






## São Martinho reports Adjusted EBITDA of R\$105.7 million, with Adjusted EBITDA margin of 36.4%

**São Paulo, August 14, 2012** – SÃO MARTINHO S.A. (BM&FBovespa: SMT03; Reuters SMT03.SA and Bloomberg SMT03 BZ), one of Brazil's largest sugar and ethanol producers, announces today its results for the first quarter of 2013 (1Q13).

### 1Q13 HIGHLIGHTS

 The São Martinho Group recorded Adjusted EBITDA of R\$105.7 million in 1Q13 (Adjusted EBITDA Margin of 36.4%), decreasing 28.2% from 1Q12. The decrease was mainly driven by the 38% reduction in sugar sales volume between 1Q13 and 1Q12, which was due to the higher rainfall in May and June that negatively impacted sugarcane crushing and hindered the distribution of sugar at ports. Based on the information to date on sugarcane yields in our fields, we expect to recover sugar and ethanol production volumes by the end of this crop year and to offset the lower sales volume recorded in 1Q13 over the coming quarters;

 Net income in 1Q13 was R\$2.4 million, compared to net income of R\$37.9 million in 1Q12. The reduction in net income resulted from a combination of i) the decrease in Adjusted EBITDA (as mentioned above) and ii) the increase in expenses with long-term exchange variation impacts (non-cash) of R\$17.0 million, resulting from the 11% depreciation in the Brazilian real against the U.S. dollar in 1Q13. Considering that all dollar-denominated debt is linked to future export volumes, these losses will be fully reversed once the exports are realized;

 On June 30, 2012, 529,000 tons of sugar were hedged through the end of the crop year at an average price of US\$24.3 cents/pound. This amount is equivalent to roughly 67.5% of the total volume of sugar available for sale in the coming quarters of the 12/13 crop year (approximately 785,000 tons). In addition, on the same date, a total of 145,000 tons of sugar were hedged for the 2013/14 crop year at an average price of US\$21.80 cents/pound with US\$ currency futures of around R\$/US\$ 2.11.



## FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS (R\$ Thousand)	1Q13	1Q12	Chg. (%)
São Martinho - Consolidated			
Gross Revenue	307,872	348,471	-11.7%
Net Revenue	290,313	328,948	-11.7%
Adjusted EBITDA	105,645	147,094	-28.2%
EBITDA Margin	36.4%	44.7%	-8.3 p.p.
Consolidated Balance Sheet Indicators			
Total Assets	5,392,799	4,787,167	12.7%
Shareholders' Equity	1,987,692	2,024,678	-1.8%
EBITDA (LTM)	488,360	620,184	-21.3%
Net Debt	1,118,555	496,224	125.4%
Net Debt / EBITDA (LTM)	2.1 x (*)	0.8 x	
Net Debt / Shareholders' Equity	56%	25%	

(\*) Considering Santa Cruz's EBITDA LTM (32.18%)

OPERATING DATA	1Q13	1Q12	Chg.(%)
São Martinho - Consolidated			
Crushed Sugarcane ('000 tons)	2,918	3,648	-20.0%
Own	2,159	2,623	-17.7%
Third Parties	759	1,024	-25.9%
Mechanized Harvest	89.1%	87.1%	2.0 p.p
Production			
Sugar ('000 tons)	190	213	-11.0%
Anhydrous Ethanol ('000 m <sup>3</sup> )	50	69	-26.4%
Hydrous Ethanol ('000 m <sup>3</sup> )	42	60	-30.5%
Ribonucleic Acid (RNA) Sodium Salt ('000 Kg)	71	46	53.4%
Cogeneration ('000 MWh)	44	45	-0.8%

The crushing volume of the São Martinho Group decreased by 20.0% in the first quarter of the 12/13 crop year compared to the same period of the prior year. The reduction was due to the lower volume of sugarcane crushing caused by the high rainfall in May and June, which delayed crushing at our mills in the state of São Paulo.

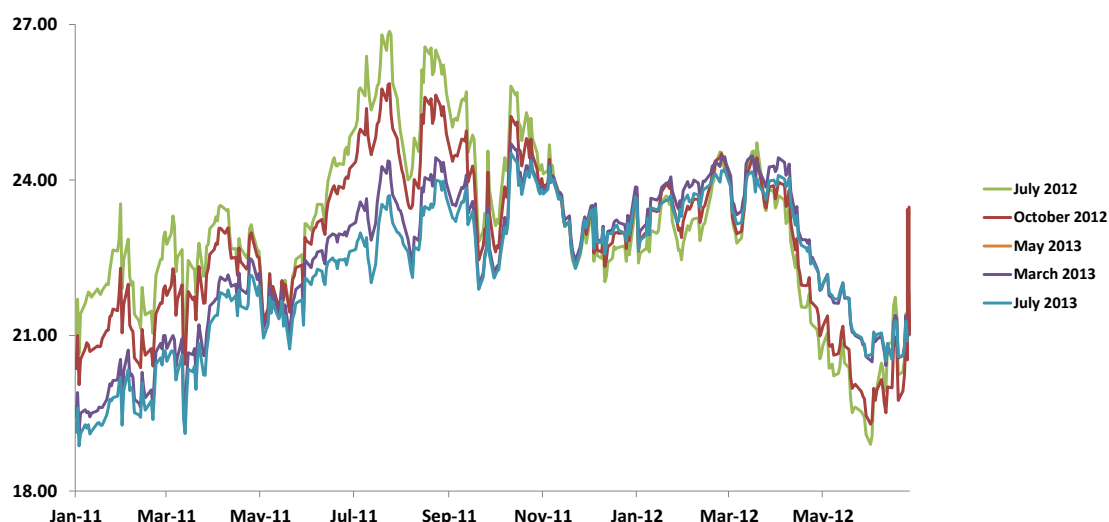
Based on the information on sugarcane yields in our fields available to date, we expect to recover sugar and ethanol production volumes by the end of this crop year and meet our guidance for sugarcane crushing in the 12/13 crop year of 12.0 million tons.

Note that, as of this quarter (1Q13), we opted to include in the above table our production volumes already considering our interests of 50.95% in Nova Fronteira and 32.18% interest in Santa Cruz, as well as 100.0% of our mills in São Paulo.



## INDUSTRY OVERVIEW - SUGAR

**Future Sugar Prices**



During almost all of 1Q13 we observed a sharp drop in future sugar prices, from US\$25.00 cents/pound to US\$19.00 cents/pound. The decline was driven by the unfavorable macroeconomic scenario and the high sugar production volumes recorded at the end of the crop years in countries in the Northern Hemisphere, such as India and Thailand, which heightened expectations of a global surplus. Despite the drop in prices in U.S. dollar, prices in Brazilian real remained stable due to the depreciation in the Brazilian real against the U.S. dollar in the period, which offset the lower international prices.

At the end of June, however, sugar prices began to rise to previous levels, particularly on the back of the news of delays in the Brazilian harvest caused by heavy rains, as well as the confirmation of the lower sugarcane quality. Another factor pressuring prices were the purchases made by China, which anticipated its imports to take advantage of sugar prices at around US\$20.00 cents/pound.

For the coming months, we expect sugar prices to remain in the range of US\$20.00 - 23.00 cents/pound, given the expectations of a rapid recovery in Brazilian production, since the drier weather has been facilitating the harvesting of sugarcane and the higher rainfall in May and June substantially improved sugarcane yields (measured in tons/hectare).

On the other hand, the outlook for India's sugar crop has led to downward revisions in forecasts for sugar production volume, which were primarily due to weather factors. Previous forecasts for the Indian crop indicated production equivalent to the 2011/12 crop year (around 26 million tons). However, current forecasts point to approximately 24 million tons, which should have a positive impact on future sugar prices for March 2013.

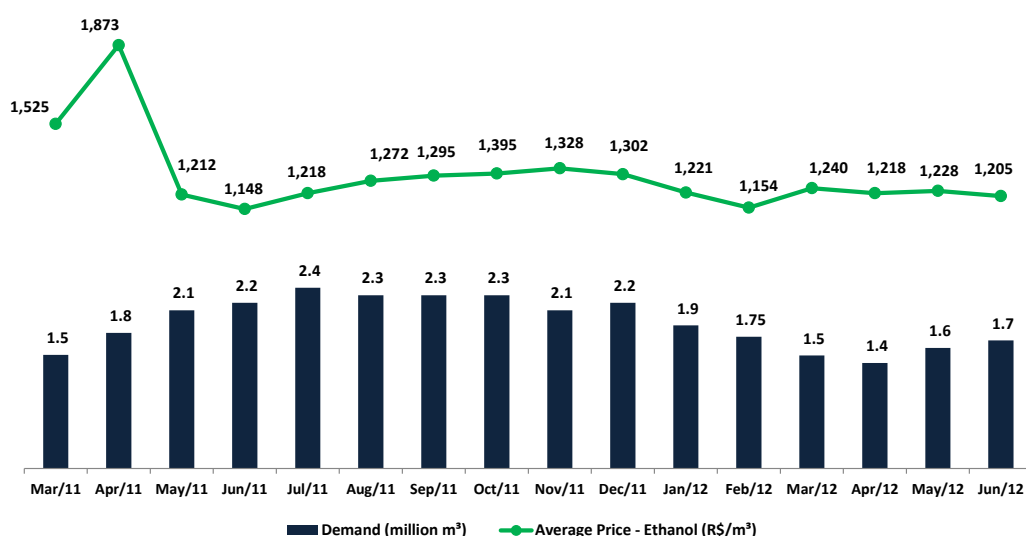
## INDUSTRY OVERVIEW - ETHANOL

AVERAGE PRICES - ETHANOL	1Q13	1Q12	Chg. (%)
Market Prices			
Anhydrous ESALQ, Net DM R\$ / m <sup>3</sup>	1,301.39	1,704.35	-23.6%
Hydrous ESALQ, Net DM - R\$ / m <sup>3</sup>	1,131.97	1,188.66	-4.8%

In 1Q13, ethanol prices, particularly anhydrous ethanol prices, decreased from the same period in the previous crop year. However, the sharp drop in prices reflects the fact that in 1Q12, anhydrous ethanol prices had peaked due to the short supply during the last off-season period. Therefore, although ethanol prices had reached levels higher than in 4Q12, compared to the same quarter of last year they were sharply lower.

Prices for hydrous ethanol were also lower, however, the circumstances were different, since the 4.8% drop from 1Q12 was primarily driven by weak demand for the product. In the comparison between June/11 and June/12, demand decreased sharply, due to the low gasoline prices in Brazil, which directly affect demand for hydrous ethanol, since it makes price parity between gasoline and hydrous ethanol unfavorable for the renewable fuel.

Meanwhile, the export market for ethanol may once again become favorable for Brazilian producers, since the drought in the United States has led to sharp downward revisions in estimates for the U.S. corn crop. Because U.S. ethanol is corn-based, producers are expected to prioritize food production over ethanol production, leading the United States to potentially require Brazilian ethanol imports to meet its demand and gasoline blend standards.



## FINANCIAL PERFORMANCE

NET REVENUE BREAKDOWN	1Q13	1Q12	Chg. (%)
R\$ Thousand			
<b>Domestic Market</b>	<b>136.716</b>	<b>136.206</b>	<b>0,4%</b>
Sugar	10.797	11.673	-7,5%
Hydrous Ethanol	36.990	50.122	-26,2%
Anhydrous Ethanol	54.537	58.827	-7,3%
Energy	6.976	4.009	74,0%
Other	27.415	11.574	136,9%
<b>Export Market</b>	<b>153.598</b>	<b>192.741</b>	<b>-20,3%</b>
Sugar	134.986	185.571	-27,3%
Hydrous Ethanol	7.259	1.777	308,5%
Anhydrous Ethanol	8.211	0	n.m.
RNA	3.141	5.393	-41,8%
<b>Net Revenue</b>	<b>290.313</b>	<b>328.948</b>	<b>-11,7%</b>
Sugar	145.784	197.244	-26,1%
Hydrous Ethanol	44.250	51.899	-14,7%
Anhydrous Ethanol	62.748	58.827	6,7%
Energy	6.976	4.009	74,0%
Other	30.556	16.967	80,1%

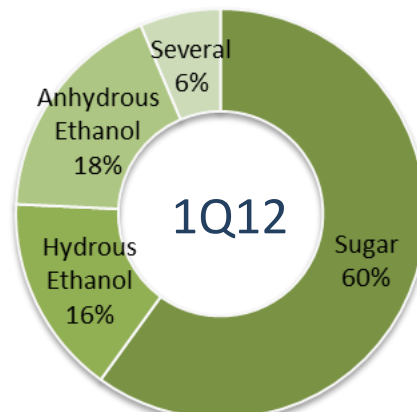
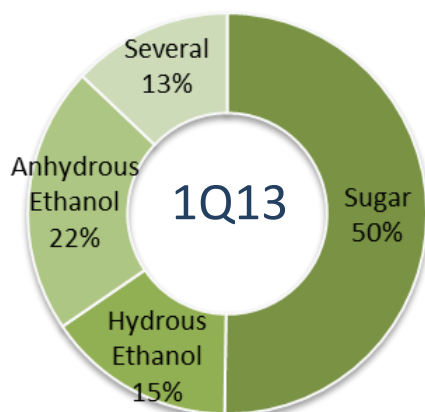
### Net Revenue

The net revenue of the São Martinho Group in the quarter declined by 11.7% in relation to 1Q12, reflecting the reductions of 38.0% in sugar sales volume in the period and of 20.8% in hydrous ethanol sales volume, despite the better sales prices for both products.

The following charts provide a breakdown of the Company's net revenue by product:

## Distribution – Net Revenue

1Q13 x 1Q12

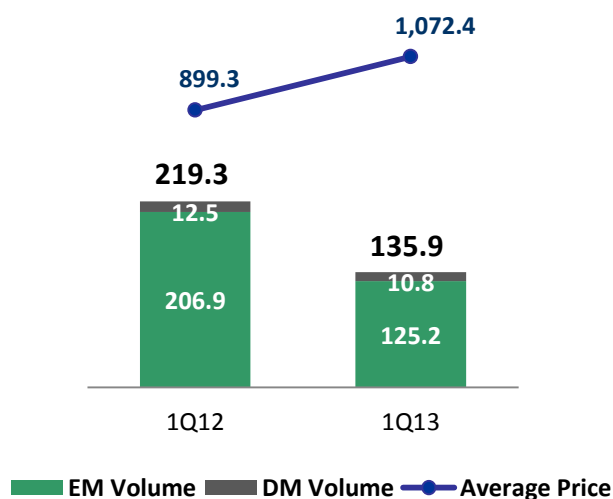




## Sugar

### Sugar

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

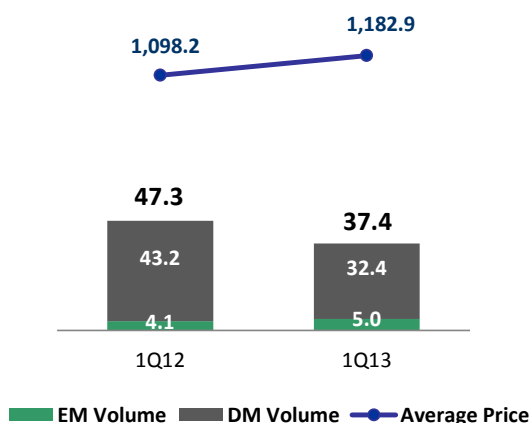


Net revenue from sugar sales came to R\$145.8 million in 1Q13, for a reduction of 26.1% from the same period of the previous crop year. The reduction was driven by a 38.0% decrease in sugar sales volume, despite the 19.2% improvement in the average sales price (R\$1,072.4/ton).

## Ethanol

### Hydrous Ethanol

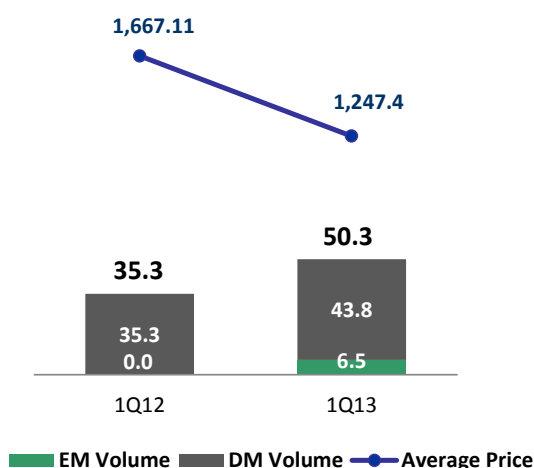
Volume ('000 m<sup>3</sup>) and Average Price (R\$/m<sup>3</sup>)



Net revenue from hydrous ethanol sales came to R\$44.3 million in 1Q13, decreasing 14.7% from the same period of the previous crop year. The decrease was driven by the lower sales volume (-20.8%) in the period due to the lower product supply resulting from the lower production volume (as detailed in the section "Operating Data").

### Anhydrous Ethanol

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

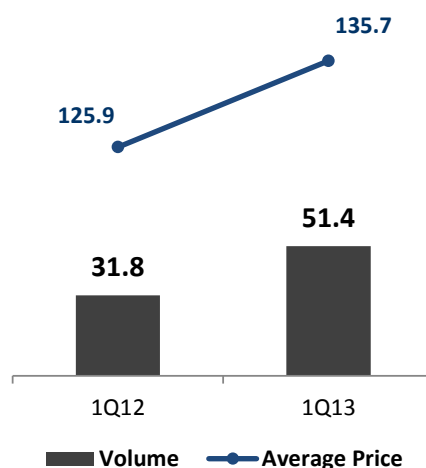


In 1Q13, net revenue from anhydrous ethanol sales increased by 6.7% to R\$62.7 million, due to the 42.6% increase in sales (R\$50,300 m³), which offset the 25.2% drop in the average sales price for anhydrous ethanol (R\$1,247.4/m³). The increase in anhydrous sales volume was driven by stronger demand due to the high gasoline consumption in Brazil (the Type-A gasoline blend sold at the pump in Brazil is required to contain 20% anhydrous ethanol).

## Cogen

### Cogen

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



Net revenue from cogeneration sales increased 74.0% (+R\$7.0 million) in 1Q13 in relation to the same period last year, driven by the higher sales volume. Sales volume growth was driven by the sale of the guaranteed supply generated by Usina Boa Vista S.A.

## Other Products and Services

Net revenue from the line "Other Products and Services" totaled R\$30.6 million in 1Q13, increasing by 80.1% from the year-ago period. This growth was due to (i) the sale and planting of sugarcane for suppliers at Usina Boa Vista, and (ii) the planting and mechanization services rendered to suppliers, with both of these revenue-generating activities resulting from the expansion plan for Usina Boa Vista in Goiás.





## INVENTORIES

INVENTORIES	1Q13	1Q12	Chg. (%)
Sugar (tons)	73,984	52,219	41.7%
Hydrous (m <sup>3</sup> )	14,010	36,365	-61.5%
Anhydrous (m <sup>3</sup> )	19,025	50,654	-62.4%

Inventories in 1Q13 include the proportionate consolidation of our interests in UBV (50.95%) and Santa Cruz (32.18%), and of our 100.0% interests in the São Martinho and Iracema mills.

The increase in sugar inventories is directly related to the inability to ship sugar through the Port of Santos due to the heavy rainfall. The reduction in ethanol inventories reflects the lower ethanol production, as mentioned in the section "Operating Data".

## EBITDA AND EBITDA COST BY PRODUCT

EBITDA BY PRODUCT - 1Q13	SUGAR	ETHANOL	OTHER	TOTAL
R\$ Thousand				
Net Revenues	145.782	106.998	37.533	290.313
COGS (Cash)	(55.468)	(62.575)	(28.461)	(146.504)
Gross Profit (Cash)	90.314	44.423	9.072	143.809
Gross Margin (Cash)	62,0%	41,5%	24,2%	49,5%
Sales Expenses	(7.008)	(1.190)	(781)	(8.978)
G&A Expenses (Cash)	(13.161)	(13.911)	(3.008)	(30.080)
Other Revenues (Expenses)	-	-	895	895
<b>Adjusted EBITDA</b>	<b>70.145</b>	<b>29.322</b>	<b>6.178</b>	<b>105.645</b>
<b>Adjusted EBITDA Margin</b>	<b>48,1%</b>	<b>27,4%</b>	<b>16,5%</b>	<b>36,4%</b>
<b>EBITDA Cost (*)</b>	<b>(556,4)</b>	<b>(885,6)</b>	<b>-</b>	<b>-</b>

(\*) Sugar in R\$/Ton

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

EBITDA BY PRODUCT - 1Q12	SUGAR	ETHANOL	OTHER	TOTAL
R\$ Thousand				
Net Revenues	197.244	110.726	20.978	328.948
COGS (Cash)	(86.310)	(43.951)	(19.969)	(150.230)
Gross Profit (Cash)	110.934	66.775	1.009	178.718
Gross Margin (Cash)	56,2%	60,3%	4,8%	54,3%
Sales Expenses	(12.076)	(836)	(494)	(13.406)
G&A Expenses (Cash)	(12.338)	(7.562)	(2.211)	(22.111)
Other Revenues (Expenses)	-	-	3.893	3.893
<b>Adjusted EBITDA</b>	<b>86.519</b>	<b>58.377</b>	<b>2.197</b>	<b>147.094</b>
<b>Adjusted EBITDA Margin</b>	<b>43,9%</b>	<b>52,7%</b>	<b>10,5%</b>	<b>44,7%</b>
<b>EBITDA Cost (*)</b>	<b>(504,8)</b>	<b>(634,2)</b>	<b>-</b>	<b>-</b>

(\*) Sugar in R\$/Ton

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



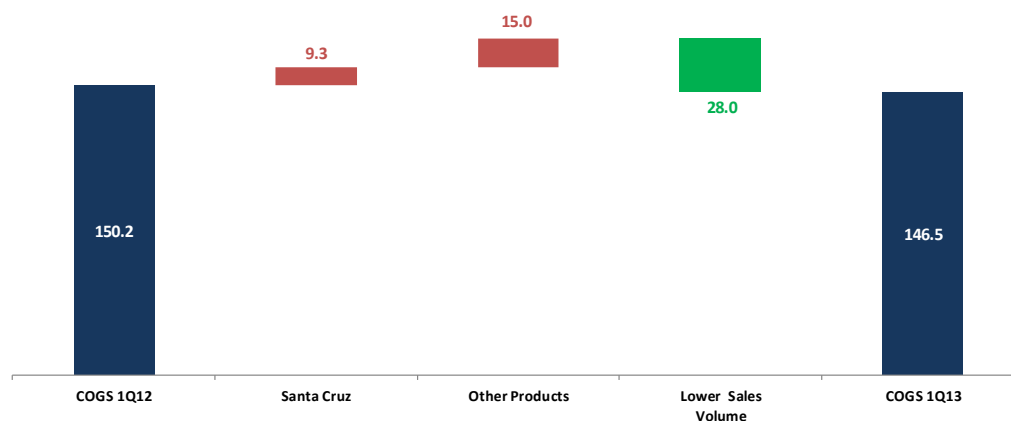
In 1Q13, sugar accounted for 66.4% of the Group's consolidated EBITDA, while ethanol and other products accounted for 27.8% and 5.8%, respectively. Sugar EBITDA margin expanded by 4.2 p.p. in relation to 1Q12, despite the 10.2% increase in the sugar EBITDA cost. In the case of ethanol, the EBITDA cost was R\$885.6/m<sup>3</sup> in 1Q13, or 39.6% higher than in 1Q12.

The increases in the EBITDA costs of sugar and ethanol were due to the lower dilution of fixed production costs resulting from the lower capacity utilization rates, since the volume of sugarcane crushed was 20% lower than in the previous crop year (**see more details in the sections "Cost of Goods Sold" and "General and Administrative Expenses"**).

## COST OF GOODS SOLD

BREAKDOWN OF COGS - CASH	1Q13	1Q12	Chg. (%)
R\$ Thousand			
Agricultural Costs	85,144	112,914	-24.6%
Suppliers	43,790	54,561	-19.7%
Partnerships	15,950	19,017	-16.1%
Own Sugarcane	25,404	39,336	-35.4%
Industrial	17,624	17,941	-1.8%
Other Products	34,426	19,375	77.7%
<b>Total COGS - Santa Cruz</b>	<b>9,310</b>	<b>-</b>	<b>n.m.</b>
<b>Total COGS - Consolidated</b>	<b>146,504</b>	<b>150,230</b>	<b>-2.5%</b>
TRS Sold (000 Tons)	293	371	-20.9%
Unit Cost (Sugar and Ethanol Cash COGS / TRS Sold)	381	352	8.0%

In 1Q13, cash COGS was R\$146.5 million, decreasing 2.5% in relation to 1Q12. The following chart presents a breakdown of these costs in 1Q13 compared to 1Q12:





The main drivers of the variation in COGS in 1Q13 were:

- (i) Santa Cruz (+R\$9.3 million): The acquisition of a 32.18% interest in Santa Cruz occurred in November 2011, and, as a result, we began to partially consolidate its results as of December 2011;
- (ii) Other Products (+R\$15.0 million): This increase reflects the higher costs related to (i) the sale, planting of sugarcane and mechanization services rendered to suppliers at Usina Boa Vista, with these revenue-generating activities resulting from the expansion plan for UBV, in Goiás (ii) the higher cogeneration sales volume in the period, and (iii) to the anhydrous ethanol imports that occurred during the previous fiscal year, because we adopt the "First In, First Out" accounting method, a portion of the revenue from these sugar imports was recorded only in 1Q13, impacting our Cost of Goods Sold;
- (iii) Lower Sales Volume (-R\$28.0 million): Reflects the lower sales volume of products and consequently the lower exposure to costs in our COGS.

AVERAGE CASH COST PER UNIT	1Q13	1Q12	Var.%
R\$ Thousand			
<b>COGS</b>	<b>(146,504)</b>	<b>(150,230)</b>	<b>-2.5%</b>
Sugar	(55,468)	(86,310)	-35.7%
Ethanol	(62,575)	(43,951)	42.4%
Other Products	(28,461)	(19,969)	42.5%
<b>Average Cash Cost Per Unit (*)</b>			
<b>Sugar Cash Cost</b>	<b>(408.0)</b>	<b>(393.5)</b>	<b>3.7%</b>
<b>Ethanol Cash Cost</b>	<b>(713.4)</b>	<b>(532.5)</b>	<b>34.0%</b>

(\*) Sugar in R\$/Ton

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



## SELLING EXPENSES

SELLING EXPENSES	1Q13	1Q12	Chg. (%)
R\$ Thousand			
Port Costs / Freight	6,968	12,769	-45.4%
Sales Commission	32	158	-79.6%
Other	758	479	58.2%
<b>Selling Expenses - Santa Cruz</b>	<b>1,220</b>	<b>-</b>	<b>n.m.</b>
<b>Selling Expenses - Consolidated</b>	<b>8,978</b>	<b>13,406</b>	<b>-33.0%</b>
TRS Sold ('000 Tons)	293	371	-20.9%
% of Net Revenues	3.1%	4.1%	-1.0 p.p.

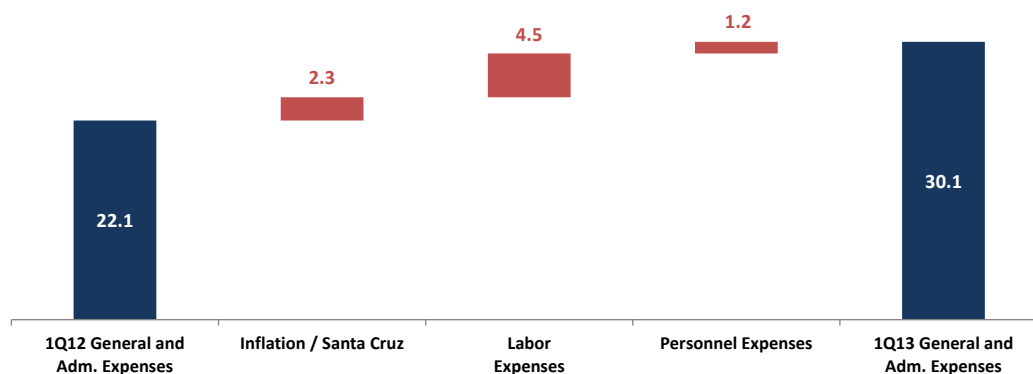
In 1Q13, selling expenses came to R\$9.0 million, decreasing 33.0% from 1Q12. The improvement is explained by the 45.4% reduction in port and freight costs due to the lower volume of sugar exports in the quarter compared to 1Q12.

## GENERAL AND ADMINISTRATIVE EXPENSES

G&A EXPENSES - (CASH)	1Q13	1Q12	Chg. (%)
R\$ Thousand			
Personnel	10,662	9,433	13.0%
Taxes, Fees and Contributions	770	952	-19.1%
Provisions for Contingencies	8,804	3,737	135.6%
General Expenses and Third-Party Services	6,075	5,769	5.3%
Management Fee	2,286	2,219	3.0%
<b>Total General and Administrative Expenses - Santa Cruz</b>	<b>1,483</b>	<b>-</b>	<b>n.m.</b>
<b>Total General and Administrative Expenses - Consolidated</b>	<b>30,080</b>	<b>22,111</b>	<b>36.0%</b>

G&A expenses totaled R\$30.1 million in the quarter, for an increase of 36.0% from the same period in the prior crop year. The main impact was the higher expenses with the provision for labor contingencies. As disclosed in our 4Q12 Earnings Release, for the whole of the 2012/13 crop year, we expect labor contingencies of around R\$15.0 million. For the following crop year in 2013/14, these provisions should decrease to around R\$10.0 million.

The following chart shows the main impacts in 1Q13:



## EBITDA

EBITDA RECONCILIATION	1Q13	1Q12	Chg. (%)
R\$ Thousand			
<b>Adjusted EBITDA</b>	<b>105,645</b>	<b>147,094</b>	<b>-28.2%</b>
Adjusted EBITDA Margin	36.4%	44.7%	-8.3 p.p.
Non Recurring Operating Revenues (Expenses)	(192)	(810)	-76.2%
Biological Assets	(3,900)	795	n.m.
Non Cash Items Launched in the COGS	(246)	-	n.m.
<b>EBITDA</b>	<b>109,983</b>	<b>147,109</b>	<b>-25.2%</b>
EBITDA Margin	37.9%	44.7%	-6.8 p.p.
(-) Depreciation and Amortization	(77,823)	(86,269)	-9.8%
(-) Financial Revenue (Expense), net	(27,262)	(9,140)	198.3%
(-) Equity Income	(1,949)	-	n.m.
(=) Operating Income	2,949	51,700	-94.3%

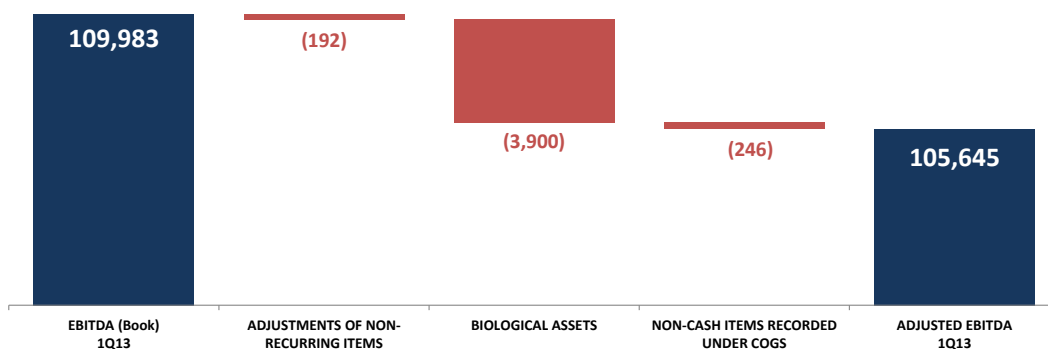
### Adjusted EBITDA

The São Martinho Group recorded Adjusted EBITDA of R\$105.7 million in 1Q13 (Adjusted EBITDA Margin of 36.4%), decreasing 28.2% from 1Q12. The decrease was mainly driven by the 38% reduction in sugar sales volume between 1Q13 and 1Q12, which was due to the higher rainfall in May and June that negatively impacted sugarcane crushing and hindered the distribution of sugar at ports. Based on the information to date on the sugarcane yields of our fields, we expect to recover sugar and ethanol production volumes by the end of this crop year and to offset the lower sales volume recorded in 1Q13 over the coming quarters.

### Reconciliation of EBITDA to Adjusted EBITDA

#### EBITDA Reconciliation 1Q13

R\$ '000



## HEDGING

### U.S. Dollar

On June 30, 2012, the São Martinho Group held a short position in US\$ currency futures through non-deliverable forwards (NDFs) with maturities through the 2015/16 crop year, as follows:

Maturity	US\$ thousand	Average Price (R\$/US\$)
<b>US Dollar</b>		
2012/2013 Crop Year	317,221	1.8601
2013/2014 Crop Year	116,376	2.1111
2014/2015 Crop Year	14,880	2.1608
2015/2016 Crop Year	14,880	2.2955
	<b>463,357</b>	<b>1.9468</b>

### Sugar

On June 30, 2012, the São Martinho Group held positions in derivatives and prices fixed with clients and in the futures market in the following amounts:

	Volume (Tons)	Average Price (US\$ c/p)
<b>Sugar</b>		
2012/2013 Harvest	529,000	24.30
2013/2014 Harvest	145,000	21.80
	<b>674,000</b>	<b>23.76</b>

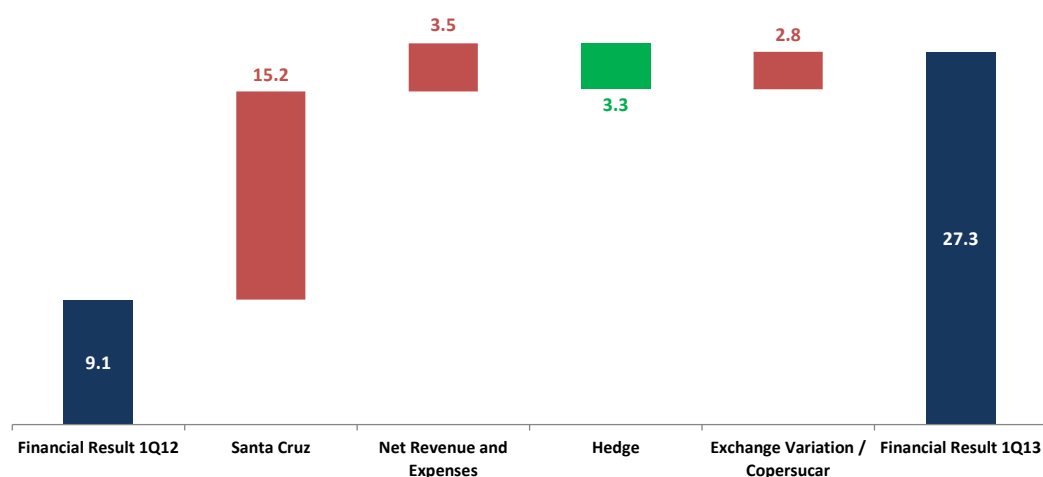
**Hedge Accounting** - In March 2010, inclusive, the Company began adopting hedge accounting for derivatives designated as hedge instruments, with their potential results recorded in equity ("Adjustments to book value"), net of deferred income tax and social contribution tax (potential loss of R\$47.0 million in June 2012).

## NET FINANCIAL RESULT

FINANCIAL RESULT	1Q13	1Q12	Chg. (%)
R\$ Thousand			
Financial Revenues	12,897	6,811	89.4%
Financial Expenses	(19,954)	(10,340)	93.0%
Hedge Result	(739)	(4,096)	-82.0%
Exchange Variation	(1,667)	1,474	n.m.
Copersucar Monetary Variation	(2,577)	(2,989)	-13.8%
<b>Net Financial Result - Santa Cruz</b>	<b>(15,224)</b>	<b>-</b>	<b>n.m.</b>
<b>Net Financial Result</b>	<b>(27,262)</b>	<b>(9,140)</b>	<b>198.3%</b>

The São Martinho Group registered a net financial expense of R\$27.3 million in 1Q13, which represents an increase in the expense of 198.3% from 1Q12.

The main negative impact in the quarter was the financial result at Santa Cruz S.A., due to the expenses with exchange variation (60% of its debt was denominated in foreign currencies, with no hedge accounting). It is important to note that these exchange variations do not have any impact on our cash flow, since all dollar-denominated debt is linked to exports, i.e. the variation is offset once the product is exported.





## OPERATING WORKING CAPITAL

OPERATING WORKING CAPITAL	1Q12	4Q12	1Q13	1Q13 x 4Q12	1Q13 x 1Q12
R\$ Thousand					
<b>ASSETS</b>	<b>302,226</b>	<b>242,352</b>	<b>362,692</b>	<b>-120,340</b>	<b>-60,466</b>
Accounts Receivable	55,309	38,399	64,602	-26,203	-9,293
Inventories - Short Term	216,392	137,375	199,289	-61,914	17,103
Inventories - Long Term	-	26,877	62,098	-35,221	-62,098
Tax receivable	30,525	39,701	36,703	2,998	-6,178
<b>LIABILITIES</b>	<b>179,760</b>	<b>146,151</b>	<b>184,538</b>	<b>38,387</b>	<b>-4,778</b>
Suppliers	104,130	76,655	101,989	25,334	2,141
Payroll and social contribution	63,086	57,297	70,035	12,738	-6,949
Tax payable	12,544	12,199	12,514	315	30
<b>WORKING CAPITAL</b>	<b>122,466</b>	<b>96,201</b>	<b>178,154</b>	<b>-81,953</b>	<b>-55,688</b>

In 1Q13, the São Martinho Group invested working capital of R\$178.1 million in its operations, which represents an increase of R\$55.7 million from 1Q12, due primarily to the lower inventories of finished products in the period, as mentioned under "Inventories".

## NET INCOME

In 1Q13, the São Martinho Group posted net income of R\$2.4 million, compared to net income of R\$37.9 million in 1Q12. The reduction in net income resulted from a combination of i) the decrease in Adjusted EBITDA (as mentioned in the section "EBITDA") and ii) the increase in expenses with long-term exchange variation impacts (non-cash) of R\$17.0 million, which resulted from the 11% depreciation in the Brazilian real against the U.S. dollar in 1Q13. Considering that all dollar-denominated debt is linked to future export volumes, these losses will be fully reversed once the exports are realized.

## DEBT WITH COPERSUCAR

On June 30, 2012, the São Martinho Group recognized on its balance sheet debt of R\$224.0 million with Copersucar. In view of the terms negotiated in the process to terminate the membership at Copersucar, we will continue to book under "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\$178.7 million on a consolidated basis.





## INDEBTEDNESS

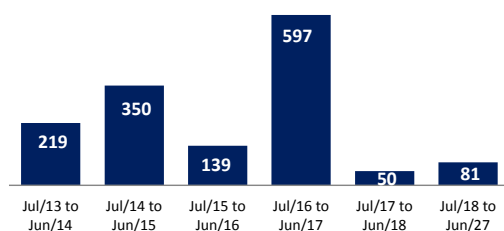
DEBT	jun/12	mar/12	Chg. (%)
R\$ Thousand			
PESA	70,397	72,509	-2.9%
Rural Credit	87,505	20,139	334.5%
BNDES / FINAME	386,237	388,726	-0.6%
Working Capital	84,473	109,392	-22.8%
ACC (Advances on Foreign Exchange Contracts)	80,984	-	n.m.
PPE (Export prepayment)	483,805	437,376	10.6%
NCE (Export Credit Note)	382,886	-	n.m.
Others	195	733	-73.4%
Obligations from Santa Cruz	116,597	113,475	2.8%
<b>Gross Debt</b>	<b>1,693,079</b>	<b>1,142,350</b>	<b>48.2%</b>
Cash and Cash Equivalents	793,064	410,567	93.2%
<b>Net Debt</b>	<b>900,015</b>	<b>731,783</b>	<b>23.0%</b>
(+) Proportional Gross Debt at Santa Cruz	218,540	203,494	7.4%
<b>Consolidated Net Debt</b>	<b>1,118,555</b>	<b>935,277</b>	<b>19.6%</b>
Net Debt / Acum. EBITDA	2.1 x (*)	1.6 x (*)	

(\*) Considering Santa Cruz's EBITDA LTM in the last 12 months in the proportion of 32.18%

The São Martinho Group's debt stood at R\$1.1 billion in June 2012, which represents an increase of 19.6% from March 2012. The main factors driving the increase in debt were (i) the increase in working capital used in operations in view of the start of the crop year (R\$82 million); ii) the change in debt denominated in foreign currencies, reflecting the depreciation in the Brazilian real (R\$47 million), and the increase in net debt at Santa Cruz (+R\$15 million).

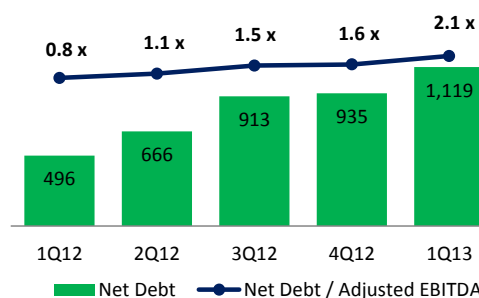
### Amortization Schedule

R\$ - Million



### Net Debt / EBITDA LTM

Evolution





## CAPITAL EXPENDITURE

SÃO MARTINHO - CONSOLIDATED	1Q13	1Q12	Chg. (%)
Capex (maintenance)			
Sugarcane Planting	17,226	17,269	-0.2%
Industrial / Agricultural	16,701	14,451	15.6%
Crop Treatment	25,464	23,631	7.8%
<b>Sub Total</b>	<b>59,392</b>	<b>55,351</b>	<b>7.3%</b>
Upgrading, Mechanization and Expansion			
Industrial / Agricultural	33,079	25,351	30.5%
Other	-	-	n.m.
<b>Sub Total</b>	<b>33,079</b>	<b>25,351</b>	<b>30.5%</b>
Boa Vista Mill (Greenfield)			
Sugarcane Planting	11,061	14,028	-21.2%
Industrial / Agricultural	5,022	7,690	-34.7%
Crop Treatment	9,145	7,278	25.7%
<b>Sub Total</b>	<b>25,228</b>	<b>28,996</b>	<b>-13.0%</b>
Maintenance Capex - Santa Cruz			
Sugarcane Planting	6,534	-	n.m.
Industrial / Agricultural	3,499	-	n.m.
Crop Treatment	4,008	-	n.m.
<b>Sub Total</b>	<b>14,041</b>	<b>-</b>	<b>n.m.</b>
<b>Total</b>	<b>131,739</b>	<b>109,698</b>	<b>20.1%</b>

The maintenance CAPEX of the São Martinho Group totaled R\$59.4 million in 1Q13, or 7.3% higher than in 1Q12. The increase reflects the higher maintenance investments made during the off-season and the higher use of crop treatments, in line with the expansion in treated areas, as already mentioned in the previous quarter (4Q12).

Investments in expansion and modernization totaled R\$33.1 million, increasing 30.5% from the same period in the prior crop year. This increase reflects the investments in (i) the cogeneration project at São Martinho Mill and (ii) the expansion of the sugar distribution terminal at São Martinho 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 GROUP

The São Martinho Group is one of the largest groups in Brazil's sugar and ethanol industry, with three mills in operation: São Martinho in Pradópolis (in the Ribeirão Preto region of São Paulo state), Iracema in Iracemápolis (in the Limeira region of São Paulo), and Boa Vista (in Quirinópolis, Goiás). In addition to these mills, we also consolidated 32.18% of Santa Cruz, a mill located in Américo Brasiliense (in the Ribeirão Preto region of São Paulo state). For more information please go to [www.saomartinho.ind.br](http://www.saomartinho.ind.br).



## INCOME STATEMENT

SÃO MARTINHO S.A. - CONSOLIDATED	1Q13	1Q12	Chg. (%)
R\$ Thousand			
Gross Revenue	307,872	348,471	-11.7%
Deductions from Gross Revenue	(17,559)	(19,523)	-10.1%
<b>Net Revenue</b>	<b>290,313</b>	<b>328,948</b>	<b>-11.7%</b>
Cost of Goods Sold (COGS)	(218,169)	(232,009)	-6.0%
<b>Gross Profit</b>	<b>72,144</b>	<b>96,939</b>	<b>-25.6%</b>
Gross Margin (%)	24.9%	29.5%	-4.6 p.p
<b>Operating Expenses</b>	<b>(41,933)</b>	<b>(36,099)</b>	<b>16.2%</b>
Selling Expenses	(8,978)	(13,406)	-33.0%
General and Administrative Expenses	(31,787)	(23,581)	34.8%
Equity Income	(1,949)	-	n.m.
Other Operating Expenses, Net	781	888	-12.0%
<b>Operating Profit, Before Financial Effects</b>	<b>30,211</b>	<b>60,840</b>	<b>n.m.</b>
<b>Financial Result, Net</b>	<b>(27,262)</b>	<b>(9,140)</b>	<b>198.3%</b>
Financial Revenues	25,135	13,350	88.3%
Financial Expenses	(35,159)	(24,064)	46.1%
Monetary and Exchange Variations - Net	(17,238)	1,574	n.m.
<b>Income (Loss) Before Income and Social Contribution Taxes</b>	<b>2,949</b>	<b>51,700</b>	<b>-94.3%</b>
Income Tax and Social Contribution - Current	(489)	(11,972)	-95.9%
Income Tax and Social Contribution - Deferred	(82)	(1,764)	-95.4%
<b>Net Income (Loss) Before Minority Interest</b>	<b>2,378</b>	<b>37,964</b>	<b>-93.7%</b>
Minority Interest	-	-	n.m.
<b>Net Income</b>	<b>2,378</b>	<b>37,964</b>	<b>-93.7%</b>
Net Margin (%)	0.8%	11.5%	-10.7 p.p



## BALANCE SHEET (ASSETS)

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

R\$ Thousand

<b>ASSETS</b>	<b>Jun/12</b>	<b>Mar/12</b>
<b>SHORT-TERM ASSETS</b>		
Cash and Cash Equivalents	793,064	410,567
Accounts Receivable	64,602	38,399
Derivatives Financial Instruments	50,204	11,063
Inventories	199,289	137,375
Recoverable Taxes	36,703	39,701
Income Tax and Social Contribution	22,218	20,550
Other Assets	12,385	5,551
<b>TOTAL SHORT-TERM ASSETS</b>	<b>1,178,465</b>	<b>663,206</b>
<b>LONG-TERM ASSETS</b>		
<b>Long-term Receivables</b>		
Financial Applications	6,679	6,541
Inventories	62,098	26,877
Related Parties	2	3,788
Deferred Income Tax and Social Contribution	41,867	38,227
Accounts Receivable - Copersucar	1,398	1,737
Recoverable Taxes	56,101	46,581
Judicial Deposits	45,249	44,972
Other Assets	395	395
	<b>213,789</b>	<b>169,118</b>
<b>Investments</b>	12,138	8,262
<b>Biological Assets</b>	664,307	632,904
<b>Fixed Assets</b>	3,255,374	3,244,267
<b>Intangible</b>	68,906	69,410
<b>TOTAL LONG-TERM ASSETS</b>	<b>4,214,514</b>	<b>4,123,961</b>
<b>TOTAL ASSETS</b>	<b>5,392,979</b>	<b>4,787,167</b>



## BALANCE SHEET (LIABILITIES)

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

R\$ Thousand

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>Jun/12</b>	<b>Mar/12</b>
<b>SHORT-TERM LIABILITIES</b>		
Loans and Financing	357,830	247,504
Derivatives Financial Instruments	66,666	14,269
Suppliers	101,989	76,655
Accounts Payable - Copersucar	2,302	2,356
Payroll and Social Contribution	70,035	57,297
Tax Payable	12,514	12,199
Income Tax and Social Contribution	586	240
Related Companies	2	224
Dividends Payable	30,070	30,070
Advances from Customers	951	8,418
Aquisition of Interest	59,499	57,906
Other Liabilities	14,238	10,215
<b>TOTAL SHORT-TERM LIABILITIES</b>	<b>716,682</b>	<b>517,353</b>
<b>LONG-TERM LIABILITIES</b>		
Loans and Financing	1,437,192	984,865
Accounts Payable - Copersucar	221,724	222,007
Tax Installments	57,078	57,873
Deferred Income Tax and Social Contribution	804,256	820,201
Provision for Contingencies	74,458	74,259
Aquisition of Interest	57,098	55,569
Advance for future capital increase	29,063	23,543
Other Liabilities	7,736	6,819
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>2,688,605</b>	<b>2,245,136</b>
<b>SHAREHOLDERS' EQUITY</b>		
Capital Stock	455,900	455,900
Adjustments to Book Value	1,228,378	1,272,558
Capital Budget Reserve	308,867	308,867
Treasury Shares	(14,570)	(12,753)
Number of shares granted	737	106
Retained Earnings	8,380	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,987,692</b>	<b>2,024,678</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>5,392,979</b>	<b>4,787,167</b>



## CONSOLIDATED CASH FLOW

SÃO MARTINHO S.A.	1Q13	1Q12
R\$ Thousand		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net Income in the period</b>	<b>2,378</b>	<b>37,964</b>
<b>Adjustments</b>		
Depreciation and amortization	37,394	39,018
Biological assets harvested (depreciation)	40,462	47,251
Variation in fair value of biological assets	(3,900)	795
Residual cost of investment and property, plant and equipment disposals	1,949	-
Capital gain from the change in equity interest	(34)	(301)
Interest, monetary and foreign exchange variations, net	38,405	14,669
Constitution of provision for contingencies, net	6,890	2,234
Deferred income tax and social contribution on net income	82	1,764
Constitution (reversal) of provision for inventory losses	(446)	(3,804)
Adjustments to present value and others	3,681	98
	<b>126,861</b>	<b>139,688</b>
<b>Changes in assets and liabilities</b>		
Trade accounts receivable	(24,505)	3,909
Inventories	(79,804)	(53,636)
Taxes recoverable	(7,034)	2,927
Related parties	-	294
Other assets	(6,617)	(12,761)
Suppliers	17,385	40,054
Salaries and social charges	12,738	19,087
Taxes payable	627	3,817
Taxes payable in installments	(1,802)	(829)
Provision for contingencies	(8,459)	(7,435)
Other liabilities	(2,458)	(16,579)
	<b>26,932</b>	<b>118,536</b>
<b>Cash provided by (used in) operations</b>	<b>26,932</b>	<b>118,536</b>
Interest paid	(14,492)	(8,715)
Income tax and social contribution on net income paid	(129)	(10,967)
<b>Net cash provided by (used in) operating activities</b>	<b>12,311</b>	<b>98,854</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
Investments	(1,068)	-
Additions to property, plant and equipments, intangible assets and deferred charges	(53,262)	(45,472)
Additions to biological assets (planting and treatment)	(73,439)	(62,206)
Proceeds from sale of property, plant and equipment	220	965
Cash and cash equivalents acquired by parent company	-	-
Advance on future capital increase	(1,193)	(846)
	<b>(128,742)</b>	<b>(107,559)</b>
<b>Net cash used in investing activities</b>	<b>(128,742)</b>	<b>(107,559)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Derivatives Financial Instruments	7,578	(9,749)
Financing - third parties	542,334	157,444
Repayment of financing - Copersucar	(2,874)	(1,136)
Repayment of financing - third parties	(51,812)	(40,018)
Advance on future capital increase	5,519	901
Acquisition of treasury stock	(1,817)	-
	<b>498,928</b>	<b>107,442</b>
<b>Net cash provided by (used in) financing activities</b>	<b>498,928</b>	<b>107,442</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>382,497</b>	<b>98,737</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>410,567</b>	<b>222,219</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>793,064</b>	<b>320,956</b>