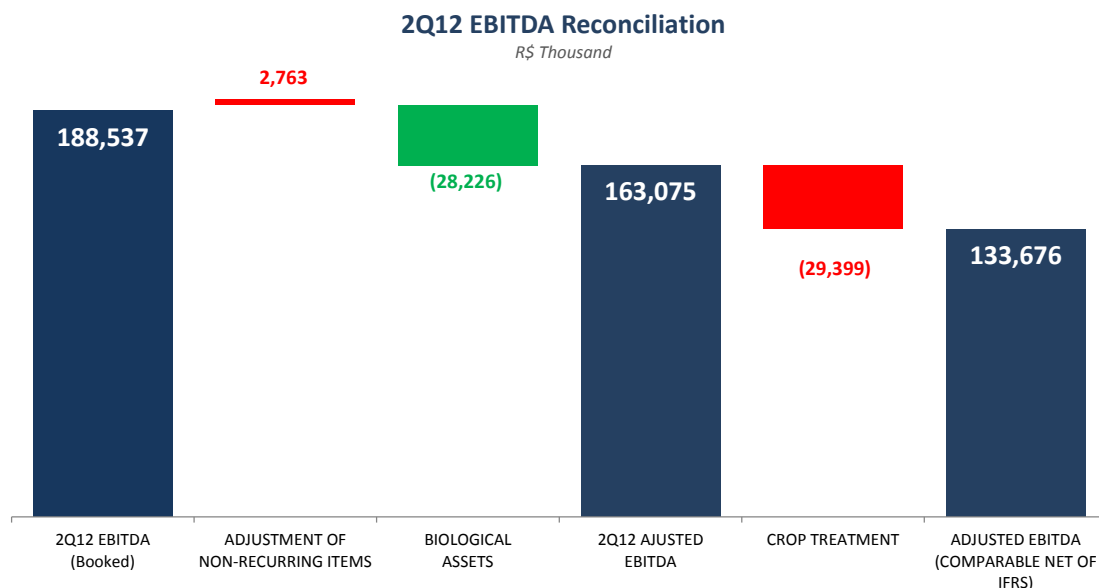
It is important to highlight that lower yields led to lower ethanol and sugar output, impacting negatively the dilution of fixed costs. For this reason, our adjusted EBITDA margin decreased by 3.6 percentage points over 2Q11 to 41.0%.

In 6M12, the Group recorded adjusted EBITDA of R\$ 306.4 million, up 5.5% over 6M11, pushed by the increase in sugar and ethanol prices. In the same period, the EBITDA margin fell by 4.4 percentage points, for the same reasons as mentioned before.



Reconciliation of EBITDA to Adjusted EBITDA

Breakdown of Adjustments – 2Q12



The main adjustments which impacted the calculation of EBITDA in 2Q12 are detailed below:

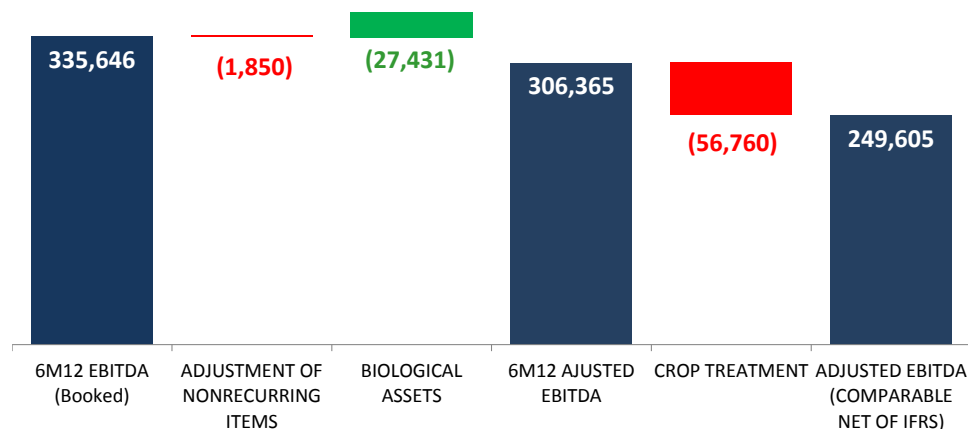
- 1) **Adjustments from non-recurring items of R\$ 2.8 million, including:** The main impact is related to non-recurring expenses as a result of the labor lawsuits related to the Santa Luiza Mill. Considering that operations have now been terminated, we believe labor demands will diminish considerably in the upcoming quarters.
- 2) **Adjustments to Biological Assets of - R\$ 28.2 million:** The Company's biological assets are now measured at fair value using the discounted cash flow method. Considering that this is an accounting adjustment and therefore does not impact our cash flow, we opted to exclude it to provide a better measure of our adjusted EBITDA. The positive impact of R\$ 28.2 million in 2Q12 was the result of the improved sugar and ethanol prices in relation to the mark to market of biological assets, which was carried out at the end of fiscal year 2011 (12M11).



Breakdown of Adjustments – 6M12

6M12 EBITDA Reconciliation

R\$ Thousand



HEDGE

U.S. Dollar

On September 30, 2011, the São Martinho Group held a short position in USD currency futures through non-deliverable forwards (NDFs) with maturities through February 2013, as it follows:

Maturity	USD Thousand	Average Price (R\$/USD)
U.S. Dollar		
2011/2012 Harvest	200,220	1.7021
2012/2013 Harvest	73,377	1.7673
	273,597	1.7196

Sugar

On September 30, 2011, the São Martinho Group held positions in derivatives and prices fixed with clients and in the futures market in the following amounts:

Maturity	Volume (Tons)	Average Price (USD cents/pound)
Sugar		
2011/2012 Harvest	194,000	25.8
2012/2013 Harvest	126,000	25.9
	320,000	25.8



The fixed volume related to 2011/2012 harvest corresponds to approximately 62% of the sugar available for sale in the 11/12 harvest (312,600 tons).

The fixed volume related to the 12/13 harvest (126,000 tons) corresponds to approximately 22% of the potential volume of sugar to export in the next harvest.

In the same period of the previous season (Sep/2010) our fixed volume totaled 61,000 tons of sugar at USD 20.40 cents/pound.

Hedge Accounting - As of March/10, 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 loss of R\$45.2 million in September 2011).

NET FINANCIAL RESULT

FINANCIAL RESULT	2Q12	2Q11	Chg. (%)	6M12	6M11	Chg. (%)
R\$ Thousand						
Financial Revenues	8,746	6,113	43.1%	15,253	7,997	90.7%
Financial Expenses	(12,028)	(22,009)	-45.3%	(22,064)	(38,593)	-42.8%
Exchange Variation	(14,117)	20,857	n.m.	(12,643)	18,217	n.m.
Copersucar Monetary Variation	(3,202)	(1,350)	137.3%	(6,191)	(2,792)	121.8%
Net Financial Result (Excluding Hedge Result)	(20,601)	3,612	n.m.	(25,645)	(15,171)	69.0%
Hedge Result - Sugar	(4,878)	(5,751)	-15.2%	(8,974)	(5,925)	51.5%
Net Financial Result	(25,479)	(2,139)	n.m.	(34,619)	(21,096)	64.1%

The 2Q12 net financial result was an expense of R\$ 25.5 million, R\$ 23.4 million higher than the R\$ 2.1 million expense recorded in 2Q11.

The result was mainly impacted by the long-term exchange rate variation, which had an impact of R\$14.1 million, caused by the 18% depreciation of the BRL against the USD during the quarter. In addition, financial revenues increased by 43.1% from 2Q11 to R\$ 8.7 million and financial expenses recorded a substantial 45.3% decrease as a result of the reduction in net debt and lower funding costs.



OPERATING WORKING CAPITAL

OPERATING WORKING CAPITAL	2Q11	1Q12	2Q12	2Q12 x 1Q12	2Q12 x 2Q11
R\$ Thousand					
ASSETS	664,749	302,226	547,542	(245,316)	117,207
Accounts Receivable	72,236	55,309	62,490	(7,181)	9,746
Inventories	510,657	216,392	443,851	(227,459)	66,806
Tax Receivable	81,856	30,525	41,201	(10,676)	40,655
LIABILITIES	210,644	179,760	237,227	57,467	26,583
Suppliers	135,874	104,130	168,054	63,924	32,180
Payroll and Social Contribution	47,209	63,086	53,698	(9,388)	6,489
Tax Payable	27,561	12,544	15,475	2,931	(12,086)
WORKING CAPITAL	454,105	122,466	310,315	(187,849)	143,790

In 2Q12, the São Martinho Group invested working capital of R\$ 310.3 million in its operations, which represents a reduction of R\$143.8 million from 2Q11, basically due to the reduction in inventories of finished products in comparison of the two quarters.

In relation to 1Q12, the working capital invested increased by R\$187.8 million, mainly due to the higher ethanol inventory, which will be sold in the upcoming quarters.

NET INCOME

In 2Q12, net income totaled R\$48.7 million, up 16.8% from the same period last year, mainly impacted by the R\$12.2 million growth in adjusted EBITDA.

Net income in 6M12 came to R\$86.6 million, up 42.6% over 6M11, also due to the increase in adjusted EBITDA, as well as the partial reversal of the negative impact of biological assets in 2Q11.

DEBT WITH COPERSUCAR

On September 30, 2011, the São Martinho Group recognized on its balance sheet debt of R\$209.7 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\$175.2 million on a consolidated basis.



INDEBTEDNESS

DEBT	Sep/11	Sep/10	Chg. (%)
R\$ Thousand			
PESA	70,279	71,984	-2.4%
Rural Credit	22,075	75,911	-70.9%
BNDES / FINAME	408,886	508,330	-19.6%
Working Capital	104,041	110,467	-5.8%
ACC (Advances on Foreign Exchange Contracts)	55,676	124,272	-55.2%
PPE (Export prepayment)	279,535	255,501	9.4%
Others	375	604	-37.9%
Gross Debt	940,867	1,147,069	-18.0%
Cash and Cash Equivalents	274,626	216,386	26.9%
Net Debt	666,241	930,683	-28.4%
Net Debt / Acum. EBITDA	1.1 x	1.6 x	

The São Martinho Group closed 2Q12 with a net debt of R\$ 666.2 million in September/11, down 28.4% (R\$ 264.5 million) over September/10, mainly due to: (i) strong operating cash flow in the last 12 months, totaling R\$ 330 million; and (ii) a capital transfer of R\$ 258 million from Petrobrás Biocombustível S.A. to Nova Fronteira Bioenergia S.A. (Nova Fronteira), of which São Martinho consolidated 62.89%.

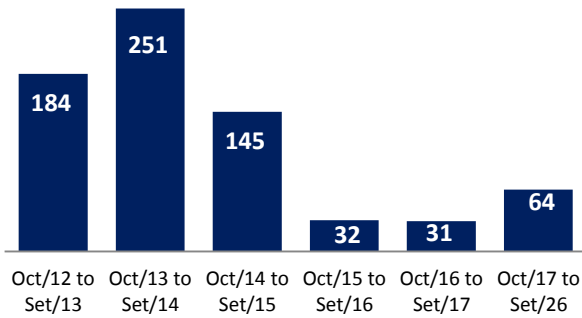
Also during the last 12 months, we continued to invest in (i) the expansion of the sugarcane plantations at the Boa Vista Mill and (ii) electricity cogeneration projects and the expansion of the distribution terminal at the São Martinho Mill. These investments came to approximately R\$ 200 million.

As expected, on November 1, 2011, Petrobrás Biocombustível S.A. paid the second installment of the capital transfer to Nova Fronteira S.A. in the amount of R\$ 163 million plus accrued 12-month inflation. As of next quarter, São Martinho S.A. will consolidate in its financial statements 51.0% of Nova Fronteira Bioenergia S.A. (at present, this percentage is 62.89%).



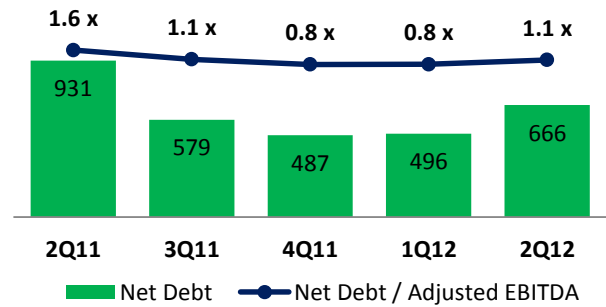
Amortization Schedule

R\$ - Million



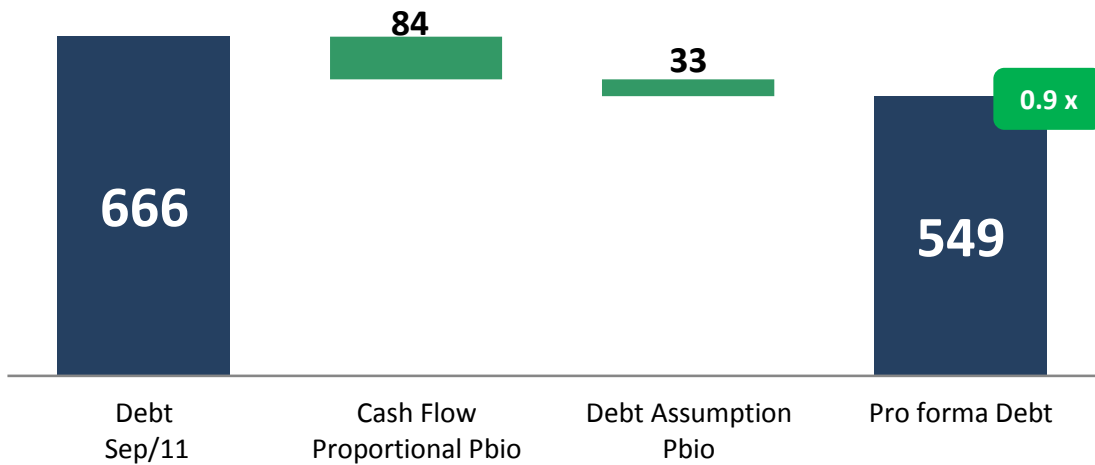
Net Debt / EBITDA LTM

Trends



Pro-Forma Debt

(after Petrobrás Biocombustível S.A. capital transfer)





CAPEX

SÃO MARTINHO - CONSOLIDATED	2Q12	2Q11	Chg. (%)	6M12	6M11	Chg. (%)
Capex (Maintenance)						
Sugarcane Planting	14,599	15,026	-2.8%	31,868	28,907	10.2%
Industrial / Agricultural	6,256	10,226	-38.8%	20,321	15,482	31.3%
Crop Treatment (New IFRS Criterion)	42,356	32,356	30.9%	73,265	58,897	24.4%
Sub Total	63,212	57,608	9.7%	125,455	103,286	21.5%
Upgrading, Mechanization and Expansion						
Industrial / Agricultural	46,594	4,713	888.6%	72,332	10,036	620.7%
Other	-	387	n.m.	-	387	n.m.
Sub Total	46,594	5,100	813.6%	72,332	10,423	594.0%
Boa Vista Mill (Greenfield)						
Sugarcane Planting	15,325	16,598	-7.7%	29,353	26,776	9.6%
Industrial / Agricultural	4,585	24,342	-81.2%	12,275	32,726	-62.5%
Sub Total	19,910	40,940	-51.4%	41,628	59,502	-30.0%
Total	129,716	103,648	25.2%	239,414	173,211	38.2%

In 2Q12, Capex grew by 25.2% over 2Q11, mainly due to the R\$ 46.6 million upturn in investments in modernization. This increase was due to investments in (i) the co-generation project at the São Martinho Mill and (ii) expansion of the sugar distribution terminal at the São Martinho Mill. In the next six months, we expect to invest R\$160 million in Maintenance Capex (mainly in planting and crushing maintenance) and around R\$ 140 million in Expansion Capex (electricity co-generation and planting expansion at the Boa Vista Mill).

DISCLAIMER

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

ABOUT SÃO MARTINHO

The São Martinho Group is one of the largest groups in Brazil's sugar and ethanol sector, with three mills in operation: São Martinho, in Pradópolis (around the Ribeirão Preto region in São Paulo), Iracema in Iracemópolis (in the Limeira region of São Paulo state) and Boa Vista in Quirinópolis (300 km from Goiânia in Goiás state). For more information please go to the website www.saomartinho.ind.br.



INCOME STATEMENT

SÃO MARTINHO S.A. - CONSOLIDATED	2Q12	2Q11	Chg. (%)	6M12	12M10	Chg. (%)
R\$ Thousand						
Gross Revenue	416,739	357,354	16.6%	765,210	661,518	15.7%
Deductions from Gross Revenue	(18,617)	(18,602)	0.1%	(38,140)	(37,315)	2.2%
Net Revenue	398,122	338,752	17.5%	727,070	624,203	16.5%
Cost of Goods Sold (COGS)	(244,650)	(220,792)	10.8%	(476,659)	(426,809)	11.7%
Gross Profit	153,472	117,960	30.1%	250,411	197,394	26.9%
Gross Margin (%)	38.5%	34.8%	3.7 p.p	34.4%	31.6%	2.8 p.p
Operating Expenses	(55,563)	(53,005)	4.8%	(91,662)	(86,211)	6.3%
Selling Expenses	(18,711)	(18,446)	1.4%	(32,117)	(32,754)	-1.9%
General and Administrative Expenses	(34,422)	(34,334)	0.3%	(58,003)	(55,759)	4.0%
Management Fees	(2,783)	-	n.m.	(2,783)	-	n.m.
Other Operating Revenues (Expenses), Net	353	(225)	n.m.	1,241	2,302	-46.1%
Operating Profit, Before Financial Effects	97,909	64,955	50.7%	158,749	111,183	42.8%
Financial Result, Net	(25,479)	(2,139)	1091.2%	(34,619)	(21,096)	64.1%
Financial Revenues	27,103	7,715	251.3%	40,453	11,387	255.3%
Financial Expenses	(39,553)	(30,963)	27.7%	(63,617)	(50,805)	25.2%
Monetary and Exchange Variations - Net	(13,029)	21,109	n.m.	(11,455)	18,322	n.m.
Income (Loss) Before Income and Social Contribution Taxes	72,430	62,816	15.3%	124,130	90,087	37.8%
Income Tax and Social Contribution - Current	(4,846)	(21,201)	-77.1%	(16,818)	(33,775)	-50.2%
Income Tax and Social Contribution - Deferred	(18,917)	61	n.m.	(20,681)	4,436	n.m.
Net Income (Loss) Before Minority Interest	48,667	41,676	16.8%	86,631	60,748	42.6%
Minority Interest	-	-	n.m.	-	-	n.m.
Net Income	48,667	41,676	16.8%	86,631	60,748	42.6%
Net Margin (%)	12.2%	12.3%	-0.1 p.p	11.9%	9.7%	2.2 p.p



BALANCE SHEET (ASSETS)

SÃO MARTINHO S.A. CONSOLIDATED - ASSETS

R\$ Thousand

ASSETS	Sep-11	Mar-11
SHORT-TERM ASSETS		
Cash and Cash Equivalents	274,626	225,067
Accounts Receivable	62,490	59,673
Derivatives Financial Instruments	11,454	5,967
Inventories	443,851	139,106
Recoverable Taxes	41,201	33,520
Income Tax and Social Contribution	9,323	5,037
Other Assets	5,801	5,692
TOTAL SHORT-TERM ASSETS	848,746	474,062
LONG-TERM ASSETS		
Long-term Receivables		
Related Parties	4,022	33
Deferred Income Tax and Social Contribution	120,216	132,676
Accounts Receivable - Copersucar	6,902	9,939
Recoverable Taxes	36,299	37,220
Judicial Deposits	40,650	32,367
Other Assets	1,670	7,101
	209,759	219,336
Investments	2,532	-
Biological Assets	468,295	435,532
Fixed Assets	2,842,663	2,864,761
Intangible	37,818	36,726
TOTAL LONG-TERM ASSETS	3,561,067	3,556,355
TOTAL ASSETS	4,409,813	4,030,417



BALANCE SHEET (LIABILITIES)

SÃO MARTINHO S.A. CONSOLIDATED- LIABILITIES

R\$ Thousand

LIABILITIES AND SHAREHOLDERS' EQUITY	Sep-11	Mar-11
SHORT-TERM LIABILITIES		
Loans and Financing	233,013	140,982
Derivatives Financial Instruments	61,308	25,910
Suppliers	168,054	61,096
Accounts Payable - Copersucar	2,203	2,203
Payroll and Social Contribution	53,698	44,000
Tax Payable	15,475	20,343
Income Tax and Social Contribution	556	829
Related Companies	7,870	705
Dividends Payable	-	9,180
Advances from Customers	2,924	14,475
Other Liabilities	12,472	21,137
TOTAL SHORT-TERM LIABILITIES	557,573	340,860
LONG-TERM LIABILITIES		
Loans and Financing	707,854	570,711
Accounts Payable - Copersucar	207,531	207,645
Tax Installments	55,286	55,833
Deferred Income Tax and Social Contribution	810,270	817,127
Provision for Contingencies	70,876	74,284
Other Liabilities	11,297	10,471
TOTAL LONG-TERM LIABILITIES	1,863,114	1,736,071
SHAREHOLDERS' EQUITY		
Capital Stock	455,900	455,900
Adjustments to Book Value	1,254,921	1,304,969
Capital Budget Reserve	173,454	194,516
Treasury Shares	(1,899)	(1,899)
Accumulated Profit (Loss)	106,750	-
TOTAL SHAREHOLDERS' EQUITY	1,989,126	1,953,486
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4,409,813	4,030,417



CONSOLIDATED CASH FLOW

SÃO MARTINHO S.A.	6M12	6M11
R\$ Thousand		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income in the period	86,631	60,748
Adjustments		
Depreciation and amortization	85,779	22,312
Biological assets harvested (depreciation)	88,335	139,436
Variation in fair value of biological assets	(27,431)	17,104
Equity income	2,783	-
Residual cost of investment and property, plant and equipment disposals	838	3,640
Interest, monetary and foreign exchange variations, net	74,930	26,821
Constitution (reversal) of provision for contingencies, net	5,661	4,737
Deferred income tax and social contribution on net income	20,681	(4,436)
Provision for inventory losses	(3,809)	1,192
Adjustments to present value and others	(553)	(755)
	333,845	270,799
Changes in assets and liabilities		
Accounts receivable	(4,120)	(30,692)
Inventories	(217,689)	(207,842)
Taxes recoverable	(7,857)	4,460
Related parties	294	(305)
Other assets	(8,449)	(7,711)
Suppliers	100,285	54,128
Salaries and social charges	9,699	5,662
Taxes payable	7,359	15,136
Taxes payable in installments	(2,563)	(1,186)
Provision for contingencies	(12,682)	(11,985)
Other liabilities	(20,276)	27,512
	177,846	117,976
Cash provided by operations	177,846	117,976
Interest paid	(17,219)	(27,239)
Income tax and social contribution on net income paid	(12,893)	(7,026)
Net cash provided by operating activities	147,734	83,711
CASH FLOW FROM INVESTMENT ACTIVITIES		
Additions to property, plant and equipments and intangible assets	(101,374)	(60,770)
Additions to biological assets (planting and treatment)	(134,487)	(109,443)
Advance on future capital increase	(3,342)	153
Net cash used in investing activities	(239,203)	(170,060)
CASH FLOW FROM FINANCING ACTIVITIES		
Derivatives Financial Instruments	(2,231)	(27,394)
Financing - third parties	359,443	437,641
Repayment of financing - Copersucar	(2,076)	(2,954)
Repayment of financing - third parties	(191,043)	(219,812)
Reception (payment) of funds from (to) related parties – intercompany loans	7,177	(73)
Payment of dividends and interest on own equity	(30,242)	(15,307)
	141,028	172,101
Net cash provided by financing activities	141,028	172,101
Increase (decrease) in cash and cash equivalents	49,559	85,752
Cash and cash equivalents at the beginning of the period	225,067	130,634
Cash and cash equivalents at the end of the period	274,626	216,386