



## 2Q10 Results 2009/10 Harvest










## SÃO MARTINHO REPORTS NET INCOME OF R\$ 49.1 MILLION IN 6M10

*Net Revenue increases 75.9% to R\$ 503.7 million in 6M10*

São Paulo, November 13, 2009 – 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 second quarter of fiscal year 2010 (2Q10) – 2009/10 Harvest.

### 2Q10 Highlights

-  The São Martinho Group posted Net Revenue growth of 47.3% in 2Q10 versus 2Q09, reflecting the higher sugar sales volume and increase of 48.7% in average sugar prices in the period.
-  The São Martinho Group recorded Adjusted EBITDA in 2Q10 of R\$ 76.5 million (with adjusted EBITDA margin of 26.7%), representing a 118.7% increase on 2Q09. The 107.9% increase in sugar sales volume and better sugar prices were the main catalysts of the strong growth in adjusted EBITDA.
-  Our sugar and dollar pricing strategy for production volume in the 2009/10 harvest generated net financial income of R\$ 18.3 million in 2Q10. As a result, adjusted EBITDA after currency and sugar pricing effects ("Hedge EBITDA") totaled R\$ 94.8 million in 2Q10 (Hedge EBITDA Margin of 33.1%).
-  In 6M10, adjusted EBITDA and Hedge EBITDA totaled R\$ 120.7 million and R\$ 162.7, respectively. Based on our sugar and ethanol volumes available for sale in the coming months, combined with the increase in ethanol prices observed in recent weeks, we expect even stronger results in the coming quarters.
-  The high rainfall in the Center-South region in recent months should impact production for the São Martinho Group, especially hydrous ethanol volumes. Consequently, despite maintaining our sugarcane crushing guidance of 13 million tons, our ethanol production should be some 85,000 m<sup>3</sup> lower, closing the period at 602,000 m<sup>3</sup>. This lower ethanol production volume should be partially offset by the increase in sugar production of 40,000 tons to approximately 720,000 tons in the current harvest year.
-  On September 30, 2009, sugar prices fixed by the São Martinho Group corresponded to 240,589 tons at an average price of US\$ 18.14 cents/pound. In addition, on the same date, short calls corresponded to 37,897 tons of sugar at an average price of US\$ 24.05 cents/pound, and short positions in sugar futures contracts corresponded to 15,240 tons at an average price of US\$ 21.11 cents/pound. As a result, our sugar position available for price fixing in the 2009/10 harvest on September 30, 2009 totaled approximately 166,029 tons.
-  On October 27, 2009, we announced investments of approximately R\$ 18 million to increase the flexibility of sugar and ethanol production at the Iracema and São Martinho units. Therefore, as of the next harvest, the São Martinho Group could boost sugar production by 120,000 tons to 840,000 tons.

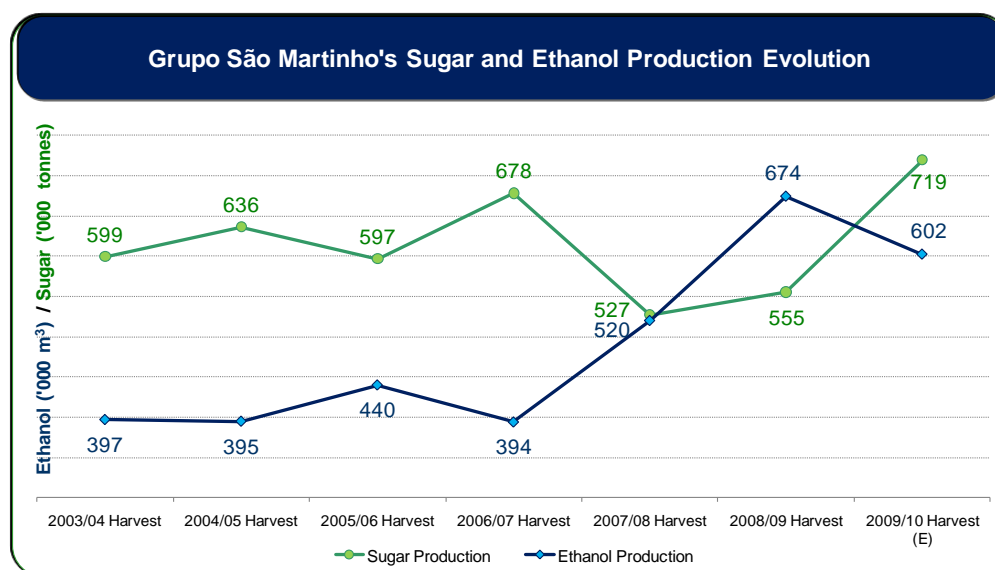


## Financial Highlights

Financial Highlights						
R\$ Thousand	2Q10	2Q09	Chg.%	6M10	6M09	Chg.%
<b>São Martinho - Consolidated</b>						
Gross Revenue	308,152	217,268	41.8%	549,417	320,678	71.3%
Net Revenue	286,297	194,313	47.3%	503,752	286,369	75.9%
Adjusted EBITDA	76,502	34,974	118.7%	120,697	48,357	149.6%
EBITDA Margin	26.7%	18.0%	8.7 p.p.	24.0%	16.9%	7.1 p.p.
Hedge Result	18,304	n.m.	n.m.	41,989	n.m.	n.m.
EBITDA Hedge	94,806	n.m.	n.m.	162,686	n.m.	n.m.
EBITDA Hedge Margin	33.1%	n.m.	n.m.	32.3%	n.m.	n.m.
<b>Consolidated Balance Sheet Indicators</b>						
Total Assets	3,425,810	3,390,845	1.0%	3,425,810	3,390,845	1.0%
Shareholders' Equity	1,624,357	1,582,048	2.7%	1,624,357	1,582,048	2.7%
EBITDA (LTM)	262,131	133,811	95.9%	262,131	133,811	95.9%
Net Debt	981,822	863,555	13.7%	981,822	863,555	13.7%
Net Debt / EBITDA (LTM)	3.7 x	6.5 x		3.7 x	6.5 x	
Net Debt / Shareholders' Equity	60%	55%		60%	55%	

## GUIDANCE 2009/10 HARVEST YEAR

Product	Production Volume 1st Estimate	Production Volume 2nd Estimate	Change %
Sugar ('000 tonnes)	680	719	5.8%
Ethanol ('000 m³)	687	602	-12.3%
Anhydrous ('000 m³)	251	220	-12.3%
Hydrous ('000 m³)	436	383	-12.3%
Total ATR ('000 tonnes)	1,894	1,790	-5.5%



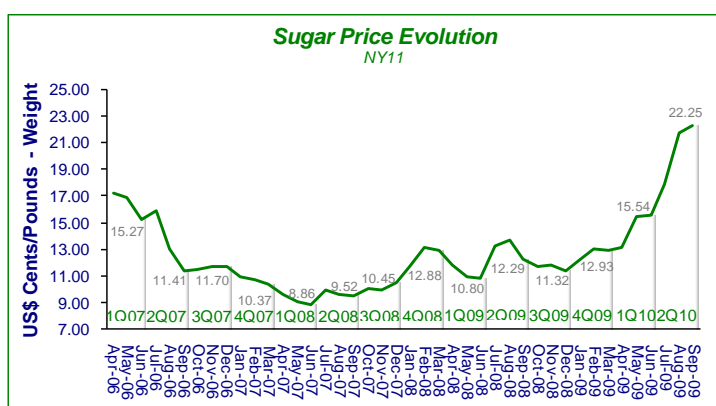


## Industry Overview

### Sugar

Average Sugar Prices	2Q10	1Q10	2Q09	Chg. % 2Q10 x 2Q09	Chg. % 2Q10 x 1Q10	6M10	6M09	Chg. % 6M10 x 6M09
US\$/R\$ Exchange rate	1.87	2.07	1.67	12.0%	-9.9%	1.97	1.66	18.4%
NY11 US\$ cents/pound	20.55	14.71	13.06	57.3%	39.7%	17.65	12.13	45.5%
NY11 R\$ / Ton	846.36	672.20	480.19	76.3%	25.9%	765.61	444.58	72.2%
Sugar ESALQ Net R\$/50-kilogram sack	39.75	37.26	24.31	63.5%	6.7%	38.50	23.46	64.1%

The NY11 international sugar price reached its highest level of recent years in 2Q10, with the average sugar price climbing by 57.3% versus 2Q09 to US\$ 20.55 cents/pound. The price in Brazilian real for Brazilian producers registered an even sharper increase of 76.3%, impacted also by the 12% local currency depreciation in the period.



Comparing 6M10 with 6M09, NY11 sugar prices in Brazilian real increased by 72.2%, driven by the 45.5% increase in US\$ prices and by the 18.4% local currency depreciation in the period.

This strong recovery in sugar prices is directly related to the shortfall in world production in relation to world consumption. In the previous harvest year, world production fell 10.4 million tons short of consumption, and the prospects for the 2009/10 harvest year are of another deficit, of 8.4 million tons, which has been sustaining the consecutive price increases in recent months.

The lower world sugar production was due to the sharp contraction in Indian production since the 2007/08 harvest year. For the current harvest year, India's sugar output should be around 15 million tons, for domestic consumption of approximately 24 million.

In Brazil, the response of producers this harvest year was to prioritize sugarcane production as much as possible in order to benefit from the significantly higher prices. Initial estimates point to total sugar output of 31.2 million tons in the Center-South region, which would represent growth of 16% on the previous harvest year. However, the 2009/10 harvest year is being impacted by excessive rainfall during the crushing period, which has worked to reduce sugarcane crushing in terms of both volume and TRS, the latter measuring the quality of the raw material.

As a result, the final product volume had to be revised downward from the initial estimate. In September 2009, UNICA published a new forecast for the current harvest year calling for production of 29.4 million tons, down 5% from the initial estimate, which is contributing to the recovery in international sugar prices.





## Ethanol

Average Ethanol / Oil Prices	2Q10	1Q10	2Q09	Chg. % 2Q10 x 2Q09	Chg. % 2Q10 x 1Q10	6M10	6M09	Chg. % 6M10 x 6M09
Anhydrous ESALQ, Net DM R\$ / m <sup>3</sup>	843.95	690.08	874.10	-3.4%	22.3%	767.01	838.05	-8.5%
Hydrous ESALQ, Net DM - R\$ / m <sup>3</sup>	740.78	604.45	728.28	1.7%	22.6%	672.62	709.08	-5.1%
Anhydrous ESALQ EM R\$ / m <sup>3</sup>	735.20	757.16	767.51	-4.2%	-2.9%	746.18	779.04	-4.2%
Hydrous ESALQ EM - R\$ / m <sup>3</sup>	622.22	600.09	705.79	-11.8%	3.7%	611.16	706.13	-13.5%
Oil NY	68.24	59.79	117.98	-42.2%	14.1%	64.04	120.98	-47.1%

In 2Q10, domestic anhydrous ethanol prices decreased by 3.4%, while hydrous increased by 1.7%, in relation to 2Q09.

However, as Chart 2 shows, as of July 2009, ethanol prices have been rising consistently, driven by the strong demand from flex-fuel vehicles and the heavy rainfall that has been adversely affecting ethanol production for this harvest year.

According to estimates from the São Paulo Sugarcane Industry Association (UNICA), ethanol production in the Center-South region should grow by 1.1 billion liters to 26.3 billion liters in the 2009/10 harvest year. However, in mid-September, another estimate from UNICA called for ethanol output that was 2.6 billion liters lower in relation to the initial forecast, projecting production of 23.7 billion liters.

The lower ethanol output is related to the above-average rainfall during the crushing period. In addition, mills that can opt between sugar and ethanol production have prioritized sugar production, given its higher profitability in relation to ethanol, which has persisted even after the recovery in anhydrous and hydrous ethanol prices over the past weeks.

Anhydrous ethanol is currently trading above R\$ 1,000/m<sup>3</sup> while hydrous ethanol is trading above R\$ 900/m<sup>3</sup>, in line with our initial expectations of recovery in ethanol prices since the beginning of the harvest year.

Chart 1

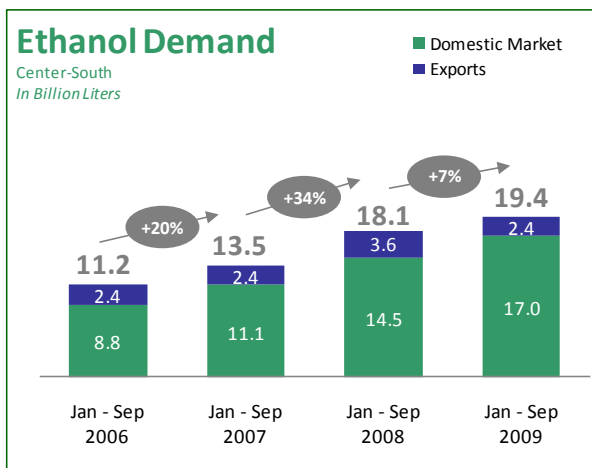
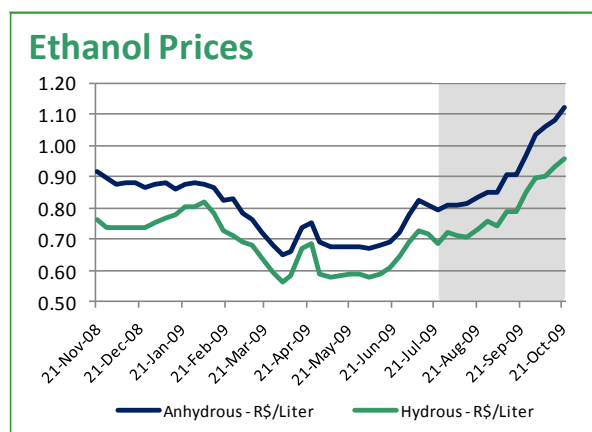


Chart 2





## Operating Performance

### Operating Highlights

Operating Data	6M10	6M09	Chg.%
<b>Crushed Sugarcane ('000 tonnes)</b>	9,466	8,670	9.2%
Own	5,429	4,936	10.0%
Third Parties	4,037	3,734	8.1%
<b>Mechanized Harvest (%)</b>	84.4%	81.6%	2.9 p.p
<b>Production</b>			
Sugar ('000 tonnes)	525	431	21.7%
Anhydrous Ethanol ('000 m <sup>3</sup> )	154	183	-15.7%
Hydrous Ethanol ('000 m <sup>3</sup> )	282	280	0.7%
RNA - Ribonucleic Acid ('000 Kg)	147	65	126.0%
Energy ('000 MWh)	112.8	45	150.3%

## Financial Performance

### Operating Revenue

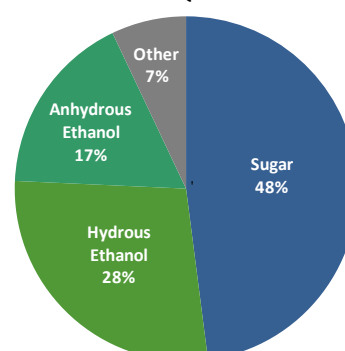
Net Revenues Breakdown						
R\$ Thousand	2Q10	2Q09	Chg.% 2Q10 x 2Q09	6M10	6M09	Chg.% 6M10 x 6M09
<b>Domestic Market</b>	<b>119,537</b>	<b>129,199</b>	<b>-7.5%</b>	<b>224,512</b>	<b>200,253</b>	<b>12.1%</b>
Sugar	10,855	6,869	58.0%	21,987	8,480	159.3%
Hydrous Ethanol	56,840	65,119	-12.7%	106,961	96,769	10.5%
Anhydrous Ethanol	33,316	39,428	-15.5%	59,763	70,087	-14.7%
Energy	9,005	7,254	24.1%	14,439	8,535	69.2%
Other	9,521	10,529	-9.6%	21,362	16,382	30.4%
<b>Export Market</b>	<b>166,760</b>	<b>65,115</b>	<b>156.1%</b>	<b>279,240</b>	<b>86,116</b>	<b>224.3%</b>
Sugar	126,464	37,563	236.7%	220,145	50,214	338.4%
Hydrous Ethanol	22,609	4,104	450.9%	32,032	4,104	680.5%
Anhydrous Ethanol	16,044	20,892	-23.2%	19,724	26,406	-25.3%
RNA	1,643	2,556	-35.7%	7,339	5,392	36.1%
<b>Net Revenue</b>	<b>286,297</b>	<b>194,313</b>	<b>47.3%</b>	<b>503,752</b>	<b>286,369</b>	<b>75.9%</b>
Sugar	137,319	44,432	209.1%	242,132	58,693	312.5%
Hydrous Ethanol	79,448	69,223	14.8%	138,993	100,873	37.8%
Anhydrous Ethanol	49,360	60,320	-18.2%	79,488	96,493	-17.6%
RNA	1,643	2,556	-35.7%	7,339	5,392	36.1%
Energy	9,005	7,254	24.1%	14,439	8,535	69.2%
Other	9,521	10,529	-9.6%	21,362	16,382	30.4%

### Net Revenue

The São Martinho Group posted net revenue growth of 47.3% in 2Q10 versus 2Q09, reflecting the higher sugar sales volume and the increase of 48.7% in average sugar prices in the period.

Year to date, net revenue increased by 75.9% in relation to 6M09, due to the combination of higher sales volume (175.5%) and better sugar prices (49.8%).

Revenues Breakdown  
2Q10





Sales Performance						
Products	2Q10	2Q09	Chg.% 2Q10 x 2Q09	6M10	6M09	Chg.% 6M10 x 6M09
<b>Domestic Market</b>						
Sugar (tonnes)	14,514	16,505	-12.1%	33,648	20,463	64.4%
Hydrous Ethanol (m³)	80,121	92,695	-13.6%	162,876	140,938	15.6%
Anhydrous Ethanol (m³)	41,649	47,098	-11.6%	82,192	86,121	-4.6%
Energy (MWh)	64,102	39,921	60.6%	116,467	45,062	158.5%
<b>Export Market</b>						
Sugar (tonnes)	213,736	93,300	129.1%	366,800	124,912	193.6%
Hydrous Ethanol (m³)	29,413	4,951	494.1%	41,846	4,951	745.2%
Anhydrous Ethanol (m³)	20,815	26,614	-21.8%	25,730	33,318	-22.8%
RNA (Kg)	26,000	54,150	-52.0%	104,000	136,710	-23.9%
<b>Consolidated</b>						
Sugar (tonnes)	228,250	109,805	107.9%	400,448	145,375	175.5%
Hydrous Ethanol (m³)	109,534	97,646	12.2%	204,722	145,889	40.3%
Anhydrous Ethanol (m³)	62,465	73,712	-15.3%	107,922	119,439	-9.6%
Energy (MWh)	64,102	39,921	60.6%	116,467	45,062	158.5%
RNA (Kg)	26,000	54,150	-52.0%	104,000	136,710	-23.9%

Average Prices						
	2Q10	2Q09	Chg.% 2Q10 x 2Q09	6M10	6M09	Chg.% 6M10 x 6M09
<b>Domestic Market</b>						
Sugar (R\$/tonnes)	747.94	416.19	79.7%	653.42	414.39	57.7%
Hydrous Ethanol (R\$/m³)	709.42	702.51	1.0%	656.70	686.61	-4.4%
Anhydrous Ethanol (R\$/m³)	799.91	837.15	-4.4%	727.12	813.82	-10.7%
Energy (R\$/MWh)	140.49	181.71	-22.7%	123.98	189.41	-34.5%
<b>Export Market</b>						
Sugar (R\$/tonnes)	591.68	402.60	47.0%	600.18	401.99	49.3%
Hydrous Ethanol (R\$/m³)	768.66	828.95	-7.3%	765.47	828.95	-7.7%
Anhydrous Ethanol (R\$/m³)	770.79	785.01	-1.8%	766.58	792.56	-3.3%
RNA (R\$/Kg)	63.21	47.20	33.9%	70.56	39.44	78.9%
<b>Consolidated</b>						
Sugar (R\$/tonnes)	601.62	404.65	48.7%	604.65	403.74	49.8%
Hydrous Ethanol (R\$/m³)	725.33	708.92	2.3%	678.93	691.44	-1.8%
Anhydrous Ethanol (R\$/m³)	790.21	818.32	-3.4%	736.53	807.89	-8.8%
Energy (R\$/MWh)	140.49	181.71	-22.7%	123.98	189.41	-34.5%
RNA (R\$/Kg)	63.22	47.20	33.9%	70.76	39.52	79.1%

## Sugar

Net revenue from sugar sales increased by 209.1% to R\$ 137.3 million in 2Q10, compared with R\$ 44.4 million in 2Q09. The increase of 107.9% 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\$ 14.4 cents/pound in 2Q10, representing an increase of 31.2% in relation to 2Q09.

Note that sugar sales in 2Q10 were fixed at prices quoted for May and July 2009, which averaged US\$ 13.00 cents/pound and US\$ 14.05 cents/pound, respectively, during 2009 through the maturity of contracts. Consequently, the São Martinho Group was able to outperform market prices by 8% for these contracts.



## *Ethanol*

### Hydrous

Net revenue from hydrous ethanol sales totaled R\$ 79.5 million in 2Q10, up 14.8% in relation to 2Q09.

The main positive driver was the increase in export sales volume, which during the period enjoyed a premium over the domestic market.

### Anhydrous

Net revenue from anhydrous ethanol sales in the quarter totaled R\$ 49.4 million, down 18.2% in relation to 2Q09, impacted primarily by the 15.3% reduction in sales volume.

The lower sales volume was mainly driven by the change in the production mix of our mills, which in the current harvest year are focusing on sugarcane production at the expense of ethanol production.

## *Ribonucleic Acid (RNA) Sodium Salt*

RNA net revenue totaled R\$ 1.6 million in 2Q10, decreasing by 35.7% on 2Q09.

The main impact was caused by the 52% reduction in RNA export volume, which in turn was due to changes in the shipment timetable, which this harvest was more concentrated in the second half of the year.

## *Electric Power*

In 2Q10, net revenue from electricity sales grew 24.1% year on year, basically due to the higher volume co-generated and sold in the period, which reached 64,102 MWh, up 60.6% on 2Q09.

Generating a negative impact, MWh prices fell by 22.7% in relation to the same period of the previous harvest year, mainly impacted by sales in the electricity spot market.

## *Other Products and Services*

Net revenue from the "Other Products and Services" line totaled R\$ 9.5 million in 2Q10, a decrease of 9.6% year on year. This decrease was led by lower sales of bagasse and inputs in the period.

In 6M10, net revenue rose 30.4% to R\$ 21.3 million, mainly reflecting 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	2Q10	2Q09	Chg.% 2Q10 x 2Q09
Sugar (tonnes)	265,362	290,868	-8.8%
Hydrous (m <sup>3</sup> )	105,513	133,455	-20.9%
Anhydrous (m <sup>3</sup> )	66,111	68,095	-2.9%

The decrease in ethanol inventories in 2Q10 in relation to 2Q09 is directly related to the lower ethanol production volume, given the priority on sugar production at units that can opt between the two products. The high rainfall in 2Q10, as detailed in the item "Industry Overview – Ethanol", also negatively impacted production levels.

The decrease in sugar inventories is directly related to the strong sales volume in 6M10, which surpassed 400,000 tons, for an increase of 175.5% versus 6M09.

## Estimates – Product Availability in 2009/10 Harvest Year

Inventories / Production Estimates (*)			
	Inventories 2Q10	Remaining Production 2009/10 (*)	Available Volume Harvest 2009/10 (Estimated)
Sugar ('000 tonnes)	265	194	460
Ethanol ('000 m <sup>3</sup> )	172	166	338

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

As detailed in the item "Guidance 2009/10 Harvest Year", we lowered our estimates for ethanol production due to the excessive rainfall and subsequent drop in our production yield.

Until the end of the harvest year, we will prioritize anhydrous ethanol production to supply the domestic market at the Group's units with installed capacity.

In addition, after making certain adjustments at our units, we were able to increase sugar production volume by 40,000 tons. Therefore, by the end of the harvest year we will have approximately 460,000 tons of sugar available for sale, higher than the entire volume processed in the previous harvest year (fiscal year 2009).

## EBITDA and EBITDA Cost by product

EBITDA by Product - 2Q10				
R\$ Thousand	Sugar	Ethanol	Others	TOTAL
<b>Net Revenues</b>	137,319	128,808	20,170	286,297
COGS (Cash)	(71,577)	(82,940)	(13,878)	(168,395)
<b>Gross Profit (Cash)</b>	65,742	45,868	6,292	117,902
<i>Gross Margin (Cash)</i>	47.9%	35.6%	31.2%	41.2%
Sales Expenses	(12,837)	(6,553)	(95)	(19,484)
G&A Expenses	(9,207)	(11,358)	(2,285)	(22,850)
Other Revenues (Expenses)	-	-	935	935
<b>EBITDA</b>	<b>43,698</b>	<b>27,957</b>	<b>4,847</b>	<b>76,502</b>
<i>EBITDA Margin</i>	31.8%	21.7%	24.0%	26.7%
<b>EBITDA Cost (*)</b>	<b>R\$ 410.2</b>	<b>R\$ 586.3</b>	<b>-</b>	<b>-</b>

(\*) Sugar in R\$/tonne

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



EBITDA by Product - 6M10				
R\$ Thousand	Sugar	Ethanol	Others	TOTAL
<b>Net Revenues</b>	242,132	218,480	43,140	503,752
COGS (Cash)	(126,191)	(148,495)	(32,158)	(306,844)
<b>Gross Profit (Cash)</b>	115,941	69,985	10,982	196,908
<i>Gross Margin (Cash)</i>	47.9%	32.0%	25.5%	39.1%
Sales Expenses	(23,299)	(10,529)	(132)	(33,959)
G&A Expenses	(16,970)	(21,673)	(4,294)	(42,938)
Other Revenues (Expenses)	-	-	686	686
<b>EBITDA</b>	<b>75,671</b>	<b>37,783</b>	<b>7,243</b>	<b>120,697</b>
<i>EBITDA Margin</i>	31.3%	17.3%	16.8%	24.0%
EBITDA Cost (*)	R\$ 415.7	R\$ 578.0	-	-

(\*) Sugar in R\$/tonne

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

In 2Q10, sugar accounted for 57% of the group's consolidated EBITDA, while ethanol and other products accounted for 37% and 6%, respectively. The sugar EBITDA margin stood at 31.8% in 2Q10, slightly higher than the margin registered in 1Q10 (30.5%). This improvement is directly related to the higher dilution of production fixed costs, which fully offset the higher costs with suppliers and partners caused by the increase in CONSECANA prices.

The ethanol EBITDA margin improved considerably to 21.7% in 2Q10 (10.9% in 1Q10), mainly driven by the 17% increase in average prices between 2Q10 and 1Q10. The ethanol EBITDA cost reached R\$ 586.3/m<sup>3</sup>, increasing by 3.3% versus 1Q10 (R\$ 567.9/m<sup>3</sup>). The higher ethanol EBITDA cost is related to the lower production volume, which had a negative impact on the dilution of product costs.

In 6M10, sugar accounted for 63% of the group's consolidated EBITDA, while ethanol and other products accounted for 31% and 6%, respectively. Even though we believe sugar will remain more profitable than ethanol during the harvest, the increase in anhydrous and hydrous prices observed in recent weeks should boost ethanol margins in the second half of the fiscal year.

### Cost of Goods Sold

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

Breakdown of Cost of Goods Sold (COGS) - Cash						
R\$ Thousand	2Q10	2Q09	Chg.%	6M10	6M09	Chg.%
<b>Agricultural Costs</b>	<b>139,993</b>	<b>89,981</b>	<b>55.6%</b>	<b>245,366</b>	<b>131,296</b>	<b>86.9%</b>
Suppliers	69,597	42,751	62.8%	108,043	54,497	98.3%
Partnerships	11,744	6,984	68.2%	23,755	10,436	127.6%
Own Sugarcane	58,653	40,247	45.7%	113,568	66,363	71.1%
<b>Industrial</b>	<b>17,114</b>	<b>13,662</b>	<b>25.3%</b>	<b>33,338</b>	<b>21,003</b>	<b>58.7%</b>
<b>Other Products</b>	<b>11,289</b>	<b>15,818</b>	<b>-28.6%</b>	<b>28,140</b>	<b>24,654</b>	<b>14.1%</b>
<b>Total COGS</b>	<b>168,395</b>	<b>119,461</b>	<b>41.0%</b>	<b>306,844</b>	<b>176,953</b>	<b>73.4%</b>
TRS Sold ('000 tonnes)	535	410	30.3%	957	610	56.9%
Unit Cost (Sugar and Ethanol Cash COGS / TRS Sold)	294	252	16.3%	291	250	16.7%

As shown above, Cash COGS in 2Q10 was 41%, or R\$ 48.9 million, higher than in 2Q09. The main factors were: 1) the increase of 30.3% in sales volume (in TRS equivalent); 2) the higher costs with sugarcane suppliers and the leasing of land held by "Partners", due to the 26% increase in the CONSECANA price in the period; and 3) the lower dilution of production fixed costs, leading to higher unit costs due to interruptions in crushing operations in 2Q09 due to the excessive rainfall.



## Selling Expenses

Selling Expenses Breakdown						
R\$ Thousand	2Q10	2Q09	Chg.%	6M10	6M09	Chg.%
Port Costs	3,044	1,371	122.1%	4,885	1,477	230.6%
Freight	15,927	9,373	69.9%	27,654	11,858	133.2%
Sales Commission	512	665	-22.9%	1,421	944	50.5%
<b>Selling Expenses</b>	<b>19,484</b>	<b>11,409</b>	<b>70.8%</b>	<b>33,959</b>	<b>14,279</b>	<b>137.8%</b>
TRS Sold ('000 tonnes)	535	410	30.3%	957	610	56.9%
% of Net Revenues	6.8%	5.9%	0.9 p.p.	6.7%	5.0%	1.8 p.p.

The sharp increase in selling expenses in 2Q10 in relation to 2Q09 is exclusively due to the significant growth in sugar and ethanol export volumes of 129.1% and 59.1%, respectively.

Exports accounted for 58.2% of the São Martinho Group's net revenue in the quarter, up from only 33.5% in 2Q09. Since selling expenses are directly related to export volume, the Selling Expenses/Net Revenue ratio presented a proportional increase of 0.9 percentage points in the comparison between 2Q10 and 2Q09.

## General and Administrative Expenses

General and Administrative Expenses Breakdown (Excluding Depreciation)						
In R\$ Thousand	2Q10	2Q09	Chg.%	6M10	6M09	Chg.%
Personnel	7,038	8,614	-18.3%	13,780	15,292	-9.9%
Taxes, Fees and Contributions	5,309	5,163	2.8%	7,056	6,530	8.1%
Provisions for Contingencies	3,550	5,078	-30.1%	8,894	11,450	-22.3%
General Expenses and Third-Party Services	5,051	6,954	-27.4%	9,436	11,263	-16.2%
Management fee	1,903	3,117	-38.9%	3,772	4,912	-23.2%
<b>Total General and Administrative Expenses</b>	<b>22,850</b>	<b>28,926</b>	<b>-21.0%</b>	<b>42,938</b>	<b>49,448</b>	<b>-13.2%</b>

G&A expenses totaled R\$ 22.8 million in 2Q10, down 21.0% on 2Q09. There were reductions in almost all G&A expenses lines, as follows: Personnel (- R\$ 1.5 million), Contingencies (- R\$ 1.5 million), General and Third-Party Expenses (- R\$ 1.9 million) and Management Fees (- R\$ 1.2 million).

In 6M10, G&A expenses also declined (-13.2%), influenced by the reduction in the lines cited above.

## EBITDA

EBITDA Reconciliation						
R\$ Thousand	2Q10	2Q09	Chg.%	6M10	6M09	Chg.%
<b>Adjusted EBITDA</b>	<b>76,502</b>	<b>34,974</b>	<b>118.7%</b>	<b>120,697</b>	<b>48,357</b>	<b>149.6%</b>
Adjusted EBITDA Margin	26.7%	18.0%	8.7 p.p.	24.0%	16.9%	7.1 p.p.
Non Recurring Operating Revenues (Expenses)	(1,116)	(3,151)	-64.6%	(750)	(5,364)	-86.0%
Non Cash Items Launched in the COGS	(8,303)	(4,275)	94.2%	(6,313)	6,621	n.m.
<b>EBITDA</b>	<b>85,921</b>	<b>42,401</b>	<b>102.6%</b>	<b>127,760</b>	<b>47,099</b>	<b>171.3%</b>
EBITDA Margin	30.0%	21.8%	8.2 p.p.	25.4%	16.4%	8.9 p.p.
(-) Depreciation and Amortization	(65,675)	(48,759)	34.7%	(120,435)	(81,915)	47.0%
(-) Financial Revenue (Expense), net	12,990	(58,700)	n.m.	70,096	(69,851)	n.m.
<b>(=) Operating Income (Loss)</b>	<b>33,236</b>	<b>(65,058)</b>	<b>n.m.</b>	<b>77,421</b>	<b>-104,667</b>	<b>n.m.</b>



## Adjusted EBITDA

The São Martinho Group recorded adjusted EBITDA in 2Q10 of R\$ 76.5 million, up 118.7% in relation to 2Q09. The main drivers of this improvement were the increases in relation to 2Q09 of 107.9% and 48.7% in sugar sales volume and prices, respectively.

## EBITDA (Adjustment for Non-Cash Items)

The main adjustments made to EBITDA in 2Q10 are detailed below:

- 1) Negative adjustment to EBITDA - "Non-cash items booked in COGS": 2Q10 - R\$ 8.3 million

This is a reversal of the accounting adjustment made in 1Q10, which, as mentioned in the 1Q10 earnings release, would be reversed over the course of the harvest year. The adjustment results from the fact that at the close of 1Q10 the volume of finished products in inventory is typically very low (we produce on average 25% of the total harvest in this period), while a large portion of our fixed costs (depreciation, labor, etc.) are already allocated to inventories. Therefore, the calculation of the unit cost of finished products in our stocks is sometimes higher. After comparing this cost with the sugar and ethanol prices practiced in the market, we must make adjustments (reduction) to the market value, offsetting the cost of goods sold.

Therefore, due to the sharp increase in ethanol prices, the São Martin Group was able to reverse 100% of these adjustments in 2Q10.

## EBITDA HEDGE (Pricing 2009/10 Harvest)

The São Martinho Group had hedged approximately US\$202 million of its sugar and ethanol exports in the 2009/10 harvest, at an average price of R\$ 2.102/US\$. This exposure was structured through non-deliverable forwards (NDFs) and advances on export contracts (ACCs). On September 30, 2009, the marking to market of these transactions generated gains of R\$ 62.7 million (in 6M10) and R\$ 32.3 million (in 2Q10), which were recognized as financial income and exchange variation 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\$ 20.7 million (in 6M10) and R\$ 14.0 million (in 2Q10), which were recognized as financial expenses.

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

<b>EBITDA Hedge</b>			
<b>R\$ Thousand</b>	<b>1Q10</b>	<b>2Q10</b>	<b>6M10</b>
<b>EBITDA Hedge</b>	<b>67,880</b>	<b>94,806</b>	<b>162,686</b>
<i>Hedge EBITDA Margin</i>	31.2%	33.1%	32.3%
Hedge Result - Sugar	(6,683)	(14,011)	(20,695)
Hedge Result - Currency	30,368	32,315	62,683
<b>Adjusted EBITDA</b>	<b>44,195</b>	<b>76,502</b>	<b>120,697</b>
<i>Adjusted EBITDA Margin</i>	20.3%	26.7%	24.0%





## U.S. Dollar

On September 30, 2009, the São Martinho Group held a US\$ 33.1 million short position in US\$ currency futures through non-deliverable forwards (NDFs) at an average price of R\$ 2.2268/US\$, with maturities through March 2010.

## Sugar

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

- 1) Long puts for 2,540 tons of sugar at an average price of US\$ 18.50 cents/pound, with maturity in March 2010;
- 2) Long calls for 39,624 tons of sugar at an average price of US\$ 19.52 cents/pound, with maturity in March 2010;
- 3) Short puts for 16,764 tons of sugar at an average price of US\$ 16.73 cents/pound, with maturity in March 2010;
- 4) Short calls for 77,521 tons of sugar at an average price of US\$ 21.88 cents/pound, with maturity in March 2010;
- 5) Short positions in futures contracts for 15,240 tons of sugar at an average price of US\$ 21.11cents/pound, with maturity in March 2010;
- 6) In addition, 240,589 tons of sugar were priced through sale contracts for delivery between October 2009 and March 2010, at an average price of US\$ 18.14 cents/pound, on the New York Stock Exchange (ICE Futures US).

## Details on Options Positions and Prices

Options / Pricing					
Type	Maturity	Tonnes	Average Price	Position on 11/11/2009 (*)	Price on 11/11/2009
Purchase of "PUT"	Mar/10	2,540	18.50	"Out-of-the-money"	
Purchase of "CALL"	Mar/10	4,267	19.68	"In-the-money"	22.67
Sale of "CALL"	Mar/10	4,267	22.25	"In-the-money"	22.67
Sale of "PUT"	Mar/10	16,764	16.73	"Out-of-the-money"	
Sale of "CALL"	Mar/10	37,897	24.05		
	Mar/10	2,540	21.75	"In-the-money"	22.67
	Mar/10	1,524	22.00	"In-the-money"	22.67
	Mar/10	8,433	22.25	"In-the-money"	22.67
	Mar/10	25,400	25.00	"Out-of-the-money"	
Future Contracts - Sold	Mar/10	15,240	21.11		
Prices Fixed	Oct/09 to Mar/10	240,589	18.14		

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

"In-the-money" – Based on the current price of the futures contract, the option will be exercised



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

Therefore, assuming that these options will be exercised at maturity, the São Martinho Group closed September 30, 2009 with 293,726 tons of sugar priced at US\$ 19.06 cents/pound, with the prices for 166,029 tons still to be set.

### Net Financial Result

Net Financial Result Breakdown						
R\$ Thousand	2Q10	2Q09	Chg.%	6M10	6M09	Chg.%
Financial Revenue	1,868	3,685	-49.3%	3,714	5,637	-34.1%
Financial Expense	(16,155)	(29,760)	-45.7%	(26,776)	(42,626)	-37.2%
Hedge Result - Sugar	(14,011)	3,243	n.m.	(20,694)	4,080	n.m.
Exchange Variation	42,789	(33,366)	n.m.	117,084	(31,873)	n.m.
Copersucar Monetary Variation	(1,501)	(2,502)	-40.0%	(3,232)	(5,068)	-36.2%
<b>Net Financial Result</b>	<b>12,990</b>	<b>(58,700)</b>	<b>n.m.</b>	<b>70,096</b>	<b>(69,851)</b>	<b>n.m.</b>

The net financial result in 2Q10 was heavily impacted by exchange variation gains of R\$ 42.8 million, resulting from the appreciation of 8.9% in the Brazilian real against the dollar in the period. These gains were possible thanks to the volume of our US\$-denominated debt (38% in September 2009) and the short positions in NDFs.

Another positive highlight in the 2Q10 financial result was the steep drop in financial expenses. The combination of lower interest rates in U.S. dollar and Brazilian real (due to the sharp reductions in the Libor and CDI rates over the last 12 months) was the main driver of this improvement.

Furthermore, the strong rally in international sugar prices during 2Q10 led our sugar price hedge position to generate an accounting loss of R\$ 14.0 million. This loss was fully recognized in the quarter and will be reversed through sugar exports in the coming quarters.

### Operating Working Capital

Operating Working R\$ Thousand	2Q09	1Q10	2Q10	Chg. 2Q10 x 1Q10	Chg. 2Q10 x 2Q09
<b>ASSETS</b>	<b>504,032</b>	<b>444,410</b>	<b>559,283</b>	<b>(114,873)</b>	<b>(55,251)</b>
Accounts Receivable	48,983	27,883	71,970	(44,087)	(22,987)
Inventories	405,112	353,050	430,430	(77,380)	(25,318)
Tax receivable	49,937	63,477	56,883	6,594	(6,946)
<b>LIABILITIES</b>	<b>147,349</b>	<b>148,648</b>	<b>163,272</b>	<b>14,624</b>	<b>15,923</b>
Suppliers	97,386	88,628	104,475	15,847	7,089
Payroll and social contribution	40,334	47,958	46,536	(1,422)	6,202
Tax payable	9,629	12,062	12,261	199	2,632
<b>WORKING CAPITAL</b>	<b>356,683</b>	<b>295,762</b>	<b>396,011</b>	<b>(100,249)</b>	<b>(39,328)</b>

As shown above, the São Martinho Group invested working capital of R\$ 396.0 million in its operations in 2Q10, for an increase of R\$ 39.3 million in relation to 2Q09.

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



### Net Income (Loss)

The São Martinho Group posted net income of R\$ 20.2 million in 2Q10, compared with a net loss of R\$ 42.4 million in 2Q09. The main reasons for this improvement were: 1) the substantial increase in sugar sales volume, given the higher production in the current harvest year; 2) the increase of 48.7% in sugar prices in local currency terms due to the higher international prices; and 3) the positive impact from foreign exchange gains on our dollar-denominated debt because of the appreciation in the real against the dollar.

### Debt with Copersucar

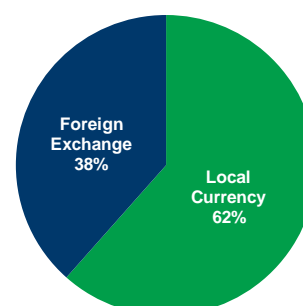
On September 30, 2009, the Company recognized debt of R\$ 196.2 million with Copersucar. In view of the terms negotiated in the process to terminate the membership at Copersucar, we will continue to book under long-term liabilities in the line "Obligations - Copersucar" all liabilities related to the contingencies currently being resolved judicially that were filed by legal counsel at Copersucar. These obligations continue to be secured by sureties in the amount of R\$ 155.1 million on a consolidated basis.

### Indebtedness

Debt R\$ Thousand	Sep/09	Sep/08	Chg.%
PESA	72,780	78,931	-7.8%
Rural Credit	37,535	111,269	-66.3%
BNDES / FINAME	500,422	503,193	-0.6%
Working Capital	108,400	94,429	14.8%
ACC (Advances on Foreign Exchange Contracts)	202,704	89,123	127.4%
PPE (Export prepayment)	178,321	191,956	-7.1%
Others	795	960	-17.2%
<b>Gross Debt</b>	<b>1,100,957</b>	<b>1,069,861</b>	<b>2.9%</b>
Cash and Cash Equivalents	119,135	206,306	-42.3%
<b>Net Debt</b>	<b>981,822</b>	<b>863,555</b>	<b>13.7%</b>
<b>Net Debt ex. PESA</b>	<b>909,042</b>	<b>784,624</b>	<b>15.9%</b>

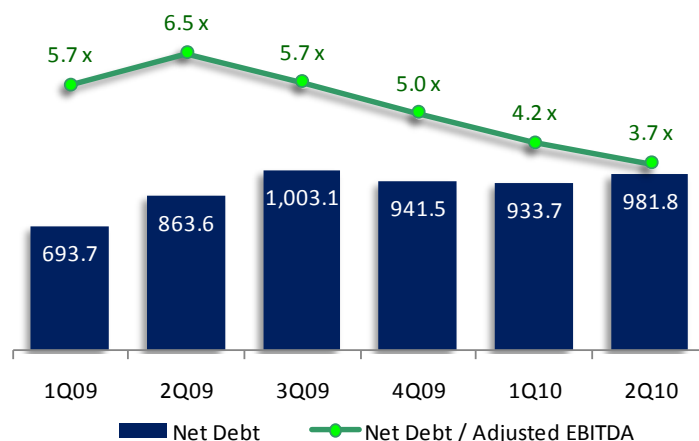
On September 30, 2009, São Martinho's consolidated net debt stood at R\$ 981.8 million, an increase of R\$ 118.2 million from a year earlier. The main reasons for the higher debt were the continued expansion of the Boa Vista Mill, with investments of R\$ 148.4 million over the past 12 months, and the "temporary" increase in operating working capital of R\$ 39.3 million. In the period, the foreign exchange gains on our US\$-denominated debt of R\$ 53.9 million contributed to the reduction in net debt.

2Q10 Debt Breakdown





### Performance - Net Debt / EBITDA



### Capex

In R\$ Thousand						
Capex (Maintenance)	2Q10	2Q09	Chg.%	6M10	6M09	Chg.%
Sugarcane Planting	19,791	17,164	15.3%	43,263	35,222	22.8%
Industrial / Agricultural	5,194	4,498	15.5%	19,092	20,764	-8.1%
<b>Sub Total</b>	<b>24,985</b>	<b>21,662</b>	<b>15.3%</b>	<b>62,355</b>	<b>55,986</b>	<b>11.4%</b>
<b>Upgrading, Mechanization and Expansion</b>						
Industrial / Agricultural	-	-	n.m.	496	3,374	-85.3%
Other	-	1,320	n.m.	306	5,417	-94.3%
<b>Sub Total</b>	<b>-</b>	<b>1,320</b>	<b>n.m.</b>	<b>803</b>	<b>8,791</b>	<b>-90.9%</b>
<b>Boa Vista Mill (Greenfield)</b>						
Sugarcane Planting	18,519	16,176	14.5%	34,270	37,581	-8.8%
Industrial / Agricultural	8,656	48,002	-82.0%	29,533	136,513	-78.4%
<b>Sub Total</b>	<b>27,175</b>	<b>64,178</b>	<b>-57.7%</b>	<b>63,803</b>	<b>174,094</b>	<b>-63.4%</b>
<b>Total</b>	<b>52,161</b>	<b>87,160</b>	<b>-40.2%</b>	<b>126,961</b>	<b>238,872</b>	<b>-46.8%</b>

The highlight in capital expenditure in 2Q10 compared with 2Q09 was the reduction in expenses with the Boa Vista Mill. In the second quarter of fiscal year 2010, disbursements for this mill went to expanding our own sugarcane farms and acquiring agricultural equipment, in particular for harvesting.





## Upcoming Events

### 2Q10 Earnings Conference Call

#### English

Date: November 17, 2009  
 Time: 4:00 pm (Brasília)/ 1:00 p.m. (U.S. EST)  
 Telephone: +1 (973) 935-8893  
 Code: 36953103  
 Replay: +1 (706) 645-9291  
 Code: 36953103  
 Webcast with Slides: [www.saomartinho.ind.br/ir](http://www.saomartinho.ind.br/ir)

#### Portuguese

Date: November 17, 2009  
 Time: 2:00 pm (Brasília)/ 11:00 a.m. (U.S. EST)  
 Telephone: +55 (11) 2188-0188  
 Code: São Martinho  
 Replay: +55 (11) 2188-0188  
 Code: São Martinho  
 Webcast with Slides: [www.saomartinho.ind.br/ri](http://www.saomartinho.ind.br/ri)

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## 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 about the future of the business. These forward-looking statements depend materially on changes in market conditions and the performance of the Brazilian economy, the industry and international markets, and therefore are subject to change without notice.

## About São Martinho

São Martinho S.A. is one of the largest sugar and ethanol producers in Brazil. The group has annual crushing capacity of approximately 13.2 million tons. São Martinho produces sugar and ethanol at three mills: Iracema, São Martinho and Boa Vista. [www.saomartinho.ind.br/ri](http://www.saomartinho.ind.br/ri)



## Income Statement

São Martinho S.A. - Income Statement						
	2Q10	2Q09		6M10	6M09	
In R\$ Thousand	Jul/09 - Sep/09	Jul/08 - Sep/08	Chg %	Apr/09 - Sep/09	Apr/08 - Sep/08	Chg %
<b>Gross Revenue</b>	<b>308,152</b>	<b>217,268</b>	<b>41.8%</b>	<b>549,417</b>	<b>320,678</b>	<b>71.3%</b>
Deductions from Gross Revenue	(21,855)	(22,955)	-4.8%	(45,665)	(34,309)	33.1%
<b>Net Revenue</b>	<b>286,297</b>	<b>194,313</b>	<b>47.3%</b>	<b>503,752</b>	<b>286,369</b>	<b>75.9%</b>
Cost of Goods Sold (COGS)	(222,861)	(155,202)	43.6%	(414,675)	(248,594)	66.8%
<b>Gross Profit</b>	<b>63,436</b>	<b>39,111</b>	<b>62.2%</b>	<b>89,077</b>	<b>37,775</b>	<b>135.8%</b>
Gross Margin (%)	22.2%	20.1%	2.0 p.p	17.7%	13.2%	4.5 p.p
<b>Operating Expenses</b>	<b>(43,190)</b>	<b>(45,469)</b>	<b>-5.0%</b>	<b>(81,752)</b>	<b>(72,591)</b>	<b>12.6%</b>
Sales Expenses	(19,484)	(11,409)	70.8%	(33,959)	(14,279)	137.8%
General and Administrative Expenses	(23,840)	(30,939)	-22.9%	(45,365)	(53,413)	-15.1%
Management Fees	(1,903)	(3,117)	-38.9%	(3,772)	(4,912)	-23.2%
Other Operating Expenses, Net	2,037	(4)	n.m.	1,344	13	n.m.
<b>Operating Profit, before financial effects</b>	<b>20,246</b>	<b>(6,358)</b>	<b>n.m.</b>	<b>7,325</b>	<b>(34,816)</b>	<b>n.m.</b>
<b>Financial Result, Net</b>	<b>12,990</b>	<b>(58,700)</b>	<b>n.m.</b>	<b>70,096</b>	<b>(69,851)</b>	<b>n.m.</b>
Financial Revenue	17,087	17,944	-4.8%	40,685	21,996	85.0%
Financial Expenses	(36,242)	(49,430)	-26.7%	(56,695)	(65,924)	-14.0%
Monetary and Exchange Variation - Assets	47,651	6,095	681.8%	122,686	8,046	1424.8%
Monetary and Exchange Variation - Liabilities	(15,506)	(33,309)	-53.4%	(36,580)	(33,969)	7.7%
<b>Income (Loss) Before Income and Social Contribution Taxes</b>	<b>33,236</b>	<b>(65,058)</b>	<b>n.m.</b>	<b>77,421</b>	<b>(104,667)</b>	<b>n.m.</b>
Income Tax and Social Contribution - Current	(6,791)	-	n.m.	(8,431)	-	n.m.
Income Tax and Social Contribution - Deferred	(5,121)	20,624	n.m.	(17,064)	34,003	n.m.
<b>Net Income (Loss) Before Minority Interest</b>	<b>21,324</b>	<b>(44,434)</b>	<b>n.m.</b>	<b>51,926</b>	<b>(70,664)</b>	<b>n.m.</b>
<b>Minority Interest</b>	<b>(1,075)</b>	<b>2,006</b>	<b>n.m.</b>	<b>(2,770)</b>	<b>2,006</b>	<b>n.m.</b>
<b>Net Income</b>	<b>20,249</b>	<b>(42,428)</b>	<b>n.m.</b>	<b>49,156</b>	<b>(68,658)</b>	<b>n.m.</b>
Net Margin (%)	7.1%	-21.8%	n.m.	9.8%	-24.0%	n.m.
<b>Net Income (Loss) per Share (in R\$)</b>	<b>0.18</b>	<b>(0.38)</b>	<b>n.m.</b>	<b>0.44</b>	<b>(0.61)</b>	<b>n.m.</b>



## Balance Statement (Assets)

### São Martinho S.A. - Consolidated Balance Sheet - ASSETS

R\$ thousand

<b>ASSETS</b>	<b>Sep/09</b>	<b>Jun/09</b>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	119,135	112,108
Accounts Receivable	71,970	27,883
Derivatives Financial Instruments	16,969	13,062
Inventories	430,430	353,050
Tax receivable	56,883	63,477
Other Assets	11,359	10,518
<b>TOTAL CURRENT ASSETS</b>	<b>706,746</b>	<b>580,098</b>
<b>NON-CURRENT ASSETS</b>		
<b>Long-term Receivables</b>		
Related Parties	294	3,069
Fixed Assets Destined for Sale	405	422
Deferred Income Tax and Social Contribution	116,632	119,408
Accounts Receivable - Copersucar	3,948	3,911
Recoverable taxes	70,849	66,787
Other assets	889	402
	<b>193,017</b>	<b>193,999</b>
Investments	3,540	3,540
Fixed assets	2,443,521	2,481,714
Intangible	40,522	40,706
Deferred	38,464	39,124
<b>TOTAL NON-CURRENT ASSETS</b>	<b>2,719,064</b>	<b>2,759,083</b>
<b>TOTAL ASSETS</b>	<b>3,425,810</b>	<b>3,339,181</b>



## Balance Statement (Liabilities)

### São Martinho S.A. - Consolidated Balance Sheet - LIABILITIES

R\$ Thousand

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>Sep/09</b>	<b>Jun/09</b>
<b>SHORT-TERM LIABILITIES</b>		
Loans and Financing	464,922	366,348
Derivatives Financial Instruments	-	2,112
Suppliers	104,475	88,628
Accounts Payable - Copersucar	2,203	2,203
Payroll and social contribution	46,536	47,958
Tax payable	12,261	12,062
Related Companies	-	2,901
Other Liabilities	18,878	22,471
<b>TOTAL SHORT-TERM LIABILITIES</b>	<b>649,275</b>	<b>544,683</b>
<b>LONG-TERM LIABILITIES</b>		
Loans and Financing	636,035	679,447
Accounts Payable - Copersucar	193,989	194,796
Tax Installments	8,677	8,834
Income Tax and Social Contribution	211,200	208,855
Provision for Contingencies	77,820	75,452
Other Liabilities	3,444	3,068
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>1,131,165</b>	<b>1,170,452</b>
<b>MINORITY SHAREHOLDERS</b>	<b>21,013</b>	<b>19,938</b>
<b>SHAREHOLDERS' EQUITY</b>		
Capital Stock	360,000	360,000
Capital Reserve	1,095,674	1,108,369
Legal Reserve	5,079	5,079
Capital Budget Reserve	94,422	94,422
Treasury shares	(1,899)	(1,899)
Accumulated Profit (Losses)	71,081	38,137
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,624,357</b>	<b>1,604,108</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>3,425,810</b>	<b>3,339,181</b>





## Consolidated Cash Flow

São Martinho S.A. - Statement of Cash Flows		
In R\$ Thousand	2Q10	6M10
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net Income in the period</b>	<b>20,249</b>	<b>49,156</b>
Adjustments to reconcile net income to the cash generated on operating activities:		
Depreciation and amortization	65,675	120,435
Residual cost of fixed assets - write off	(734)	384
Financial expenses and exchange variation - related parties, loans and financing and tax payable	(21,238)	(85,021)
Provision for contingencies	1,189	4,548
Reversion of the provision for investment losses	-	(58)
Write-off (provision) for deferred income tax and social contribution	5,121	17,064
Adjustment to Present Value	1,308	2,883
Constitution of provision for losses from the realization of inventories	(8,303)	(6,313)
Minority Interest	1,075	2,770
(Increase) decrease in operating assets:		
Accounts receivable - Copersucar	(44,805)	(26,882)
Inventories	(41,051)	(78,688)
Tax receivable	2,532	(7,182)
Related parties	2,775	3,130
Goods for sale	(14)	(92)
Derivative Financial Instrument	(3,907)	(10,859)
Other short term assets	(841)	(459)
Other non-current assets	(524)	19,609
Increase (decrease) in operating liabilities:		
Suppliers	15,847	28,325
Wages and social contribution	(1,422)	11,604
Tax payable	(200)	2,093
Tax Installments	(611)	(1,195)
Related parties	(2,901)	(3,277)
Other short term liabilities	(617)	(4,128)
Provision for contingencies	(2,112)	(6,269)
Derivative financial instruments	(3,593)	(6,980)
Other liabilities	376	126
<b>Cash flows from operating activities</b>	<b>(16,726)</b>	<b>24,724</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
Fixed Assets and deferred acquisition	(53,899)	(129,868)
<b>Cash flows from investment activities</b>	<b>(53,899)</b>	<b>(129,868)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Financing - third parties	167,039	264,248
Financing (payments) - Copersucar	(1,400)	(23,719)
Financing (payments) - third parties	(87,987)	(206,313)
<b>Cash flows from financing activities</b>	<b>77,652</b>	<b>34,216</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS BALANCE</b>	<b>7,027</b>	<b>(70,928)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Initial balance	112,108	190,063
Final balance	119,135	119,135
<b>INCREASE IN CASH AND CASH EQUIVALENTS BALANCE</b>	<b>7,027</b>	<b>(70,928)</b>
<b>ADDITIONAL INFORMATION</b>		
Interest paid during the quarter	24,352	42,915
Suppliers payable related to fixed assets acquisition	3,768	3,768
Income Tax and Social Contribution paid during the quarter	4,835	5,318