

Quarterly Information (ITR) for the Quarter Ended September 30, 2010 and Review Report of Independent Accountants

#### **Review Report of Independent Accountants**

To the Board of Directors and Stockholders São Martinho S.A.

- We have reviewed the accounting information included in the Quarterly Information (ITR) of São Martinho S.A. (the Company) and its subsidiaries for the quarter ended September 30, 2010, comprising the balance sheets and the statements of income, of changes in stockholders' equity and of cash flows, explanatory notes and the performance report. This Quarterly Information is the responsibility of the Company's management.
- Our review was carried out in accordance with specific standards established by the Institute of Independent Auditors of Brazil (IBRACON), in conjunction with the Federal Accounting Council (CFC), and mainly comprised: (a) inquiries of and discussions with management responsible for the accounting, financial and operating areas of the Company with regard to the main criteria adopted for the preparation of the Quarterly Information; and (b) a review of information and of subsequent events which have, or could have, significant effects on the financial position and operations of the Company and its subsidiaries.
- Based on our limited review, we are not aware of any material modifications that should be made to the Quarterly Information referred to above in order that it be stated in accordance with the accounting practices adopted in Brazil applicable to the preparation of Quarterly Information, consistent with the standards issued by the Brazilian Securities Commission (CVM).
- As mentioned in Note 2, the CVM has approved several Pronouncements, Interpretations and Technical Guidance issued by the Brazilian Accounting Pronouncements Committee (CPC) to be effective as from the year ending March 31, 2011, which altered the accounting practices adopted in Brazil. As permitted by CVM Resolution No. 603/09, the Company's management has opted to present the Quarterly Information by using the accounting standards adopted in Brazil up to the previous year. As required by this Resolution, the Company discloses this fact in Note 2.1 to the Quarterly Information and also provides a description of the main changes that may have an impact on the Company's year-end financial statements, as well as explanations of the reasons that make it impractical to present an estimate of their possible effects on stockholders' equity and results of operations.

Ribeirão Preto, November 16, 2010

PricewaterhouseCoopers Auditores Independentes CRC 2SP000160/O-5

Maurício Cardoso de Moraes Contador CRC 1PR035795/O-1 "T" SP

#### Balance Sheets at September 30, and June 30, 2010

In thousands of reais

(A free translation of the original in Portuguese)

	_	Pare	nt company	C	onsolidated			Pare	nt company	C	onsolidated
Assets	Note	9/30/2010	6/30/2010	9/30/2010	6/30/2010	Liabilities and stockholders' equity	Note	9/30/2010	6/30/2010	9/30/2010	6/30/2010
Current assets						Current liabilities					
Cash and cash equivalents	4	105,407	35,434	216,386	210,723	Loans and financing	14	82,613	89,582	419,192	364,433
Trade accounts receivable	5	13,384	18,389	72,236	59,459	Derivative financial instruments	25	1,806	88	12,766	1,160
Derivative financial instruments	25	10,934	18,690	16,562	37,793	Suppliers	15	25,902	18,986	135,874	96,947
Inventories	6	96,265	66,959	510,657	340,306	Payables to Copersucar	16	589	589	2,203	2,203
Taxes recoverable	7	15,670	17,280	81,856	77,321	Salaries and social charges		10,785	11,639	47,209	54,233
Dividends receivable			10,329			Taxes payable		6,228	5,440	27,561	14,747
Other assets	9	3,162	2,334	13,789	11,579	Related parties	8	1,923	2,356	89	121
	-	·				Dividends payable			6,469		6,469
	-	244,822	169,415	911,486	737,181	Other liabilities	18	7,834	3,494	42,113	13,468
Non-current assets								137,680	138,643	687,007	553,781
Long-term receivables											
Related parties	8	4,410	1,428	391	499	Non-current liabilities					
Deferred income tax and social contribution	22	33,920	37,453	112,254	110,280	Long-term liabilities					
Trade accounts receivable - Copersucar		1,096	1,084	4,104	4,059	Loans and financing	14	33,718	40,382	727,877	689,510
Taxes recoverable	7	4,405	4,927	35,471	37,164	Payables to Copersucar	16	51,121	51,190	194,205	194,164
Other assets	9	4	4	196	188	Taxes payable in installments	17	14,154	14,194	48,261	47,476
						Deferred income tax and social contribution	22	52,005	61,471	202,526	219,108
		43,835	44,896	152,416	152,190	Provision for contingencies	24	8,024	11,663	34,949	38,856
Investments						Other liabilities	18	1,130	1,305	14,754	15,706
In subsidiaries	10	1,141,387	1,223,190					160,152	180,205	1,222,572	1,204,820
Other investments		3,430	3,430	3,540	3,540		•	.00,.02	.00,200	.,222,012	.,20.,020
Property, plant and equipment	11	571,857	588,513	2,473,913	2,499,191						
Intangible assets	12	186	197	36,806	36,984	Stockholders' equity	19				
Deferred charges	13			37,848	39,012	Capital		455,900	360,000	455,900	360,000
•	-	-		· · · · · · · · · · · · · · · · · · ·	<u> </u>	Revaluation reserves		1,049,197	1,057,986	1,049,197	1,057,986
		1,760,695	1,860,226	2,704,523	2,730,917	Carrying value adjustments		2,125	42,936	2,125	42,936
	-					Revenue reserves		113,893	218,631	112,556	217,294
						Treasury stock		(1,899)	(1,899)	(1,899)	(1,899)
						Retained earnings		88,469	33,139	88,551	33,180
								1,707,685	1,710,793	1,706,430	1,709,497
Total assets	_	2,005,517	2,029,641	3,616,009	3,468,098	Total liabilities and stockholders' equity		2,005,517	2,029,641	3,616,009	3,468,098

The accompanying notes are an integral part of these financial statements.

## Statements of Income for the Periods Ended September 30, 2010 and 2009

In thousands of reais, unless otherwise indicated

(A free translation of the original in Portuguese)

	_			Pare	ent company
	_		9/30/2010		9/30/2009
	Note	Quarter	Six-month period	Quarter	Six-month period
Gross sales revenues  Domestic market		19,918	40,322	40,558	76,726
Foreign market	_	67,316	130,302	46,632	63,089
Deductions from gross sales revenues	<del>-</del>	87,234 (3,022)	170,624 (5,980)	87,190 (6,280)	139,815 (12,074)
Net sales revenues		84,212	164,644	80,910	127,741
Cost of sales	_	(52,469)	(108,985)	(68,592)	(112,852)
Gross profit	_	31,743	55,659	12,318	14,889
Operating income (expenses) Selling General and administrative Management fees Equity in the earnings of subsidiaries Other operating income (expenses), net  Operating profit before financial result Financial result Financial income Financial expenses Monetary and foreign exchange variations, net	8(d) 10 26 - - 27	(3,377) (7,650) (1,269) 36,803 (103) 24,404 56,147 2,407 (4,139) (1,275) (3,007)	(6,513) (11,284) (2,273) 48,929 1,997 30,856 86,515 3,529 (7,883) (1,771) (6,125)	(4,463) (5,147) (1,030) 24,150 1,630 15,140 27,458 4,911 (17,421) 3,234 (9,276)	(6,151) (9,453) (2,041) 56,932 1,144 40,431 55,320 5,654 (24,906) 8,983 (10,269)
Profit before taxation	_	53,140	80,390	18,182	45,051
Income tax and social contribution on net income For the year Deferred	22(b)	(4,172) (2,427)	(8,383) (2,543)	(847) 2,873	(847) 4,870
Net income for the period	_	46,541	69,464	20,208	49,074
Outstanding shares at the end of the period (in thousands)	=	112,861	112,861	112,861	112,861
Net income per share at the end of the period - R\$	=	0.41	0.62	0.18	0.43

# Statements of Income for the Periods Ended September 30, 2010 and 2009 In thousands of reais, unless otherwise indicated

(continued)

Note         9/30/2010           Gross sales revenues         Quarter         period           Domestic market         135,101         256,752           Foreign market         222,253         404,766           Deductions from gross revenues         (18,602)         (37,315)	Quarter  140,978 167,174 308,152 (21,855) 286,297	9/30/2009  Six-month period  269,400 280,017  549,417 (45,665)
Gross sales revenues         Quarter         period           Domestic market         135,101         256,752           Foreign market         222,253         404,766           357,354         661,518	140,978 167,174 308,152 (21,855)	269,400 280,017 549,417 (45,665)
Domestic market       135,101       256,752         Foreign market       222,253       404,766         357,354       661,518	308,152 (21,855)	280,017 549,417 (45,665)
357,354 661,518	308,152 (21,855)	549,417 (45,665)
	(21,855)	(45,665)
	286,297	
<b>Net sales revenues</b> 338,752 624,203		503,752
Cost of sales (212,087) (410,932)	(222,861)	(414,675)
Gross profit 126,665 213,271	63,436	89,077
Operating income (expenses)         Selling       (18,446)       (32,754)         General and administrative       (33,254)       (54,204)         Management fees       8(d)       (2,412)       (4,219)         Other operating income (expenses), net       26       (163)       2,426	(19,484) (23,840) (1,903) 2,037	(33,959) (45,365) (3,772) 1,344
<u>(54,275)</u> <u>(88,751)</u>	(43,190)	(81,752)
Operating profit before financial result 72,390 124,520	20,246	7,325
Financial result         27           Financial income         7,715         11,387           Financial expenses         (30,963)         (50,805)           Monetary and foreign exchange variations, net         21,109         18,322           (2,139)         (21,096)	17,087 (36,242) 32,145 12,990	40,685 (56,695) 86,106 70,096
Profit before taxation 70,251 103,424	33,236	77,421
Income tax and social contribution on net income       22(b)         For the year       (21,201)       (33,775)         Deferred       (2,468)       (103)	(6,791) (5,121)	(8,431) (17,064)
Net income before minority interest 46,582 69,546	21,324	51,926
Minority interest	(1,075)	(2,770)
Net income for the period         46,582         69,546	20,249	49,156

#### São Martinho S.A.

#### Statements of Changes in Stockholders' Equity

In thousands of reais

(A free translation of the original in Portuguese)

Parent company

Consolidated

								Rever	nue reserves			on company
	Note	Conital	Revalua	ation reserves	Own	arrying value adjustments Investees	Lamal	Capital	Proposed additional dividends	Treasury	Retained	Total
	Note	Capital		-			<u>Legal</u>	budget		stock	earnings	
At March 31, 2010 Realization of revaluation reserve	19(c)	360,000	351,743 (3,254)	716,459 (6,962)	25,458	20,363	9,731	200,062	8,838	(1,899)	10,216	1,690,755
Result on derivative transactions - hedge accounting Net income for the quarter	25				(2,288)	(597)					22,923	(2,885) 22,923
At June 30, 2010  Realization of revaluation reserve	19(c)	360,000	348,489 (3,035)	709,497 (5,754)	23,170	19,766	9,731	200,062	8,838	(1,899)	33,139 8,789	1,710,793
Result on derivative transactions - hedge accounting	25		(=,===)	(=,:=:)	(16,229)	(24,582)					5,1 55	(40,811)
Approved additional dividends	19(e)				, ,	, ,			(8,838)			(8,838)
Payment of capital	19(d)	95,900						(95,900)				
Net income for the quarter											46,541	46,541
At September 30, 2010		455,900	345,454	703,743	6,941	(4,816)	9,731	104,162		(1,899)	88,469	1,707,685

								Rever	nue reserves			
			Revalua	ation reserves	C	arrying value adjustments		Capital	Proposed additional	Treasury	Retained	
	Note	Capital	Own	Investees	Own	Investees	Legal	budget	dividends	stock	earnings	Total
At March 31, 2010  Realization of revaluation reserve	19(c)	360,000	351,743 (3,254)	716,459 (6,962)	25,458	20,363	9,731	198,725	8,838	(1,899)	10,216	1,689,418
Result on derivative transactions - hedge accounting Net income for the quarter	25		(=,== 1)	(3,332)	(2,288)	(597)					22,964	(2,885) 22,964
At June 30, 2010  Realization of revaluation reserve	19(c)	360,000	348,489 (3,035)	709,497 (5,754)	23,170	19,766	9,731	198,725	8,838	(1,899)	33,180 8,789	1,709,497
Result on derivative transactions - hedge accounting Approved additional dividends	25 19(e)		, ,	<b>,</b>	(16,229)	(24,582)			(8,838)			(40,811) (8,838)
Payment of capital  Net income for the quarter	19(d)	95,900						(95,900)			46,582	46,582
At September 30, 2010		455,900	345,454	703,743	6,941	(4,816)	9,731	102,825		(1,899)	88,551	1,706,430

The accompanying notes are an integral part of these financial statements.

## Statements of Cash Flows for the Periods Ended September 30, 2010 and 2009

In thousands of reais

(A free translation of the original in Portuguese)

	Parent co			
		9/30/2010		9/30/2009
		Six-month		Six-month
	Quarter	period	Quarter	period
Cash flow from operating activities  Net income for the period  Adjustments	46,541	69,464	20,208	49,074
Depreciation and amortization	15,180	34,837	18,727	30,648
Equity in the earnings of subsidiaries	(36,803)	(48,929)	(24,150)	(56,932)
Capital loss due to change in ownership interest	456	(289)		
Residual cost of investment and property, plant and equipment disposals	1,273	1,393	(854)	168
Interest, monetary and foreign exchange variations, net	3,216	7,157	(2,860)	(9,615)
Constitution of provision for contingencies, net Deferred income tax and social contribution on net income	479 2,427	1,038 2,543	(165) (2,873)	689 (4,870)
Reversal of provision for inventory losses	2,421	2,545	(2,873)	(4,670)
Adjustments to present value and others	(147)	110	267	795
/ Ajustinonio to prosent value and striors				
Ohannan in accepts and Eab Telian	32,622	67,324	7,315	9,957
Changes in assets and liabilities  Trade accounts receivable	E 00E	(2.420)	(25.025)	(22 622)
Inventories	5,005 (20,250)	(2,428) (33,020)	(25,035) (6,506)	(22,623) (17,566)
Taxes recoverable	2,301	2,252	1,104	(17,300)
Related parties - assets	(2,982)	4,708	(4,533)	1,526
Derivative financial instruments	5,649	19,275	(4,193)	(1,139)
Other assets	1,783	887	537	5,503
Suppliers	6,916	8,916	3,054	5,262
Salaries and social charges	(854)	1,749	1,041	3,947
Taxes payable	(5,356)	(3,106)	(786)	(1,278)
Related parties - liabilities	(433)	(2,021)	7,746	31,145
Taxes payable in installments	(191)	(547)	(355)	(659)
Provision for contingencies	(4,335)	(5,312)	(318)	(798)
Other liabilities	(20,423)	(22,842)	577	(5,414)
Cash provided by (used in) operations	(548)	35,835	(20,352)	6,375
Interest paid	1,027	4,592	1,146	6,317
Income tax and social contribution on net income paid	3,812	3,812	299	299
Net cash provided by (used in) operating activities	4,291	44,239	(18,907)	12,991
Cash flow from investing activities Financial resources used in investments		(8,377)		
Additions to property, plant and equipment, intangible assets and deferred charges	(8,660)	(17,071)	(8,308)	(21,642)
Receipt of loans to related parties	, ,	7	,	,
Dividends and interest on capital received	103,896	103,896		
Net cash provided by (used in) investing activities	95,236	78,455	(8,308)	(21,642)
Cash flow from financing activities				
Financing obtained - third parties	771	35,422	41,224	77,549
Repayment of financing - Copersucar	(464)	(928)	(435)	(6,460)
Repayment of financing - third parties	(14,554)	(60,674)	(16,395)	(64,073)
Payment of dividends and interest on own capital	(15,307)	(15,307)		
Net cash provided by (used in) financing activities	(29,554)	(41,487)	24,394	7,016
Increase (decrease) in cash and cash equivalents	69,973	81,207	(2,821)	(1,635)
Cash and cash equivalents at the beginning of the period	35,434	24,200	29,862	28,676
Cash and cash equivalents at the end of the period	105,407	105,407	27,041	27,041
Additional information Payables to suppliers for purchases of property, plant and equipment	569	569	950	950

Statements of Cash Flows for the Periods Ended September 30, 2010 and 2009 In thousands of reais

In thousands of reais (continued)

			С	onsolidated
		9/30/2010		9/30/2009
		Six-month		Six-month
	Quarter	period	Quarter	period
Cash flow from operating activities				
Net income for the period Adjustments	46,582	69,546	20,249	49,156
Depreciation and amortization	58,420	120,686	65,675	120,435
Residual cost of investment and property, plant and equipment disposals	2,923	3,639	(734)	384
Interest, monetary and foreign exchange variations, net	2,472	26,855	(21,238)	(85,021)
Constitution of provision for contingencies, net Reversal of provision for losses on investments	2,486	4,737	1,189	4,548 (58)
Deferred income tax and social contribution on net income	2,468	103	5,121	17,064
Constitution (reversal) of provision for inventory losses	(4,256)	1,191	(8,303)	(6,313)
Minority interest	,		1,075	2,770
Adjustments to present value and others	(1,057)	(753)	1,308	2,883
	110,038	226,004	64,342	105,848
Changes in assets and liabilities				
Trade accounts receivable	(12,778)	(30,609)	(44,805)	(26,882)
Inventories	(127,681)	(222,070)	(41,051)	(78,688)
Taxes recoverable	(1,594)	4,461	2,532	(7,182)
Related parties - assets Assets held for sale	600	(180)	2,775 (14)	3,130 (92)
Derivative financial instruments	17,029	38,763	(6,019)	(17,128)
Other assets	(2,264)	(7,797)	(1,365)	19,150
Suppliers	38,927	61,701	15,847	28,325
Salaries and social charges	(7,024)	5,663	(1,422)	11,604
Taxes payable	(966)	(14,102)	(5,035)	(3,225)
Related parties - liabilities	(524)	(34)	(2,901)	(3,277)
Taxes payable in installments Provision for contingencies	629 (7.776)	707 (11,994)	(611) (617)	(1,195) (4,128)
Other liabilities	(7,776) (34,348)	(38,690)	(3,217)	(6,854)
Cash provided by (used in) operations	(27,732)	11,823	(21,561)	19,406
Interest paid	12,456	27,238	24,352	42,915
Income tax and social contribution on net income paid	10,199	20,321	4,835	5,318
Net cash provided by (used in) operating activities	(5,077)	59,382	7,626	67,639
Cash flow from investing activities  Additions to property, plant and equipment, intangible assets and deferred charges	(72,360)	(118,721)	(53,899)	(129,868)
	<del></del>			
Net cash used in investing activities	(72,360)	(118,721)	(53,899)	(129,868)
Cash flow from financing activities	000.070	107.011	407.000	004.040
Financing obtained - third parties  Repayment of financing - Copersucar	203,373	437,641	167,039	264,248
Repayment of financing - Coperaccal Repayment of financing - third parties	(1,476) (103,490)	(2,954) (274,289)	(1,400) (112,339)	(23,719) (249,228)
Payment of dividends and interest on own capital	(15,307)	(15,307)	(112,000)	(243,220)
Net cash provided by (used in) financing activities	83,100	145,091	53,300	(8,699)
Increase (decrease) in cash and cash equivalents	5,663	85,752	7,027	(70,928)
Cash and cash equivalents at the beginning of the period	210,723	130,634	112,108	190,063
Cash and cash equivalents at the end of the period	216,386	216,386	119,135	119,135
Additional information				<u> </u>
Payables to suppliers for purchases of property, plant and equipment	7,574	7,574	3,768	3,768

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

#### 1 OPERATIONS

#### 1.1 Operations

São Martinho S.A. (the "Company"), which is headquartered in Iracemápolis, State of São Paulo, and its subsidiaries are primarily engaged in planting sugar cane and producing and selling sugar, ethanol and other sugar cane products; the cogeneration of electricity; cattle breeding and agricultural production; import and export of goods, products and raw materials and holding investments in other companies.

Approximately 67% (59% - consolidated) of the sugar cane used in the production of the products derives from the Company's own plantations, from that of stockholders, related companies and agricultural partnerships, and the remaining 33% (41% - consolidated) from third-party suppliers.

Sugar cane requires an 18-month period for maturing and for the beginning of the harvest, which generally takes place between April and December, when sugar and ethanol are also produced.

The sale of sugar and ethanol is realized through a consortium agreement with USJ Açúcar e Álcool S.A. ("USJ") and Santa Cruz S.A. Açúcar e Álcool ("SC"), denominated Allicom Consortium. The costs, expenses and obligations arising from consortium operations are assumed by the members proportionally to their percentage interest in the volume sold through Allicom.

As part of its strategic objectives, the Company maintains investments in the following subsidiaries - Notes 3 and 10.1:

- Usina São Martinho S.A. ("USM")
- Nova Fronteira Bioenergia S.A. ("NF")
- Omtek Indústria e Comércio Ltda. ("Omtek)

## 1.2 Agreement for the formation of a joint venture with Amyris Biotechnologies

On April 14, 2010, USM announced an agreement with Amyris Biotechnologies and its Brazilian subsidiary Amyris Brasil to form a joint venture to manufacture chemicals and biofuels from sugar cane by using Amyris technology as from 2012. SMA Indústria Química S.A. was formed to carry out these operations.

The commencement of the construction of the chemical plant depends on the required environmental licenses being obtained and other conditions being met by December 31, 2010.

### 1.3 Capital increase and holding in Usina Boa Vista S.A. ("UBV")

At the Board of Directors' Meeting held on June 18, 2010, the increase of R\$ 56,000 in the capital of UBV was approved, through the subscription of 56,000,000 new common shares, increasing the subsidiary's capital from R\$ 414,288 to R\$ 470,288. The payment was made through the capitalization of advances for future capital increase, R\$ 8,377 by the Company and R\$ 47,623 by USM.

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

As a result of this alteration, the Company reduced its holding in UBV from 28.30% to 26.71%. This decrease in the percentage holding generated a gain of R\$ 745, based on the accumulated results of UBV up to March 31, 2010, recorded in "Other operating income (expenses)", net, calculated as follows:

Company's holding in UBV at March 31, 2010	28.30%
Company's holding in UBV at June 30, 2010	26.71%
Loss of percentage holding due to disproportional capitalization	1.59%
Loss of UBV up to March 31, 2010	(46,908)
Gain arising from the decrease in holding in UBV	745

However, the percentage holding for the purposes of the consolidated financial statements was not altered.

### 1.4 Investment agreement with Petrobrás and the formation of NF

On June 21, 2010, the Company and Petróleo Brasileiro S.A. ("Petrobrás"), through the subsidiary Petrobrás Biocombustível S.A. ("PBio"), announced the signing of an investment agreement for the production of ethanol in the State of Goiás, midwest region of Brazil.

The agreement established the formation of a new company, NF, the equity of which will comprise the assets of the subsidiaries UBV and SMBJ Agroindustrial S.A. ("SMBJ"), with a participation of 51% of the Company and 49% of PBio. The objective is to increase the processing of UBV and to implement the greenfield project in SMBJ. PBio will have the right of preference, regarding market terms and conditions, for the purchase of up to 49% of the production of ethanol and the excess electricity of the new Company. The transaction is subject to the conclusion of the due diligence process by PBio and the, approval by the relevant Brazilian authorities and the Company's Board of Directors and the General Stockholders' Meeting.

At the Extraordinary General Meeting held on September 17, 2010, the increase in the capital of NF was approved, through the subscription of 427,039,541 new common shares, which resulted in the subsidiary's capital amounting to R\$ 427,040. The payment was made through the transfer of all the nominative common shares of UBV and SMBJ, R\$ 111,355 by the Company and R\$ 315,684 by USM.

#### 1.5 Capital increase and holding in Omtek

At the Stockholders' Meeting held on July 30, 2010, the increase of R\$ 14,046 in the capital of Omtek was approved, through the subscription of 14,046 new quotas, increasing the subsidiary's capital from R\$ 13,925 to R\$ 27,971. The payment was made through the capitalization of advances for future capital increase of R\$ 14,046 by USM.

As a result of this alteration, the Company reduced its holding in Omtek from 99.99% to 49.78%. This decrease in the percentage holding generated a loss of R\$ 456, based on the accumulated results of Omtek up to March 31, 2010, recorded in "Other operating income (expenses)", net, calculated as follows:

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

Company's holding in Omtek at March 31, 2010	99.99%
Company's holding in Omtek at September 30, 2010	49.78%
Loss of percentage holding due to disproportional capitalization	50.21%
Net income of Omtek up to March 31, 2010	908
Loss arising from the decrease in holding in Omtek	(456)

However, the percentage holding for the purposes of the consolidated financial statements was not altered.

### 2 PREPARATION AND PRESENTATION OF THE QUARTERLY INFORMATION

The Parent Company and Consolidated Quarterly Information does not include all the disclosures normally required by Brazilian accounting practices for the complete annual financial statements, but has been prepared and presented in conformity with:

- (a) Brazilian accounting practices, including the amendments introduced by Law 11638/07 and Law 11941/09, which altered, revoked and introduced new provisions to Law 6404/76;
- (b) standards established by the Brazilian Securities Commission (CVM);
- (c) "Novo Mercado" (New Market) listing requirements of the São Paulo Stock Exchange (BOVESPA); and
- (d) technical pronouncements and orientations issued by the Brazilian Accounting Pronouncements Committee (CPC).

Assets and liabilities are recorded as current when the expected realization or payment is within the next twelve months. Assets and liabilities expected to be realized or paid in more than twelve months are recorded as non-current. Monetary assets and liabilities denominated in foreign currencies were converted into Brazilian reais at the exchange rate in effect on the balance sheet date. Currency translation differences are recognized in the statement of income.

The preparation of quarterly information in conformity with CVM standards requires the management of the Company and its subsidiaries to use estimates and assumptions to record certain transactions that affect the reported amounts of assets, liabilities, income and expenses, as well as the disclosures included in the financial statements. Significant estimates related to the financial statements refer to the measurement of financial instruments, benefits to employees, determination of the useful lives of property, plant and equipment, the provisions for inventory losses, contingencies and the impairment of assets and the realizable value of deferred tax assets. Actual results, upon effective realization in subsequent periods, could differ from those estimates.

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

## 2.1 Accounting pronouncements and interpretations of standards that are not yet effective

The accounting pronouncements and interpretations of standards listed below were published and are mandatory for years beginning on or after January 1, 2010. In addition, other pronouncements and interpretations were also published, which alter the accounting practices adopted in Brazil, within the process of convergence with international standards. The Company and its subsidiaries, in accordance with CVM Resolution 603/09, amended by CVM Resolution 626/10, opted to present their Quarterly Information during the year ending March 31, 2011 based on the accounting standards adopted in the previous year. The standards below are only those that could more significantly affect the financial statements of the Company and its subsidiaries. Under the terms of CVM Resolution 603/09, the amounts presented in this Quarterly Information, including those presented for comparison purposes, should be restated up to the presentation of the financial statements for the year ending March 31, 2011.

#### (a) Pronouncements

- . CPC 15 Business Combinations
- . CPC 16 Inventories
- . CPC 18 Investments in Associated Companies
- . CPC 19 Investment in Joint Ventures
- . CPC 20 Borrowing Costs
- . CPC 21 Interim Financial Reporting
- . CPC 22 Segment Information
- . CPC 23 Accounting Policies, Changes in Accounting Estimates and Correction of Errors
- . CPC 24 Subsequent Events
- . CPC 25 Provisions, Contingent Liabilities and Assets
- . CPC 26 Presentation of Financial Statements
- . CPC 27 Property, Plant and Equipment
- . CPC 28 Investment Property
- . CPC 29 Biological Assets and Agricultural Produce
- . CPC 30 Revenues
- CPC 31 Non-current Assets Held for Sale and Discontinued Operations
- . CPC 32 Taxes on Profit
- . CPC 33 Employee Benefits
- . CPC 36 Consolidated Financial Statements
- . CPC 37 First-time Adoption of International Financial Reporting Standards
- . CPC 38 Financial Instruments: Recognition and Measurement
- . CPC 39 Financial Instruments: Presentation
- CPC 40 Financial Instruments: Disclosure

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

#### (b) Interpretations

- . ICPC 03 Complementary Aspects of Leasing Operations
- . ICPC 04 Scope of CPC 10 Share-based Payment
- . ICPC 05 CPC 10 Share-Based Payment
- . ICPC 07 Distribution of Dividends in kind
- . ICPC 08 Accounting for Proposed Dividends
- . ICPC 09 Individual, Separate, Consolidated Financial Statements and Application of the Equity Accounting Method
- . ICPC 10 Clarifications of CPC 27 and CPC 28

## (c) Estimated effects and reasons for the non-adoption of the new accounting practices

The Company is in the process of evaluating the impacts of the new pronouncements. However, it has not yet been possible to estimate all the effects that would arise if these changes had been applied. These pronouncements will be fully adopted in the financial statements for the year ending March 31, 2011, in a comparative form with those of the previous year.

Based on preliminary analyses, discussions and calculations effected to date, Management understands that the significant impacts on the financial statements of the Company and its subsidiaries will arise from the following pronouncements:

- CPC 29 Biological Assets and Agricultural Produce: insofar as it relates to the measurement of biological assets, the Company will follow the same system adopted in the preparation of the notes to the financial statements for the year ended March 31, 2010, related to the reconciliation of differences between the result for the year and stockholders' equity, calculated in accordance with the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS), presented/filed at July 30, 2010; and
- CPC 27 and ICPC 10 Property, Plant and Equipment: insofar as it relates to the recording of the new costs of assets in the opening balance sheet (deemed cost), net of the effect of deferred taxes, including on the surplus value of land, the analyses are not sufficiently advanced to permit the measurement of the possible effects arising from the adoption of these pronouncements, since Management is still in the initial phase of the evaluation of the possible impacts.

Management understands that no significant effects on the financial statements will arise from the other pronouncements, except for possible reclassifications and/or complementary disclosures.

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

#### 3 CONSOLIDATION CRITERIA

The consolidated balance sheets as of September and June 30, 2010, and the related consolidated statements of income and of cash flows for the quarters ended September 30, 2010 and 2009, consider the percentage of ownership interest in subsidiaries on the respective dates and the applicable proportional consolidation criteria, in accordance with the regulations of the Brazilian Securities Commission (CVM). The consolidated balances include those of the following subsidiaries:

Company	Main activities
USM - 100% holding	Agricultural activity: sugar cane processing from own production and production acquired from third parties; production and sale of sugar, ethanol and their byproducts; cogeneration of electricity; agricultural production and investments in other companies.
UBV - 26.71% holding at June 30, 2010 (100% including the holding of USM). As from September 30, 2010, this investee became a whollyowned subsidiary of NF.	Agricultural activity: sugar cane processing from own production and production acquired from third parties; production and sale of ethanol and byproducts; cogeneration of electricity and agricultural production.
Omtek - 99.99% holding at June 30, 2010; and 49.78% at September 30, 2010 (100% including the holding of USM).	Sodium salt processing and sale in the foreign market. The operating cycle is the same as that of the parent company, which is responsible for supplying (under specific conditions) sugar cane molasses, steam and electricity, which are the inputs necessary for the company's production.
NF- 26.08% holding at September 30, 2010 (100% including the holding of USM).	Investments in other Brazilian or foreign companies, as well as management and trade of its own assets.

The quarterly information of USM and NF is consolidated prior to the consolidation effected by the Company, using accounting practices and consolidation criteria consistent with those used by the Company.

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

The consolidation of USM includes the following subsidiaries:

• Mogi Agrícola S.A. ("Mogi") - 46.02% holding (proportional consolidation). The main account groups of this jointly-controlled subsidiary present the following balances:

	9/30/2010	6/30/2010
Current assets	18	5
Non-current assets:  Long-term receivables Investments, property, plant and equipment and	389	519
Investments, property, plant and equipment and intangible assets	<u>57,140</u>	<u>57,143</u>
Total assets	<u>57,547</u>	<u>57,677</u>
Current liabilities	2	2
Stockholders' equity	<u>57,665</u>	<u>57,665</u>
Total liabilities and stockholders' equity	<u>57,667</u>	<u>57,677</u>
	9/30/2010	9/30/2009
Operating expenses Loss for the quarter	(218) (218)	(240) (240)

• USL - 41.67% holding (proportional consolidation). The main account groups of this jointly-controlled subsidiary present the following balances:

	9/30/2010	6/30/2010
Current assets Non-current assets:	5,193	4,929
Long-term receivables	388	345
Investments, property, plant and equipment and intangible assets	7,015	7,143
Total assets	<u>12,596</u>	<u>12,417</u>
Current liabilities Non-current liabilities Advances for future capital increase Net capital deficiency	1,841 25,705 2,800 (17,750)	1,884 25,404 1,667 (16,538)
Total liabilities and net capital deficiency	<u>12,596</u>	<u>12,417</u>
	9/30/2010	9/30/2009
Net sales revenues Operating costs and expenses Loss for the quarter	140 (1,353) (1,213)	305 (1,641) (1,336)

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

- NF 73.92% holding in capital.
- SMA Indústria Química S.A. ("SMA") 50% holding in capital.

The consolidation of NF includes the following subsidiaries:

- UBV 100% holding in capital.
- SMBJ 100% holding in capital.

In addition, the main consolidation procedures adopted were as follows:

- a) Elimination of the holdings in the subsidiaries' stockholders' equity;
- b) Elimination of the investments and equity in the results of subsidiaries;
- c) Elimination of intercompany balances of assets and liabilities, income and expenses and any unrealized profits on intercompany transactions;
- d) Reclassification of negative goodwill in indirect subsidiaries to "Long-term liabilities Other" and of goodwill in indirect subsidiaries to "Intangible assets" and "Inventories".

#### 4 CASH AND CASH EQUIVALENTS

		Pare	nt company
	Remuneration	9/30/2010	6/30/2010
Cash and banks		43,496	33,550
Financial investments			
. Agribusiness Credit Note (LCA)	70% of the Interbank Deposit Certificate (CDI) interest rate - weighted average rate		1,884
. Debentures repurchase agreements	101.06% of the CDI interest rate - weighted		
	average rate	61,911	
		105,407	35,434
		c	onsolidated
	Remuneration	9/30/2010	6/30/2010
Cash and banks		89,629	193,888
Financial investments			
. Agribusiness Credit Note (LCA)	40% to 70% of the CDI interest rate -	07.000	44.404
Doub Donosit Contificator (CDD)	weighted average rate	27,828	14,424
. Bank Deposit Certificates (CDB)	100% of the CDI interest rate - weighted average rate		146
. Debentures repurchase agreements	99.44% to 101.51% of the CDI interest rate -		
	weighted average rate	98,929	2,265
		216,386	210,723

Cash and bank balances include deposits in current accounts which are available for immediate use. These balances are a result of the strategies and the normal flow of operations of the Company and its subsidiaries. At September and June 30, 2010, the Company's bank balances included deposits in foreign currency equivalent to US\$ 25,592 thousand and US\$ 15,106 thousand, respectively (US\$ 49,351 thousand and US\$ 87,107 thousand, respectively - consolidated).

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

All financial investments can be redeemed in up to 30 days, with no loss of remuneration.

#### 5 TRADE ACCOUNTS RECEIVABLE

The composition of the balance of trade accounts receivable is as follows:

	Pare Pare	Parent company		nsolidated
	9/30/2010	6/30/2010	9/30/2010	6/30/2010
Local customers Foreign customers	5,557 7,827	5,050 13,339	38,258 33,978	24,330 35,129
	13,384	18,389	72,236	59,459

For the quarter ended September 30, 2010, management did not identify the need to record an allowance for doubtful accounts.

The composition of accounts receivable by maturity is as follows:

	Pare	Parent company		Consolidated	
Past due:	9/30/2010	6/30/2010	9/30/2010	6/30/2010	
up to 30 days	6,218	13,339	35,467	33,599	
from 31 to 60 days	1,732	4	1,978	264	
over 61 days	146	774	391	933	
Falling due:					
up to 30 days	3,515	3,909	32,606	24,250	
from 31 to 60 days	1,757	325	1,758	355	
over 61 days	16	38	36	58	
	13,384	18,389	72,236	59,459	

The past due amounts mainly refer to brief delays in the payment of export transactions. The average collection period for trade accounts receivable was 16 days (25 days - consolidated).

#### **6 INVENTORIES**

	Parent company		
	9/30/2010	6/30/2010	
Finished products and work in process	58,846	27,693	
Sugar cane - crop treatment	22,598	24,381	
Advances - purchases of sugar cane	5,776	5,085	
Inputs, indirect materials, maintenance materials and other	9,045	9,800	
	96,265	66,959	

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

	Consolidated	
	9/30/2010	6/30/2010
Finished products and work in process	305,098	147,485
Sodium salt - RNA	5,856	2,756
Sugar cane - crop treatment	99,185	100,895
Advances - purchases of sugar cane	59,084	51,525
Inputs, indirect materials, maintenance materials and other	42,725	43,192
Provision for reduction of inventories to realizable value	(1,291)	(5,547)
	510,657	340,306

To guarantee payment of part of the obligations assumed at the time of the withdrawal from Copersucar on March 31, 2008, the Company pledged 8,908 m³ of fuel alcohol (25,757 m³ - consolidated) in favor of Copersucar.

#### 7 TAXES RECOVERABLE

The balance of taxes recoverable can be summarized as follows:

	Pare	ent company
	9/30/2010	6/30/2010
COFINS, including credits on purchases of property, plant and equipment IRPJ	9,909	10,639 1,920
ICMS, including credits on purchases of property, plant and equipment	7,011	6,202
PIS, including credits on purchases of property, plant and equipment	2,162	2,135
CSLL	437	749
Other	556	562
	20,075	22,207
Current assets	(15,670)	(17,280)
Non-current assets	4,405	4,927
	(	Consolidated
	9/30/2010	Consolidated 6/30/2010
COFINS, including credits on purchases of property, plant and equipment		
COFINS, including credits on purchases of property, plant and equipment ICMS, including credits on purchases of property, plant and equipment	9/30/2010	6/30/2010
	<b>9/30/2010</b> 66,661	<b>6/30/2010</b> 65,897
ICMS, including credits on purchases of property, plant and equipment	<b>9/30/2010</b> 66,661 29,797	<b>6/30/2010</b> 65,897 26,168
ICMS, including credits on purchases of property, plant and equipment IRPJ	<b>9/30/2010</b> 66,661 29,797 3,034	6/30/2010 65,897 26,168 5,487
ICMS, including credits on purchases of property, plant and equipment IRPJ PIS, including credits on purchases of property, plant and equipment	9/30/2010 66,661 29,797 3,034 14,595	6/30/2010 65,897 26,168 5,487 13,937
ICMS, including credits on purchases of property, plant and equipment IRPJ PIS, including credits on purchases of property, plant and equipment CSLL	9/30/2010 66,661 29,797 3,034 14,595 1,299	6/30/2010 65,897 26,168 5,487 13,937 1,403
ICMS, including credits on purchases of property, plant and equipment IRPJ PIS, including credits on purchases of property, plant and equipment CSLL	9/30/2010 66,661 29,797 3,034 14,595 1,299 1,941	6/30/2010 65,897 26,168 5,487 13,937 1,403 1,593
ICMS, including credits on purchases of property, plant and equipment IRPJ PIS, including credits on purchases of property, plant and equipment CSLL Other	9/30/2010 66,661 29,797 3,034 14,595 1,299 1,941	6/30/2010 65,897 26,168 5,487 13,937 1,403 1,593

COFINS - Social Contribution on Revenues; IRPJ - Corporate Income Tax; ICMS - Value-added Tax on Sales and Service; PIS - Social Integration Program; CSLL - Social Contribution on Net Income.

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

The balances of taxes recoverable arise from commercial transactions and prepayments, adjusted to present value, when applicable (credits on purchases of property, plant and equipment).

#### 8 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

#### (a) Parent Company and Consolidated balances:

			Pare	nt company
		9/30/2010		6/30/2010
	Non- current assets	Current liabilities	Non- current assets	Current liabilities
Subsidiaries and related parties: USM Omtek UBV Imobiliária Paramirim S.A.	3,065 1,123 222	499 1,424	522 401 492 13	561 1,795
Subtotal	4,410	1,923	1,428	2,356
Stockholders, arising from purchase of sugar cane - Suppliers	4,410	1,554 3,477	1,428	1,642 3,998
			C	onsolidated
		9/30/2010		6/30/2010
	Non-	0,00,2010	Non-	3,00,20.0
	current	Current	current	Current
The state of the s	assets	liabilities	assets	liabilities
Jointly-controlled subsidiaries and related parties:				
Mogi				121
Agropecuária Vale do Corumbatai S.A.	3		4	
Agropecuária Caieira do Norte S.A. Imobiliária Paramirim S.A.	1 2		3 15	
Monte Sereno Agrícola Ltda.	6		9	
SM Participações S.A.	1		2	
USL			33	
SC	103		117	
Usina da Barra S.A Sugar and Alcohol Amyris Brasil	137	43_	156 	
Subtotal	253	43	339	121
Stockholders, arising from leased land Stockholders, arising from purchase of sugar	138	46	160	
cane - Suppliers		5,793		6,875
	391	5,882	499	6,996

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

The balances with subsidiaries at September 30 and June 30, 2010 refer to loan agreements with maturity every December 31, extendable for one additional year, subject to charges equivalent to 100% of the Interbank Deposit Certificate (CDI) interest rate, and other intercompany transactions.

All long-term balances with related parties are expected to be settled in a maximum of 24 months. Sugar cane purchases from stockholders are carried out under market conditions similar to those applicable to third parties.

#### (b) Parent Company transactions in the quarter:

					9/30/2010
	Financial and administrative expenses	Sales revenues	Expenses apportioned by subsidiary	Expenses reimbursed by subsidiaries	Purchases of products and services
USM Omtek UBV Stockholders - rental of properties - rendering of services	21 73	2 1,628 87	1,113	1,013 41 492	15 5
- purchase of sugar cane					380
	94	1,717	1,113	1,546	400

						9/30/2009
	Financial income	Financial and administrative expenses	Sales revenues	Expenses apportioned by subsidiary	Expenses reimbursed by subsidiaries	Purchases of products and services
USM		342	196	1,008	604	8
Omtek	23		2,335		14	
UBV Stockholders		251	1		250	11,115
<ul><li>rental of properties</li><li>rendering of services</li></ul>		29 83				
- purchase of sugar cane						413
	23	705	2,532	1,008	868	11,536

0/20/2000

The transactions with related parties refer to revenues and expenses in respect of charges on loan agreements, sales of molasses, electricity and steam, purchases and sales of agricultural and industrial inputs and other products, rental of properties, provision of legal services and purchases of sugar cane, carried out under terms and conditions similar to those with third parties.

The expenses apportioned by a subsidiary refer to expenditures incurred by USM with the shared services center. The expenses reimbursed by subsidiaries refer to expenditures of the Board of Directors and the Corporate office. The apportionments are supported by agreements between the parties.

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

#### (c) Consolidated transactions in the quarter:

	9/30/2010	9/30/2009
Stockholders		_
- rental of properties	63	87
- rendering of services	257	290
- purchase of sugar cane	2,476	2,395
	2,796	2,772

#### (d) Remuneration of the key management personnel:

Key management personnel include the directors and officers. The remuneration paid or payable for their services is shown below:

	Parent company		Consolidated	
	9/30/2010	9/30/2009	9/30/2010	9/30/2009
Wages and salaries		135		135
Fees	1,269	1,030	2,412	1,903
Social security contributions	254	221	482	396
Private pension plan	42	29	115	76
Profit sharing program		1		1
Other	30	10	44	16
	1,595	1,426	3,053	2,527

#### 9 OTHER ASSETS

	Parent company		Consolidated	
	9/30/2010	6/30/2010	9/30/2010	6/30/2010
Prepaid expenses	1,066	492	5,511	3,501
Sundry advances	1,725	1,807	7,903	7,964
Other	375	39	571	302
	3,166	2,338	13,985	11,767
Current assets	(3,162)	(2,334)	(13,789)	(11,579)
Non-current assets	4	4	196	188

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

#### 10 INVESTMENTS

The Parent Company's investments in subsidiaries are as follows:

#### 10.1 Subsidiaries

					9/30/2010
				Nova	
	USM	UBV	Omtek	Fronteira	Total
In subsidiaries					
Shares/quotas held (thousands)	23,500		27,971	111,356	
Percentage holding	100.00%		49.78%	26.08%	
Capital	60,000		27,971	427,040	
Stockholders'/quotaholders' equity	1,013,561		31,779	429,542	
Net income (loss) for the period	37,329		(1,136)	2,502	
Changes in the investments:					
At June 30, 2010	1,092,359	111,962	18,869		1,223,190
Additional distributed dividends	(93,567)				(93,567)
Capital payment through transfer of shares	, ,				0
of another company		(111,355)		111,355	
Gain (loss) on revaluation reserve of subsidiaries					
due to increase (decrease) in holding	2,023		(2,023)		
Capital loss due to decrease in participation			(450)		(450)
in accumulated results up to March 31, 2010	(0.4.700)		(456)		(456)
Reflex loss arising from carrying value adjustments	(24,583)	(0.07)	(== 4)		(24,583)
Equity in the results of subsidiaries	37,329	(607)	(571)	652	36,803
At September 30, 2010	1,013,561		15,819	112,007	1,141,387
					6/30/2010
		USM	UBV	Omtek	Total
In subsidiaries					
Shares/quotas held (thousands)		23,500	125,620	13,925	
Percentage holding		100.00%	26.71%	99.99%	
Capital		60,000	470,288	13,925	
Stockholders'/quotaholders' equity		1,092,359	419,164	18,869	
Net income (loss) for the period		14,436	(8,600)	8	
Changes in the investments:					
At March 31, 2010		1,078,425	105,253	18,861	1,202,539
Capital increase Gain (loss) on revaluation reserve of subsidiaries			8,377		8,377
due to increase (decrease) in holding		68	(68)		
Capital gain due to decrease in participation		00	(00)		
in accumulated results up to March 31, 2010			745		745
Reflex loss arising from carrying value adjustments		(570)	(27)		(597)
Equity in the results of subsidiaries		14,436	(2,318)	8	12,126
At June 30, 2010		1,092,359	111,962	18,869	1,223,190

There are no cross-holdings between the Parent Company and the direct and indirect subsidiaries.

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

## 10.2 Goodwill, spin-off and merger of Etanol Participações S.A. ("EP")

On April 12, 2007, EP acquired shares of USL and Agropecuária Aquidaban S.A. ("AA") for R\$ 184,080 and R\$ 61,360, respectively, recording a total goodwill of R\$ 210,117, of which R\$ 154,013 referred to the acquisition of USL and R\$ 56,104 to the acquisition of AA, based on the financial statements of the acquired companies as of March 31, 2007.

On December 10, 2007, the stockholders of EP announced to the market the discontinuation of the operations of USL and AA. Subsequently, on December 21, 2007, the stockholders of EP resolved to spin-off all EP's assets and liabilities, which were transferred to USL and AA. The investments of EP in USL and AA were eliminated, and the shares previously held by EP in USL and AA were transferred to its stockholders.

Due to these decisions, the allocation of the goodwill paid by EP on the acquisition of these subsidiaries, between the revaluation of assets and expected future profitability, was reviewed and the provisions of CVM Instructions No. 319, of December 3, 1999, and No. 349, of March 6, 2001, were applied in the consolidation of USM.

This review was based on an appraisal report by independent experts on the economic value of the investments, taking into consideration the absorption of the operations of these subsidiaries by the controlling stockholders and the sale of a significant portion of their property, plant and equipment. The assets held for sale were classified in the consolidated balance sheet in a specific caption of non-current assets, at historical cost plus the respective goodwill, which together represented the estimated realizable value determined in a report issued by the independent appraisers. The property, plant and equipment items that will not be sold remain classified under a specific caption at the historical cost of purchase plus the respective goodwill. The remaining goodwill was classified as expected future profitability, net of the related tax benefit, and is supported by an economic appraisal report of the investment under the new operating assumptions established in December 2007.

Up to March 31, 2009, the goodwill attributed to expected future profitability was being amortized over a period of up to ten years, based on the expected return on the investment in accordance with the economic appraisal report, which considered the investment's operational characteristics. As established by the Brazilian Accounting Pronouncements Committee (CPC) Pronouncement No. 1 and the Brazilian Securities and Exchange Commission (CVM) Instruction 565/08, the goodwill arising from expected future profitability should no longer be systematically amortized as from the year beginning April 1, 2009, but is to be periodically tested for impairment. The analyses made did not indicate the need for recognizing an impairment provision.

The goodwill related to the assets held for sale will be amortized on the realization of these assets.

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

After the above-mentioned events and amortization and write-off of assets sold, the goodwill in the consolidated financial statements is as follows:

	Goodwill	Accumulated amortization/ write-off	Net balance 9/30/2010	Net balance 6/30/2010
Expected future profitability - intangible assets Revaluation surplus of assets held for sale Tax benefit related to the portion of	39,688 27,415	(5,673) (27,347)	34,015 68	34,015 78
expected future profitability - deferred taxes	20,446	(12,837)	7,609	8,628
_	87,549	(45,857)	41,692	42,721

#### 11 PROPERTY, PLANT AND EQUIPMENT

				Parei	nt company
				9/30/2010	6/30/2010
	Cost	Revaluation	Accumulated depreciation	Net	Net
Land	20,974	291,362		312,336	313,182
Buildings and premises	14,602	11,084	(8,812)	16,874	17,304
Industrial equipment					
and facilities	66,633	88,100	(64,903)	89,830	95,217
Vehicles Agricultural machinery and	12,020	7,690	(11,227)	8,483	8,575
implements	24,209	21,092	(19,414)	25,887	26,453
Sugarcane plantations	164,570		(77,532)	87,038	91,178
Other	27,346		(18,383)	8,963	14,314
Construction in progress	22,446			22,446	22,290
	352,800	419,328	(200,271)	571,857	588,513

#### Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

				С	onsolidated
				9/30/2010	6/30/2010
	Cost	Revaluation	Accumulated depreciation	Net	Net
Land	127,843	882,875		1,010,718	1,011,559
Buildings and premises	176,672	47,642	(34,023)	190,291	192,290
Industrial equipment					
and facilities	441,706	339,582	(272,628)	508,660	525,367
Vehicles Agricultural machinery and	73,179	27,752	(41,035)	59,896	58,550
implements	135,140	65,847	(73,206)	127,781	124,882
Sugarcane plantations	744,754		(320,908)	423,846	426,742
Other	133,225		(76,522)	56,703	63,700
Construction in progress	96,018			96,018	96,101
	1,928,537	1,363,698	(818,322)	2,473,913	2,499,191

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

The changes in property, plant and equipment in the quarters ended September and June 30, 2010 can be summarized as follows:

	Pare	Parent company		onsolidated
	9/30/2010	6/30/2010	9/30/2010	6/30/2010
Opening balance	588,513	605,151	2,499,191	2,548,422
Additions	8,660	8,410	72,299	46,298
Net book value of disposals  Transfers to long-term	(1,274)	(120)	(2,925)	(715)
receivables			(4)	
Depreciation	(24,042)	(24,928)	(94,648)	(94,814)
Closing balance	571,857	588,513	2,473,913	2,499,191

The Company invested R\$ 4,795 in sugarcane plantations in the quarter ended September 30, 2010 (R\$ 7,737 in the quarter ended September 30, 2009), and the consolidated balance of the corresponding investment was R\$ 31,624 (R\$ 38,825 in the quarter ended September 30, 2009).

The Parent Company balance of construction in progress at September 30, 2010 refers to the refurbishment of the industrial facilities to increase the sugar production and other improvements to the plant. The consolidated balance also includes improvements to the USM and UBV plants, refurbishment of the USM industrial facilities to increase the sugar production and improvements to the administrative facilities and industrial park at UBV.

Under the terms of certain loan and financing agreements entered into by the Company and its subsidiaries, property, plant and equipment totaling R\$ 367,448 at September 30, 2010 (Consolidated) were pledged as collateral. These assets are mainly represented by industrial equipment and facilities, and agricultural machinery and implements. In addition, land in the amount of R\$ 145,967 (R\$ 597,618 - consolidated) was pledged as collateral for securitized rural credits, recorded in current and long-term liabilities.

At September 30, 2010, 6,136 ha of USM land, at the revalued book value of R\$ 123,030, were pledged in guarantee for UBV transactions.

The Company, USM (including its subsidiaries) and Omtek recorded revaluations of land, buildings, equipment and industrial facilities at March 31, 2007 based on appraisal reports prepared by independent experts.

Agricultural machinery and implements

Sugarcane plantations

Other

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

As from March 31, 2007, the revalued assets began to be depreciated over their estimated remaining useful lives, determined in the revaluation report, at the following annual weighted average rates, when applicable:

	depreciation rates			
Property, plant and equipment	Parent company	Consolidated		
Buildings and premises	6.62%	5.62%		
Industrial equipment and facilities	9.95%	8.93%		
Vehicles	6.05%	7.27%		

Annual weighted average

9.41%

18.71%

8.82%

11.73%

17.24%

6.51%

Expenditures with maintenance in the inter-crop period are allocated to property, plant and equipment and are fully depreciated in the following harvest.

The residual revaluation amounts of property, plant and equipment, net of depreciation and gross of deferred taxes, at September 30 and June 30, 2010 amounted to R\$ 353,199 and R\$ 359,675, respectively (R\$ 1,120,513 and R\$ 1,140,935 - consolidated).

The depreciation and write-offs of revaluation which impacted the consolidated results of operations for the quarters ended September 30, 2010 and 2009 totaled R\$ 13,397 and R\$ 19,435, respectively, net of amounts allocated to inventories and gross of taxes.

The Company and its subsidiaries capitalized financial charges of R\$ 1,068 and R\$ 1,677, respectively, in the quarters ended September 30, 2010 and 2009.

#### 12 INTANGIBLE ASSETS

	Parent company		C	onsolidated
	9/30/2010	6/30/2010	9/30/2010	6/30/2010
Goodwill - expected future				
profitability			38,826	38,826
Accumulated amortization			(4,811)	(4,811)
Software	2,035	2,035	6,881	6,876
Accumulated amortization	(1,849)	(1,838)	(4,090)	(3,907)
	186	197	36,806	36,984

The goodwill attributed to the expected future profitability derived from the spin-off of the USL net assets, which were merged by USM, is no longer being amortized as from the fiscal year beginning April 1, 2009, as mentioned in Note 10.2.

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

#### 13 DEFERRED CHARGES

		Consolidated		
	9/30/2010	6/30/2010		
Pre-operating expenses Other	44,878 52	44,817 52		
Accumulated amortization	(7,082)	(5,857)		
	37,848	39,012		

The pre-operating expenses are substantially represented by those incurred by the subsidiary UBV, which are being amortized as from the plant start-up in July 2008, over a period of ten years, and proportionally to the utilization of the expected production capacity for the period.

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

#### 14 LOANS AND FINANCING

			Paren	t company
Туре	Charges	Maturity	9/30/2010	6/30/2010
In local currency:				
Securitized rural credits	General Market Price Index (IGP-M) + w eighted average interest of 4.11% p.a., paid annually	Annual installments with maturity between Sep 2018 and Jul 2020	25,452	26,043
Rural credit - Procer	Weighted average fixed interest rate of 11.25% p.a. paid on final maturity of the contracts	Single installment with maturity between Oct 2010 and Oct 2011	20,455	27,700
Rural credit	Weighted average fixed interest rate of 6.75% p.a. paid on final maturity of the contracts	Single installment with final maturity in Dec 2010	7,372	
FINAME/BNDES - Automatic loan	Quarterly Long-term Interest Rate (TJLP) + w eighted average interest of 2.83% p.a. paid monthly	Monthly installments with maturities between Oct 2010 and Apr 2014	13,370	15,189
FINAME/BNDES - Automatic loan	Weighted average fixed rate of 5.76% p.a. paid monthly	Monthly installments with maturities between Oct 2010 and Jan 2015	4,965	4,658
Other securitized credits	Fixed interest rate of 3% p.a. paid annually	Annual installments with final maturity in Oct 2025	75	75
Leasing	Fixed rate of 7.08% p.a. paid monthly	Monthly installments with final maturity in Apr 2013	42	46
In foreign currency:				
ACC (Advances on foreign exchange contracts)	Fixed rate of 2.56% p.a. + USD variation paid on final maturity of the contracts	Single installment with final maturity between Oct 2010 and Jan 2011	44,600	56,253
Total	Contracts	and Jan 2011		· · · · · · · · · · · · · · · · · · ·
Current liabilities			116,331 (82,613)	129,964 (89,582)
Non-current liabilities			33,718	40,382

### **Notes to the Financial Statements** for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

			Cc	nsolidated
Туре	Charges	Maturity	9/30/2010	6/30/2010
In local currency:				
Securitized rural credits	General Market Price Index (IGP-M) + weighted average interest of 4.11% p.a., paid annually	Annual installments with maturities between Sep 2018 and Jul 2020	71,909	74,439
Rural credit - Procer	Weighted average fixed interest rate of 11.25% p.a. paid on final maturity of the contracts	Single installment with maturity between Oct 2010 and Jan 2011	40,910	48,149
Rural credit	Weighted average fixed interest rate of 6.75% p.a. paid on final maturity of the contracts	Single installment with maturity in Out 2010	35,001	9,021
FINAME/BNDES - Automatic loan	Quarterly Long-term Interest Rate (TJLP) + w eighted average interest of 2.97% p.a. paid monthly	Monthly installments with maturities between Oct 2010 and Apr 2015	60,246	66,721
FINEM - DIRECT	Quarterly Long-term Interest Rate (TJLP) + w eighted average interest of 2.43% p.a. paid monthly	Monthly installments with maturities between Oct 2010 and Feb 2019	306,908	302,582
FINEM - DIRECT	Weighted average fixed interest rate of 4.53% p.a. paid monthly	Monthly installments with maturities between Mar 2012 and Feb 2019	27,062	
FINAME/BNDES - Automatic loan	Weighted average fixed interest rate of 5.89% p.a. paid monthly	Monthly installments with maturities between Oct 2010 and Jan 2015	26,035	35,371
FINAME (FCO)	Weighted average fixed interest rate of 11.5% p.a. paid monthly	Monthly installments with maturities between Oct 2010 and Nov 2019	10,240	
Other securitized credits	Fixed interest rate of 3.00% p.a. paid annually	Single installment with maturity in Out 2025	75	75
Leasing	Weighted average fixed rate of 7.48% p.a. paid monthly	Monthly installments with maturities between Oct 2010 and May 2013	604	654
In foreign currency:				
FINAME/BNDES - Automatic loan	Currency basket (US Dollar, Euro and Yen) + fixed rate of 7.29% p.a. paid monthly	Monthly installments with maturities between Oct 2010 and Mar 2012	24	29
FINEM - DIRECT	Currency basket (US Dollar, Euro and Yen) + w eighted average fixed rate of 6.51% p.a. paid monthly	Quarterly installments with maturities between Oct 2010 and Apr 2019	77,815	37,071
ACC (Advances on foreign exchange contracts)	Weighted average interest of 2.47% p.a. + USD variation paid on the maturity dates	Monthly installments with maturities between Oct 2010 and Mar 2011	124,272	181,187
Export prepayment - PPE	Weighted average interest of 2.51% p.a. + USD variation paid on the maturity dates	Semiannual installments with maturities between Feb 2011 and Jun 2015	255,501	271,613
Working capital	Weighted average interest of 1.29% p.a. + USD variation paid on the maturity dates	Single installment with maturity between Oct 2010 and Nov 2010	110,467	27,031
<b>Total</b> Current liabilities			1,147,069 (419,192)	1,053,943 (364,433)
Non-current liabilities			727,877	689,510

FINAME - Government Agency for Machinery and Equipment Financing; BNDES - National Bank for Economic and Social Development; FINEM - Enterprises Financing

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

Loans and financing are guaranteed by mortgages, liens on property, plant and equipment, including land (see Note 11), promissory notes, financial investments, agricultural guarantees and sureties. The land given as collateral for loans and financing refers to sugarcane plantation areas.

Long-term loans and financing (Parent Company and Consolidated) have the following maturities:

		9/30/2010
	Parent company	Consolidated
10/1/2011 to 9/30/2012	9,807	157,877
10/1/2012 to 9/30/2013	6,111	178,393
10/1/2013 to 9/30/2014	4,595	170,126
10/1/2014 to 9/30/2015	3,085	141,111
10/1/2015 to 9/30/2016	2,474	23,389
10/1/2016 to 9/30/2017	2,310	20,780
10/1/2017 to 9/30/2026	5,336	36,201
	33,718	727,877

Based on Brazilian Central Bank Resolution No. 2471/98 and other existing legal provisions, in 1998, 1999 and 2000 the Company, USM and USL securitized debts with financial institutions, by means of the purchase of National Treasury Certificates (CTN) in the secondary market, as collateral for the payment of the principal. This securitized financing, recorded as "Securitized agricultural credits", will be automatically settled on the maturity dates on the redemption of the CTNs, which are under the custody of the creditor financial institutions. These certificates are not negotiable and are exclusively intended for paying this debt. The companies' disbursements during the 20 years in which this securitization is effective is limited to the annual payment of amounts equivalent to variable percentages between 3.9% and 4.96% per annum on the securitized amount, monetarily adjusted based on the General Market Price Index (IGP-M), limited to 9.5% per annum up to the annual payment date. This obligation was recorded in the financial statements at September 30 and June 30, 2010, based on the amount of future disbursements adjusted to present value.

#### 15 SUPPLIERS

	Pare	Parent company		<u>onsolidated</u>
	9/30/2010	6/30/2010	9/30/2010	6/30/2010
Sugarcane	14,717	9,971	88,200	55,289
Materials, services and other	11,185	9,015	47,674	41,658
	25,902	18,986	135,874	96,947

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

The sugar cane harvest period, which generally occurs between April and December of each year, has a direct impact on the balance payable to sugar cane suppliers and providers of harvesting, loading and transportation services.

#### 16 PAYABLES TO COPERSUCAR (Cooperative)

Copersucar provided funds to companies during their period as cooperative members through bills of exchange, for the purpose of financing their operations. The funds were obtained by the Cooperative in the market and transferred to the cooperative members for short-term settlement, and from temporary cash surpluses arising from injunctions in lawsuits claiming the suspension of liabilities. These cash surpluses relate to provisions for contingencies recorded by the Cooperative in long-term liabilities. However, in the event of unfavorable outcomes in lawsuits in which the Cooperative obtained an injunction, the Company may be required to reimburse, within 120 days, the amount that was transferred to it. The main amounts included in these liabilities arise from Excise Tax (IPI), the constitutionality and legality of which has been challenged in court by the Cooperative, of R\$ 15,175 and R\$ 15,019, as of September 30 and June 30, 2010, respectively (R\$ 60,403 and R\$ 59,779 - Consolidated, respectively).

The composition of the amounts payable to Copersucar is as follows:

	Parent company	
	9/30/2010	6/30/2010
Bill of Exchange - Updated based on the SELIC*	35,490	35,050
Bill of Exchange - Onlending of resources not subject to charges	11,409	11,409
Bill of Exchange - Updated based on the TJLP**  Bill of Exchange - Updated based on USD variation + interest of	3,475	3,754
4.17% p.a.	1,336	1,566
Total	51,710	51,779
Current liabilities	(589)	(589)
Non-current liabilities	51,121	51,190
	C	onsolidated
	9/30/2010	6/30/2010
Bill of Exchange - Updated based on the SELIC*		
Bill of Exchange - Updated based on the SELIC* Bill of Exchange - Onlending of resources not subject to charges	9/30/2010	6/30/2010
· · · · · · · · · · · · · · · · · · ·	<b>9/30/2010</b> 137,608	<b>6/30/2010</b> 135,943
Bill of Exchange - Onlending of resources not subject to charges	<b>9/30/2010</b> 137,608 43,934	6/30/2010 135,943 43,934
Bill of Exchange - Onlending of resources not subject to charges Bill of Exchange - Updated based on the TJLP	<b>9/30/2010</b> 137,608 43,934	6/30/2010 135,943 43,934
Bill of Exchange - Onlending of resources not subject to charges Bill of Exchange - Updated based on the TJLP Bill of Exchange - Updated based on USD variation + interest of	9/30/2010 137,608 43,934 10,179	6/30/2010 135,943 43,934 10,997
Bill of Exchange - Onlending of resources not subject to charges Bill of Exchange - Updated based on the TJLP Bill of Exchange - Updated based on USD variation + interest of 4.17% p.a.	9/30/2010 137,608 43,934 10,179 4,687	6/30/2010 135,943 43,934 10,997 5,493
Bill of Exchange - Onlending of resources not subject to charges Bill of Exchange - Updated based on the TJLP Bill of Exchange - Updated based on USD variation + interest of 4.17% p.a.  Total	9/30/2010 137,608 43,934 10,179 4,687 196,408	6/30/2010 135,943 43,934 10,997 5,493 196,367

<sup>\*</sup> SELIC - Special System for Settlement and Custody

All the liabilities of the Company and its subsidiaries with Copersucar are guaranteed by directors' sureties.

<sup>\*\*</sup> TJLP - Long-term Interest Rate

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

In accordance with the terms negotiated in the process of withdrawal from Copersucar, as from the date thereof, the Company, USM and USL will remain liable for the liabilities recorded under "Payables to Copersucar" in long-term liabilities, without any change in maturity dates, until the matters that gave rise to these liabilities and which are under judicial dispute, being handled by the Cooperative's legal counsel, are finally and definitively judged by the courts. These liabilities continue to be collateralized by bank guarantees in the amount of R\$ 42,963 (R\$ 143,000 - consolidated).

#### 17 TAXES PAYABLE IN INSTALLMENTS

	Parent company		Consolidated	
	9/30/2010	6/30/2010	9/30/2010	6/30/2010
ICMS	9,227	9,396	9,227	9,396
REFIS installment program - Law 11941	6,694	6,532	43,237	42,192
	15,921	15,928	52,464	51,588
Current liabilities (taxes payable)	(1,767)	(1,734)	(4,203)	(4,112)
Non-current	14,154	14,194	48,261	47,476

The Company and its subsidiaries USM, Omtek and USL, enrolled the Tax Recovery Program (REFIS), established by Law 11941, of May 27, 2009, with benefits of the reduction of interest, fines and legal charges.

Copersucar also enrolled in the installment payment benefits of the REFIS program and is awaiting the determination of the total amounts by the Federal Revenue Secretariat. The amount to be included in the installment payment program will be allocated to the cooperative and ex-cooperative members when approved by the Board of Directors, after the following issues are resolved: (i) final calculation of all the contingencies, considering the REFIS benefits, (ii) identification of the sugar mills responsible for the obligations, (iii) changes of the current guarantees for the liabilities for a new amount and type, and (iv) approval at a Board of Directors' meeting. The management of Copersucar, based on its analyses, discussions and preliminary calculations up to the present time, has formally confirmed to the Company that there will be no significant effects on the accounts of its cooperative and ex-cooperative members, when the final and correct calculations of the debits and credits arising from this installment payment program are completed.

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

#### 18 OTHER LIABILITIES

	Parent company		C	onsolidated
	9/30/2010	6/30/2010	9/30/2010	6/30/2010
Sales to be billed	60	116	3,847	1,426
Advances from customers	6,209	714	31,476	2,867
Revenues to be appropriated	1,808	1,983	1,808	1,983
Social security contributions payable in installments			768	825
Mitsubishi Corporation			15,793	16,661
Other	887	1,986	3,175	5,412
	8,964	4,799	56,867	29,174
Current liabilities	(7,834)	(3,494)	(42,113)	(13,468)
Non-current liabilities	1,130	1,305	14,754	15,706

The outstanding balance with Mitsubishi Corporation arises from the acquisition of the investment in UBV, realized in November 2009 with final maturity in 2014.

#### 19 STOCKHOLDERS' EQUITY

#### (a) Capital

At September and June 30, 2010, the capital stock was divided into 113,000,000 registered common shares, without par value.

#### (b) Treasury stock

On September 22, 2008, the Board of Directors approved the common share repurchase program, with the shares to be held in treasury for subsequent sale or cancellation, without reducing capital, pursuant to the Company's By-laws, CVM Instructions No. 10/80 and 268/97 and other statutory provisions. The share repurchases were carried out up to September 22, 2009 on the BM&FBovespa S.A. (São Paulo Stock, Commodities and Futures Exchange), at market prices, with the intermediation of brokerage firms.

The Company repurchased 139,000 common shares for R\$ 1,899, at a minimum price per share of R\$ 9.30 and a maximum price of R\$ 19.20, resulting in an average price of R\$ 13.65. At September 30, 2010, the market value of these shares was R\$ 2,499 (R\$ 1,918 at June 30, 2010).

The Company's objective with this program is to maximize the generation of value for its stockholders.

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

#### (c) Revaluation reserves

These reserves correspond to the revaluation balances of land, buildings and premises, equipment and industrial installations, vehicles and machinery, and agricultural implements, as described in Note 11. The reserves are recorded net of tax effects (except for the revaluation of land) and their realization is based on the depreciation, write-off or sale of the related revalued assets, and the realized amounts are transferred to retained earnings.

#### (d) Legal and capital budget reserves

The legal reserve is recorded annually through the appropriation of 5% of the net income for the year and cannot exceed 20% of the capital. The purpose of the legal reserve is to guarantee the integrity of capital and it may be used only to offset losses and increase capital.

Up to March 31, 2009, the capital budget reserve, of R\$ 95,923, comprised the retention of the remaining balance of retained earnings of prior years and was constituted with the objective of covering the investments in increasing the production capacity and in several projects intended for improving processes, based on a budget approved in a General Meeting of stockholders. The reserve was mainly (R\$ 95,900) capitalized through approval of the Extraordinary General Meeting held on September 17, 2010, since the related investments had already been effected. At March 31, 2010, management proposed a new appropriation to this reserve with the remaining balance of the net income for the year, plus the realization of the revaluation reserve, totaling R\$ 104,139, which was approved at the Ordinary General Meeting held on July 30, 2010, together with the related investment plan.

#### (e) Dividends and retained earnings

Stockholders are entitled to receive a minimum dividend of 25% of the net income for the year, after deduction of the accumulated deficit and appropriation to the legal reserve.

The Board of Directors' Meeting held on July 30, 2010 approved an additional dividend distribution of R\$ 8,838 (R\$ 0.0783 per share), totaling a dividend distribution of R\$ 30,933 (R\$ 0.2741 per share), corresponding to 35% of the net income for the previous year after appropriation of the legal reserve.

The changes in retained earnings and total stockholders' equity for the quarter ended September 30, 2010 can be summarized as follows:

	Retained earnings	Stockholders' equity
At June 30, 2010:	33,139	1,710,793
Realization of revaluation reserve	8,789	
Additional approved dividends		(8,838)
Result on derivative transactions - hedge accounting		(40,811)
Net income for the quarter	46,541	46,541
At September 30, 2010:	88,469	1,707,685

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

# (f) Reconciliation of net income for the quarter and stockholders' equity of the Parent Company with Consolidated

	9/30/2010
Stockholders' equity	
Parent company stockholders' equity	1,707,685
Interest on loan agreement allocated to deferred charges of UBV	(1,255)
Consolidated stockholders' equity	1,706,430
Net income for the quarter	
Parent company net income	46,541
Interest on loan agreement allocated to deferred charges of UBV	41
Consolidated net income	46,582

#### (g) Stock Option Plan

The Extraordinary General Meeting of stockholders held on March 26, 2009 approved the Company's Stock Option Plan, which is intended to stimulate the Company's growth, the achievement and surpassing of corporate goals, promote the Company's good performance, and retain its professionals. The plan is managed by the Board of Directors, which may grant stock options to the Company's executives, officers and employees.

The total number of common shares for which options may be granted cannot exceed 2% of the total common shares of the Company's capital stock. Data on the Company's Stock Option Plan is available at the CVM.

Currently, the Regulations and Adhesion Agreements are being prepared by the Board of Directors, to be implemented by the Company. The Board of Directors will also define the eligible beneficiaries.

#### 20 EMPLOYEE AND MANAGEMENT BENEFITS PLAN

In September 2008, the Company and its subsidiaries contracted a supplementary pension plan for all their employees and officers, of the PGBL (annuity pension plan) type, which is a defined contribution pension plan.

All employees are entitled to participate, but participation is optional. The contributions of the Company and its subsidiaries are limited to 1% of the nominal salaries of their employees, up to the limit of the plan reference unit and up to 6% of the amount of the nominal salaries that exceed such limit. However, participants are entitled to contribute more than these percentage limits, without a corresponding increase in the contributions of the Company and its subsidiaries.

The contributions at September 30, 2010 and 2009, recorded as operating costs or expenses in the consolidated results of operations, amounted to R\$ 433 and R\$ 389, respectively.

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

#### 21 PROFIT SHARING PROGRAM

In conformity with the Collective Bargaining Agreements with the employee labor unions, the Company and its subsidiaries introduced a profit sharing program based on operating and financial targets previously agreed upon with the employees.

The operating and financial indicators agreed upon between the Company and its subsidiaries and employees, through labor unions representing them, are related to the following: (i) utilization of agribusiness time; (ii) agribusiness productivity; (iii) budget index; (iv) occupational accidents; (v) customer satisfaction; (vi) management information closing deadlines; (vii) economic gains on changes of processes and respective quality; (viii) profile of existing debt; (ix) financial performance measured especially by indebtedness level and quality; (x) financial and economic performance; and (xi) quality of analyses and presentations to the market. These indicators are segregated for specific application in the departments involved, which are divided, for purposes of this program, into the agribusiness, shared services center and corporate areas.

The profit sharing for the quarters ended September 30, 2010 and 2009, recorded as operating costs or expenses in the consolidated statements of income, was R\$ 3,150 and R\$ 1,987, respectively.

#### 22 INCOME TAX AND SOCIAL CONTRIBUTION ON NET INCOME

#### (a) The deferred income tax and social contribution are as follows:

	Pare	nt company	Consolidated		
Assets	9/30/2010	6/30/2010	9/30/2010	6/30/2010	
Tax losses	19,786	21,126	46,738	49,824	
Social contribution losses	7,196	7,679	17,107	18,779	
Provision for contingencies	3,878	5,182	17,955	18,560	
Tax benefit on merged goodwill			11,931	12,951	
Derivative financial instruments	1,100	2,188	13,262	4,807	
Other	1,960	1,278	5,261	5,359	
	33,920	37,453	112,254	110,280	
Liabilities					
Revaluation of assets	(12,553)	(14,093)	(76,357)	(80,991)	
Accelerated tax-incentive depreciation	(22,795)	(22,540)	(98,633)	(95,619)	
Securitized financing	(9,796)	(9,547)	(11,174)	(10,542)	
Adjustments to present value	(3,175)	(3,244)	(8,781)	(9,110)	
Derivative financial instruments	(3,575)	(11,935)	(7,337)	(22,119)	
Other	(111)	(112)	(244)	(727)	
	(52,005)	(61,471)	(202,526)	(219,108)	

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

Income tax and social contribution losses can be carried forward indefinitely without monetary adjustment or interest, but their offset is limited to 30% of annual taxable income. In accordance with current accounting practices, deferred tax credits arising from tax loss carryforwards are recognized based on projections of taxable income of the Company and its subsidiaries, which support the recovery of the tax credits.

On a conservative basis, the Company and its subsidiaries classify all deferred tax credits in long-term receivables.

The recovery of all the deferred tax credits, indicated by the projections of taxable income approved by management, and by the expected realization of temporary differences, is expected to occur as follows:

	Estimated realization				
Years ended March 31:	Parent company	Consolidated			
2011	4,191	18,558			
2012	5,778	11,954			
2013	5,885	11,395			
2014	5,547	10,967			
2015	4,995	12,363			
2016 and thereafter	7,524	47,017			
	33,920	112,254			

The deferred income tax and social contribution liabilities are realized principally through the depreciation and disposal of the property, plant and equipment items that gave rise to them. The realization of this liability is estimated at the average rate of 15% per year, according to the depreciation rates of the respective property, plant and equipment items. In addition, the period for settlement of securitized loans, which mature through 2020, impacts the period for recovery of the deferred income and social contribution tax assets.

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

## (b) Reconciliation of income tax and social contribution

The income tax and social contribution (charge) benefit are reconciled to the effective rates as shown below:

		9/30/2010		9/30/2009
Parent Company:	Income tax	Social contribution	Income tax	Social contribution
Profit before				
taxation	53,140	53,140	18,182	18,182
Standard rates of tax - %	25%	9%	25%	9%
	(13,285)	(4,783)	(4,546)	(1,636)
Reconciliation to the effective rate: <u>Permanent differences</u>				
Equity in the earnings of subsidiaries	9,201	3,312	6,037	2,174
Capital loss due to decrease in holding	(114)	(41)		
Other permanent differences	(709)	(256)	(16)	(3)
Workers' Meal Program (PAT)	76		16	
Income tax and social contribution on net income	(4,831)	(1,768)	1,491	535
Income tax and social contribution on net income	(6,599)		2,0	)26
		9/30/2010		9/30/2009
	Income	Social	Income	Social
Consolidated:	tax	contribution	tax	contribution
Profit before				
taxation	70,251	70,251	33,236	33,236
Standard rates of tax - %	25%	9%	25%	9%
	(17,563)	(6,323)	(8,309)	(2,991)
Reconciliation to the effective rate: <u>Permanent differences</u>				
Tax incentives - non-taxable ICMS	367	132	373	134
Adjustments arising from the option for the Transitional Tax System (RTT)	312	112	(724)	(261)
Other permanent differences	(659)	(237)	(36)	(6)
Deferred income tax and social contribution assets, not recorded	(155)	(56)	(157)	(57)
Workers' Meal Program (PAT)	401	(30)	122	(57)
		(C 070)		/2.404\
Income tax and social contribution on net income	(17,297)	(6,372)	(8,731)	(3,181)
Income tax and social contribution on net income	(23,66	69)	(11,9	912)

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

#### 23 INVESTMENT SUBSIDIES

UBV has enrolled in a state tax incentive program in the State of Goiás, consisting of the deferral of the payment of Value-added Tax on Sales and Services (ICMS), denominated "Program for the Industrial Development of Goiás - Produzir", with a partial reduction of ICMS. To use this benefit, UBV has to be in compliance with all the obligations defined in the program, the conditions of which refer to events under the control of UBV.

The benefit related to the tax reduction is calculated on the liability determined in each taxable period, through the application of the discount percentage granted by the benefit.

The investment subsidy obtained in the period was recorded in the statement of income under "Gross sales deductions", as a reduction of the account "ICMS payable". As it is not possible to distribute these amounts as dividends, a "Reserve for Tax Incentives" in the amount of the investment grant is recorded as an appropriation from retained earnings.

The incentive amounts credited to operations for the quarters ended September 30, 2010 and 2009 were R\$ 1,470 and R\$ 1,493, respectively.

#### 24 PROVISION FOR CONTINGENCIES

The Company and its subsidiaries, based on legal counsel's assessment of probable losses, maintain the following provisions for contingencies (amounts monetarily restated):

Parent company

	6/30/2010	Additions	Utilizations/ reversals	Monetary restatement	9/30/2010
Tax	3,082	3	(22)	10	3,073
Civil	8,281	1,055	(5,058)	72	4,350
Labor	5,962	69	(127)	163	6,067
	17,325	1,127	(5,207)	245	13,490
(-) Judicial deposits	(5,662)	(126)	350	(28)	(5,466)
	11,663	1,001	(4,857)	217	8,024
				C	onsolidated
	6/30/2010	Additions	Utilizations/ reversals	Monetary restatement	9/30/2010
Tax	4,724	274	(22)	104	5,080
Civil	10,745	1,055	(5,058)	189	6,931
Labor	52,959	2,360	(1,505)	1,422	55,236
	68,428	3,689	(6,585)	1,715	67,247
(-) Judicial deposits	(29,572)	(2,941)	546	(331)	(32,298)
1					
	38,856	748	(6,039)	1,384	34,949

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

The nature of the main lawsuits included in the above provisions at September 30, 2010 was as follows (Parent Company and Consolidated):

### I) <u>Tax lawsuits:</u>

These refer to: (i) taxes that are being challenged in court by the Company and its subsidiaries in which the amounts challenged have been deposited in court; (ii) contracts with success fees payable to different legal advisors for defenses in tax lawsuits.

#### II) Civil lawsuits:

These refer to: (i) compensation for material and moral damages; (ii) public civil actions to stop the burning of sugar cane straw and the constitution of a legal reserve; and (iii) environmental lawsuits.

### III) <u>Labor lawsuits:</u>

Labor claims refer mainly to claims for: (i) overtime; (ii) commuting hours; (iii) indemnity for elimination of the lunch break; (iv) hazardous duty and health hazard premiums; (v) refund of payroll deductions such as confederation dues, union dues, etc.; (vi) night shift premium; and (vii) recognition of employment relationship with the consequent payment of the 13th month salary and vacation pay, plus 1/3 vacation bonus.

The Company and its subsidiaries are parties to several cases involving tax and civil matters that were assessed by the Company's legal counsel as possible losses. No provision has been recorded for these cases. The nature and the amount of these lawsuits are as follows:

## IV) <u>Tax lawsuits:</u>

Cor	nsolidated					Stage	
Sub	ject	Number of lawsuits	Administrative	Trial court	Lower court	Higher court	Total
(i)	Social security contributions	20	98,583	11,988			110,571
(ii)	Calculation of IRPJ / CSLL	2	47,335				47,335
(iii)	Negative balance of IRPJ	4	3,849	89	206	1,405	5,549
(iv)	Offset of credits - PIS	2	3,527		1,633		5,160
(v)	Offset of federal taxes	3	1,227		1,373		2,600
(vi)	Other tax cases	45	9,987	559	1,530		12,076
		76	164,508	12,636	4,742	1,405	183,291

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

In addition, in accordance with the terms negotiated for the withdrawal from Copersucar, the Company, USM and USL remain liable for the payment of any obligations, proportionate to their interest in Copersucar in previous harvests, which result from tax assessments that may arise and that relate to periods in which the Company and its subsidiaries were cooperative members. The State Finance authorities have issued tax assessments against Copersucar with respect to Value-added Tax on Sales and Services (ICMS) on fuel and industrial alcohol sales made by Copersucar up to December 31, 2008, as principal taxpayer or substitute taxpayer of the distribution companies. The adjusted amount, calculated proportionately to the interest of the Company and its subsidiaries in the Cooperative, amounts to R\$ 41,541. Legal counsel assesses these lawsuits as a possible loss.

Copersucar believes that it has strong arguments to successfully defend the fines imposed by the State Finance Departments in these assessments.

### V) <u>Civil and environmental lawsuits:</u>

Consolidated					Stage	
Subject	Number of lawsuits	Administrative	Trial court	Lower court	Higher court	Total
Environmental	89	1,786	5,336	4,608	4,271	16,001
Civil						
Indemnities	30		2,899	206	24	3,129
Review of contracts	11			22		22
Rectification of area and land registration	1	61				61
Permits for obtaining research license	6					
	137	1,847	8,235	4,836	4,295	19,213

The management of the Company and its subsidiaries, based on legal counsel's opinion, believe that there are no significant risks not covered by provisions in the financial statements or that might result in a significant impact on future results of operations.

### 25 FINANCIAL INSTRUMENTS

#### 25.1 General considerations of risk management

The Company and its subsidiaries have policies and procedures to manage, through the use of financial instruments, the market risks related to interest rates, foreign exchange variations and the volatility of the sugar price in the international commodities market, which are inherent to their business. These policies are monitored by Management and approved by the Board of Directors and include: (a) management and continuous monitoring procedures of the exposure levels relating to the sales volumes contracted; (b) estimates of the value of each risk based on the established limits of foreign exchange exposure and sales prices of sugar; and (c) estimates of future cash flows and the definition of approval limits to contract derivative instruments designed to protect product prices and to hedge sales performance against foreign exchange rate fluctuations and volatility in sugar prices.

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

In accordance with such policies, derivative financial instruments are contracted exclusively for the purpose of pricing and hedging the sugar and ethanol export transactions of the Company and its subsidiaries against foreign exchange risks and sugar price fluctuations in the international market, and to hedge loan and financing operations denominated in foreign currency against oscillations in interest and exchange rates. The operations contracted for pricing and hedging export operations do not exceed sales values and volumes to be delivered to customers and their purpose is to ensure minimum profitability levels on the future sales. No transactions with financial instruments are carried out for speculative purposes or to hedge financial assets or liabilities.

The Company and its subsidiaries actively manage the contracted positions so that adjustments may be made in response to market conditions, operating mainly in the futures and options market of the New York Intercontinental Exchange (ICE Futures US) and in the over-the-counter market with solid financial institutions. The treasury area identifies, evaluates and contracts financial instruments in order to protect the Company and its subsidiaries against possible financial risks regarding interest and exchange rates.

#### 25.2 Derivative Financial Instruments

In accordance with accounting practices adopted in Brazil, derivative financial instruments must be classified as "held for trading" and recorded at their fair value in current assets when the fair value is positive and in current liabilities when it is negative. Fair value variations must be recorded in the statement of income, except when the derivative is designated for hedge accounting. The utilization of hedge accounting is optional and its purpose is to record the effects of derivative financial instruments at the same moment when the objects hedged affect the entity's results of operations, in order to respect the accrual basis of accounting and to reduce the volatility in the results arising from derivatives marked to market.

As from March 1, 2010, the Company and its subsidiaries opted for the utilization of hedge accounting to record a part of their derivative financial instruments. The instruments elected were sugar and foreign currency (U.S. dollar) derivatives, which cover the sales of the 2010/2011 crop and were classified as a hedge of cash flows of highly probable expected transactions (future sales).

Derivatives designated for hedge accounting are recorded at their fair value in the balance sheet. The effective variations in the fair value of the designated derivatives, contracted for the purposes of pricing and hedging of sugar and ethanol exports, and which qualify for hedge accounting are recorded in "Carrying value adjustments" in stockholders' equity, net of taxes, and recorded in the statement of income in "Gross sales revenues" when the revenue of the related hedged sale is recognized, which occurs in the month in which the sold products are shipped. The ineffective portion of the variations is recorded as financial income or expense in the same period in which it occurs.

In order to utilize hedge accounting, prospective tests were realized to verify efficiency. These tests demonstrated that the instruments designated for hedge provide a highly effective offset for the effects of price variations on the value of future sales.

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

In the case of foreign exchange hedges, the derivatives were designated as a protection of cash flows arising from future sales in foreign currency. These hedges are carried out by contracting Non-Deliverable Forwards (NDFs) with leading financial institutions.

In the case of sugar hedges, the derivatives were designated as a protection of cash flow variations arising from future sales of sugar. These transactions are carried out in the New York Intercontinental Exchange (ICE Futures US) and with leading financial institutions through overthe-counter contracts.

The balances of assets and liabilities at September 30 and June 30, 2010, relating to transactions involving derivative financial instruments, were as follows:

-	Parent company		Co	nsolidated
<u>-</u>	9/30/2010	6/30/2010	9/30/2010	6/30/2010
Margin deposits	5,301	4,376	5,601	8,572
Potential results - futures - sugar	(1,422)	4,376	(1,422)	4,337
Potential results - futures - ethanol			3	
Potential results - options - sugar	(1,467)	422	(2,903)	99
Potential results - forward contracts - foreign exchange	7,314	1,664	14,914	5,115
Potential results - forward contracts - sugar	(598)	7,764	(3,459)	18,831
Potential results - swap contracts			(8,938)	(321)
_	9,128	18,602	3,796	36,633
Assets - current assets	10,934	18,690	16,562	37,793
Liabilities - current liabilities	(1,806)	(88)	(12,766)	(1,160)
-	9,128	18,602	3,796	36,633

Margin deposit balances refer to funds maintained in current accounts with brokers to cover the initial margins established by the Commodities Exchange in which the contracts are formalized, with the objective of guaranteeing outstanding contracts and net remittances related to daily adjustments resulting from fluctuations in contract prices in the futures and options market.

Sugar futures and options contract balances refer to the cumulative positive (negative) effect of the fair value of derivative financial instruments, in the modality of futures and options contracts.

The balances of the potential results with forward contracts - foreign exchange - refer to the cumulative positive (negative) effect of the fair value of derivative financial instruments, in the modality of forward foreign exchange contracts.

The balances of the potential results with forward contracts - sugar - refer to the cumulative positive (negative) effect of the fair value of derivative financial instruments, in the modality of commodity futures contracts.

The balances of the potential results with swap contracts refer to the cumulative negative effect of the fair value of derivative financial instruments, in the modality of swap contracts.

The maturity dates of the derivative financial instruments contracted to protect sugar and ethanol exports are determined based on the estimated shipment dates of the hedged sugar and the forecast cash flows from these shipments, as agreed with the customers. The maturity dates of the derivative financial instruments contracted for the loans and financing in foreign currency are determined based on the maturities of the contracts.

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

# 25.2.1 Statement of fair value of the derivative financial instruments

The balances of assets and liabilities at September 30 and June 30, 2010, relating to transactions involving derivative financial instruments, were as follows:

## (a) Futures and options contracts:

					9/30/2010					6/30/2010
Parent company	Volume (Metric ton)	Average price (¢/lb)	Notional amount - R\$	Fair value - R\$	Payable/ receivable - R\$	Volume (Metric ton)	Average price (¢/lb)	Notional amount - R\$	Fair value - R\$	Payable/ receivable - R\$
Products - Sugar #11										
Futures Contracts										
Sales commitment	17,272	19.59	12,639	(1,691)	(1,691)	40,488	18.64	29,975	4,088	4,088
Purchase commitment	9,652	21.80	7,859	269	269 (1,422)	12,954	15.50	7,975	288	288 <b>4,376</b>
Options Contracts										
Purchased position - sale	5,080	20.38	3,866	340	340	5,080	17.75	3,581	474	474
Purchased position - purchase	5,555		0,000			4,064	21.00	3,390	36	36
Written position - purchase	12,700	20.65	9,795	(1,807)	(1,807)	9,144	20.72	7,525	(88)	(88)
				:	(1,467)				` ′ =	422
					9/30/2010					6/30/2010
Consolidated	Volume (Metric ton/m³)	Average fixed rate	Notional amount - R\$	Fair value - R\$	Payable/ receivable - R\$	Volume (Metric ton/m³)	Average fixed rate	Notional amount - R\$	Fair value - R\$	Payable/ receivable - R\$
Products - Sugar #11										
Futures Contracts										
Sales commitment	.= .=.	40.50	40.000	(4.004)	(4.004)		47.00	====		
Purchase commitment	17,272	19.59	12,639	(1,691)	(1,691)	86,970	17.30	59,754	4,049	4,049
. aronado communera	9,652	21.80	7,859	269	269 (1,422)	12,954	15.50	7,975	288	4,337
Options Contracts										
Purchased position - sale	04.500		40.000			40.400	47.00			
Purchased position - purchase	21,590	20.09	16,200	926	926	10,160	17.38	7,011	902	902
Written position - sale	0.050	44.75	0.400	(0.1)	(0.1)	4,064	21.00	3,390	36	36
Written position - purchase	6,350	14.75	3,499	(24)	(24)	00.440	40.05	04.740	(000)	(000)
	29,210	21.41	23,362	(3,805)	(3,805) (2,903)	28,448	19.25	21,748	(839)	(839) <b>99</b>
Products - ETH BMF										
Futures Contracts										
Sales commitment	2,820	1,022.99	96	3	3					

The form of the operations with options contracts listed above is effected based on the following terminology:

- a) Purchased position sale: purchase of put options that grant the Company the right, but not the obligation, to sell at a previously established price.
- b) Purchased position purchase: purchase of call options that grant the Company the right, but not the obligation, to purchase at a previously established price.

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

- c) Written position purchase: sale of call options under which the Company has the obligation to comply at the agreed price at the buyer's discretion.
- d) Written position sale: sale of put options under which the Company has the obligation to comply at the agreed price at the buyer's discretion.

## (b) Foreign currency forward contracts (NDF over-the-counter - CETIP):

					Parent Company -	9/30/2010
Maturity	Position	US\$ thousand	Average fixed rate - R\$/US\$ 1	Notional amount - R\$	Fair value - R\$	Receivable -
Oct-10	Sold	9,925	1.8582	18,443	1,628	1,628
Nov-10	Sold	21,575	1.8679	40,302	3,547	3,547
Jan-11	Sold	6,545	1.9563	12,805	1,468	1,468
Mar-11	Sold	2,575	1.8861	4,857	336	336
Apr-11	Sold	2,575	1.8992	4,890	335	335
		43,195		,,,,,	-	7,314
					Consolidated -	9/30/2010
			Average	Notional		
			fixed rate -	amount -	Fair value -	Receivable -
Maturity	Position	US\$ thousand	R\$/US\$ 1	R\$	R\$	R\$
Oct-10	Sold	15,025	1.8712	28,116	2,660	2,660
Nov-10	Sold	36,914	1.8811	69,440	6,550	6,550
Dec-10	Sold	2240	1.9310	4,325	480	480
Jan-11	Sold	24,786	1.9147	47,459	4,553	4,553
Mar-11	Sold	2,575	1.8861	4,857	336	336
Apr-11	Sold	2,575	1.8992	4,890	335	335
		84,115			<u>-</u>	14,914
					Parent Company	- 6/30/2010
Maturity	Position	US\$ thousand	Average fixed rate - R\$/US\$ 1	Notiona amount R\$	- Fair value -	Receivable -
Jul-10	Sold	4,057	1.8308	7,427	· 119	119
Aug-10	Sold	.,	1.8448	19,439		356
Sep-10	Sold		1.8451	12,928		141
Oct-10	Sold	,	1.8582	18,443		189
Nov-10	Sold		1.8729	35,586		364
Jan-11	Sold	•	1.9869	9,935		495
		55,526				1,664

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

					Consolidated	- 6/30/2010
Maturity	Position	US\$ thousand	Average fixed rate - R\$/US\$ 1	Notional amount - R\$	Fair value - R\$	Receivable - R\$
Jul-10	Sold	9,863	1.8274	18,023	254	254
Aug-10	Sold	24,834	1.8470	45,869	891	891
Sep-10	Sold	17,807	1.8866	33,594	1,085	1,085
Oct-10	Sold	27,282	1.8724	51,082	894	894
Nov-10	Sold	34,339	1.8848	64,724	1,053	1,053
Dec-10	Sold	2,240	1.9310	4,325	137	137
Jan-11	Sold	23,241	1.9185	44,589	801	801
		139,606				5,115

The counterparties of the forward contracts are the financial institutions: Citibank, Rabobank, Bradesco, HSBC and Itaú BBA.

## (c) Sugar forward contracts "sugar 11" (NDF over-the-counter - CETIP):

					Parent Company -	9/30/2010
			Average fixed rate -	Notional amount -	Fair value -	Payable-
Maturity	Position	Lots	¢/lb	R\$	R\$	R\$
Mar-11	Sold	100	20.30	3,439	(598)	(598)
		100			=	(598)

					Consolidated -	9/30/2010
Maturity	Position	Lots	Average fixed rate - ¢/lb	Notional amount - R\$	Fair value -	Payable- R\$
Mar-11	Sold	400	18.73	12,695	(3,562)	(3,562)
May-11	Sold	300	21.47	10,912	(173)	(173)
Jul-11	Sold	615	20.19	21,033	276	276
		1,315			<u>=</u>	(3,459)

					Parent Company -	6/30/2010
Maturity	Position	Lots	Average fixed rate - ¢/lb	Notional amount - R\$	Fair value - R\$	Receivable -
Oct-10	Sold	960	19.71	34,087	7,024	7,024
Mar-11	Sold	100	20.30	3,656	740	740
		1,060				7,764

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

					Consolidated	- 6/30/2010
Maturity	Position	Lots	Average fixed rate - ¢/lb	Notional amount - R\$	Fair value - R\$	Receivable - R\$
Oct-10	Sold	2,471	19.62	87,321	17,616	17,616
Mar-11	Sold	370	18.22	12,147	1,215	1,215
	-	2,841				18,831

The counterparties of the sugar forward contracts "sugar 11" are the financial institutions: Citibank, Rabobank, Itaú BBA and Macquarie.

## (d) Swap contracts - USD x CDI (over-the-counter - CETIP):

					Consolidated -	9/30/2010
Maturity	Notional amount - US\$ thousand	Base value - R\$	Asset position	Liability position	Fair value -	Payable- R\$
Oct-10	40,000	71,936	USD + 1.56%	108.7% do CDI	(6,169)	(6,169)
Nov-10	25,000	44,140	USD + 0.86%	106.8% do CDI	(2,769)	(2,769)
						(8,938)
					Consolidated -	30/06/2010
	Notional amount -					
	US\$	Base	Asset	Liability	Fair value -	Payable-
Maturity	thousand	value - R\$	position	position	R\$	R\$
Oct-10	40,000	71,936	USD + 1.56%	108.7% do CDI	(321)	(321)
					_	(321)

CETIP - Clearing House for the Custody and Financial Settlement of Securities

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

It is expected that the fair value of the derivative financial instruments will be realized in the following periods/months:

Consolidated	Maturity by month - R			
	Mar-11	May-11	Jul-11	Total
PRODUCTS				
Derivatives designated as hedge				
Fair value of futures purchased - sugar	360		(91)	269
Fair value of futures sold - sugar	(927)	(723)	(41)	(1,691)
Fair value of NDFs sold	(3,562)	(173)	276	(3,459)
	(4,129)	(896)	144	(4,881)
Derivatives not designated as hedge Options				
Fair value of purchased position - sale	722		204	926
Fair value of written position - sale	(24)			(24)
Fair value of written position - purchase	(3,641)		(164)	(3,805)
	(2,943)		40	(2,903)
TOTAL	(7,072)	(896)	184	(7,784)
	Maturity by period - R			
Consolidated		M	aturity by p	eriod - R\$
Consolidated	3Q11	4Q11	aturity by p	eriod - R\$  Total
Consolidated PRODUCTS	3Q11			
	3Q11_			
PRODUCTS	<b>3Q11</b>			
PRODUCTS Derivatives designated as hedge				Total
PRODUCTS Derivatives designated as hedge Fair value of futures sold - ethanol				Total
PRODUCTS Derivatives designated as hedge Fair value of futures sold - ethanol  FOREIGN CURRENCY				Total
PRODUCTS Derivatives designated as hedge Fair value of futures sold - ethanol  FOREIGN CURRENCY Derivatives designated as hedge	3	4Q11	1Q12	Total 3
PRODUCTS Derivatives designated as hedge Fair value of futures sold - ethanol  FOREIGN CURRENCY Derivatives designated as hedge Fair value of NDFs sold	3	4Q11	1Q12	Total 3
PRODUCTS Derivatives designated as hedge Fair value of futures sold - ethanol  FOREIGN CURRENCY Derivatives designated as hedge Fair value of NDFs sold  OTHER	3	4Q11	1Q12	Total 3
PRODUCTS Derivatives designated as hedge Fair value of futures sold - ethanol  FOREIGN CURRENCY Derivatives designated as hedge Fair value of NDFs sold  OTHER Derivatives not designated as hedge	3	4Q11	1Q12	Total 3

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

The results of transactions involving derivative financial instruments that affected the results in the quarters ended September 30, 2010 and 2009 were:

		9/30/2010		9/30/2009
Contracts linked to products:	Parent company	Consolidated	Parent company	Consolidated
Future contracts	12,158	27,366	(944)	(3,632)
Options	(756)	(5,642)	(9,048)	(10,254)
Commissions and brokerage fees	(70)	(158)	(61)	(126)
Exchange variation	(334)	(427)	444	319
	10,998	21,139	(9,609)	(13,693)
Contracts linked to currency:				
Forward contracts	2,129	7,781	1,316	10,679
Contracts linked to debt:				
Swap - U.S. dollar x CDI		(8,617)		
Net effect	13,127	20,303	(8,293)	(3,014)
Effect on the statement of income captions:				
Gross revenue	14,278	35,089		
Financial income	540	601	4,564	15,205
Financial expenses	(1,357)	(14,960)	(13,301)	(18,537)
Foreign exchange variations, net	(334)	(427)	444	318
	13,127	20,303	(8,293)	(3,014)

### 25.3 Measurement of fair value

The determination of the fair value of the financial instruments contracted by the Company and its subsidiaries is effected based on information obtained from the financial institutions and prices quoted in an active market, utilizing the standard market pricing methodology, which comprises evaluating their nominal values up to the maturity date and discounting these to present values at future market rates. The use of different assumptions may cause estimated fair values to differ from realized amounts, since considerable judgment is required in interpreting market data.

The fair value of futures negotiated in the New York - Intercontinental Exchange (ICE Futures US) is calculated by the difference between the contractual price of the derivative and the market closing price on the base date, obtained from quotations in the active market, and reconciled with creditor or debtor balances with the brokers. The fair value of options negotiated in the ICE is obtained from quotations in the market.

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

The fair value of forward contracts, both for foreign exchange and sugar, contracted in the over-the-counter market with leading banks, is calculated using discounted future cash flow methods, which are based on market data on the date of each contract closing date, specifically the DI and DDI interest curves published by the Commodities and Futures Exchange (BM&F), PTAX published by the Brazilian Central Bank, and prices of sugar futures in the ICE.

The fair value of interest rate swaps is calculated considering the estimated future cash flows, based on the yield curve adopted by the market.

#### 25.4 Margin deposits given in guarantee

In order to comply with the guarantees required by derivative exchanges for certain operations with derivative financial instruments, the Company and its subsidiaries maintained at September 30 and June 30, 2010 the following amounts as guarantees for derivative transactions.

	Parer	t company	Consolidated		
Brokers	9/30/2010	6/30/2010	9/30/2010	6/30/2010	
Natixis New Edge ICAP	5,297	4,376	5,297 226 67	4,376 4,195	
Prudential	4		11	1	
	5,301	4,376	5,601	8,572	

#### 25.5 Future price risk

At September 30, 2010, the prices of 241,351 metric tons of sugar were hedged by forecast sales contracts for future delivery for the period between October 2010 and July 2011, priced at an average of 21.48  $\ensuremath{c}$ /lb (cents per pound weight) with the New York - ICE Futures US Exchange.

#### 25.6 Exposure to credit risk

The Company's credit risk management policy is to contract only with leading financial institutions, which comply with the risk assessment criteria of Company and its subsidiaries, duly approved by the Board of Directors, through the Risk Management Policy.

Among these criteria, the New York - Intercontinental Exchange (ICE Futures US) has a credit risk accepted by the Company.

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

At September and June 30 2010, the Company's credit risk on derivative financial instruments was as follows:

	Paren	Consolidated		
Counterparty	9/30/2010	6/30/2010	9/30/2010	6/30/2010
ICE Futures US	2,412	9,174	1,279	13,008
Itaú BBA	(119)	2,783	86	10,832
Rabobank	528		(6,288)	3,007
Citibank	2,417	5,305	5,921	6,933
HSBC Bank Brasil	1,811	512	1,763	1,096
Santander		274		943
Bradesco	2,079	554	2,079	624
Macquarie			(1,044)	190
	9,128	18,602	3,796	36,633

#### 25.7 Advances on Foreign Exchange Contracts

Due to the export activity, part of the indebtedness of the Company and its subsidiaries is comprised of Advances on Foreign Exchange Contracts (ACC), which consist of debts in U.S. dollars, settled through exports of products. Accordingly, the Company's management understands that these operations are a natural hedge for the exposure of the value of exports, in respect of the exchange rate.

As from September 1, 2010, the Company and its subsidiaries opted for the utilization of hedge accounting to record these instruments with the objective of presenting the economic result of the natural hedge in the statement of income.

The ACCs designated were classified as a hedge of cash flows for the protection of the foreign exchange risks of highly probable expected transactions (future sales) of the 2010/2011 crop.

These contracts remain presented in the balance sheet at amortized cost, in the account "Loans and Financing". The exchange variations are tested prospectively and retrospectively and, when it is proved that they are highly effective in the offset of the exchange variation on sales revenues, they are recorded as "Carrying value adjustments" in stockholders' equity, net of taxes and, subsequently, are recorded as "Gross sales revenues" when the revenue of the related hedged sale is recognized, which occurs in the month in which the sold products are shipped. The ineffective portion of the variations is recorded as financial income or expense in the same period in which it occurs.

At September 30, 2010, the expectation of the impact on the future statements of income, by the effective exchange variations of ACCs recognized in stockholders' equity, is:

Consolidated	Maturity by period - R\$			
	3T11	4T11	1T12	Total
Other financial instruments designated for hedge				
ACC - Effective foreign exchange variation	1,127	3,211	187_	4,525
TOTAL	1,127	3,211	187_	4,525

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

#### 25.8 Financial investments

Financial investments consist principally of repurchase agreements backed by government securities and fixed-income funds, indexed to the Interbank Deposit Certificates (CDI) interest rate, with high liquidity and trading in the market, entered into with financial institutions that meet the risk assessment criteria of the Company and its subsidiaries.

## 25.9 Assets and liabilities subject to foreign exchange variation

The table below summarizes foreign currency-denominated assets and liabilities (in U.S. dollars - US\$), recorded in the consolidated balance sheet at September 30, 2010:

		Thousands of US\$
Current assets	R\$_	equivalents
Cash and banks	83,571	49,351
Trade accounts receivable	33,978	20,065
Derivative financial instruments	16,492	9,739
Total assets	134,041	79,155
Liabilities Current:		
Loans and financing	(243,626)	(143,800)
Derivative financial instruments	(12,766)	(7,535)
Other liabilities	(28,215)	(16,654)
Non-current:		
Loans and financing	(324,453)	(191,508)
Other liabilities	(12,634)	(7,457)
Total liabilities	(621,694)	(366,954)
Net exposure - liabilities	(487,653)	(287,799)

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

These assets and liabilities were adjusted and recorded in the financial statements at September 30, 2010 at the exchange rate in effect on that date, of R\$ 1.6934 per US\$ 1.00 for assets and R\$ 1.6942 per US\$ 1.00 for liabilities.

The balance of short-term loans and financing, totaling US\$ 142,800 thousand, refers basically to Advances on Foreign Exchange Contracts (ACC), maturing in October 2010 and March 2011, which are linked to product exports. The balance of long-term loans and financing, of US\$ 191,508 thousand, refers to U.S. dollar-denominated export prepayment loans, raised by USM with international financial institutions, maturing in five (5) years.

As the above agreements will be settled through product exports, the Company's management understands that these transactions represent a natural hedge and that, therefore, the foreign exchange variations will only have a timing effect on the statements of income, without a corresponding effect on the companies' cash flows, if they are not designated as *Cash Flow Hedge*.

#### 25.10 Sensitivity analysis

In accordance with CVM Instruction No. 475, the sensitivity analysis below has been prepared by the Company showing the effects of changes in the fair values of financial instruments relating to pricing and hedging against foreign exchange rate fluctuations and of other financial assets and liabilities in foreign currency at September 30, 2010, considered by management as the major risk to which the Company is exposed. This analysis considers management expectations with respect to the future scenario projected. For this reason, this analysis has not been reviewed by the independent auditors.

Parent Company:		Probable scenario		Possible scenarios		
Transaction	Risk	Average rate/ price	Effect on the statement of income and cash flows	Deterioration 25%	Deterioration 50%	
Cash and banks	US\$ devaluation	\$1.78	2,121	(9,249)	(20,619)	
Trade accounts receivable	US\$ devaluation	\$1.78	383	(1,670)	(3,722)	
Short and long-term loans and financing	US\$ appreciation	\$1.78	(2,181)	(13,876)	(25,572)	
Forw ard contracts - foreign currency - NDF	US\$ appreciation	\$1.83	2,382	(22,962)	(48,306)	
Forward contracts - sugar - NDF	Increase in the commodity price	28.22 ¢/lb	(899)	(2,238)	(3,577)	
Futures market - purchase	Decrease in the commodity price	21.80 ¢/lb	1,555	(866)	(2,175)	
Futures market - sale	Increase in the commodity price	19.59 ¢/lb	(2,642)	(6,885)	(11,128)	
"Call" sale	Increase in the commodity price	20.65 ¢/lb	(1,654)	(2,519)	(3,384)	
"Put" purchase	Decrease in the commodity price	20.38 ¢/lb	(190)	(227)	(265)	

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

Consolidated:		Probal	ble scenario	Possible scenarios		
Transaction	Risk	Average rate/ price	Effect on the statement of income and cash flows	Deterioration 25%	Deterioration 50%	
Cash and banks	US\$ devaluation	R\$ 1.78	4,087	(17,827)	(39,742)	
Trade accounts receivable	US\$ devaluation	R\$ 1.78	1,662	(7,248)	(16,158)	
Loans and financing loans and financing	US\$ appreciation	R\$ 1.89	(53,817)	(181,674)	(309,531)	
Accounts payable	US\$ appreciation	R\$ 1.89	(1,829)	(6,234)	(10,640)	
Forward contracts - foreign currency - NDF	US\$ appreciation	R\$ 1.78	9,608	(27,761)	(65,131)	
Forward contracts - sugar - NDF	Increase in the commodity price	25.21 ¢/lb	(9,413)	(25,139)	(40,864)	
Futures market - purchase	Decrease in the commodity price	21.80 ¢/lb	1,555	(866)	(2,175)	
Futures market - sale	Increase in the commodity price	19.59 ¢/lb	(2,642)	(6,885)	(11,128)	
"Call" sale	Increase in the commodity price	21.41 ¢/lb	(3,861)	(5,778)	(7,694)	
"Put" sale	Increase in the commodity price	14.75 ¢/lb	17	15	13	
"Put" purchase	Decrease in the commodity price	20.09 ¢/lb	(603)	(684)	(764)	
Short-term loans and financing	Sw ap (risk of US\$ devaluation) Debt (risk of US\$	R\$ 1.78	5,677	36,115	66,553	
	appreciation)	R\$ 1.78	(5,677)	(36,115)	(66,553)	

## 26 OTHER INCOME (EXPENSES), NET

In the quarter ended September 30, 2010, the caption "Other income (expenses)", net was mainly impacted by the net effect of expenses arising from environmental fines of R\$ 626 (R\$ 1,048 - consolidated), the loss of R\$ 456 arising from the decrease in the percentage holding in Omtek as mentioned in Note 1.5, and other net operating income of R\$ 979 (R\$ 885 - consolidated).

Notes to the Financial Statements for the Quarter Ended September 30, 2010 All amounts in thousands of reais, unless otherwise indicated

## 27 FINANCIAL INCOME (EXPENSES)

	Parent company		Co	onsolidated
Financial income	9/30/2010	9/30/2009	9/30/2010	9/30/2009
Interest income	1,854	175	4,495	436
Gains on derivatives	540	4,564	601	15,205
Other income	13	172	2,619	1,446
	2,407	4,911	7,715	17,087
Financial expenses				
Interest expense	(2,606)	(3,645)	(14,982)	(15,725)
Losses on derivatives	(1,357)	(13,301)	(14,960)	(18,537)
Other expenses	(176)	(475)	(1,021)	(1,980)
	(4,139)	(17,421)	(30,963)	(36,242)
Monetary and foreign exchange variations				
Gains	2,924	8,089	35,105	47,651
Losses	(4,199)	(4,855)	(13,996)	(15,506)
	(1,275)	3,234	21,109	32,145
Net financial result	(3,007)	(9,276)	(2,139)	12,990

\* \* \*







# 2Q11 Earnings Conference Call

#### **Portuguese**

November 18, 2010 2:00 p.m. (Brasília) 11:00 a.m. (US EST) Dial-in: +55 (11) 2188-0155 Code: São Martinho Replay: +55 (11) 2188-0155 Webcast with Slides: www.saomartinho.ind.br/ri

#### **English**

November 18, 2010 4:00 p.m. (Brasília) 1:00 p.m. (US EST) Dial-in: +1 (412) 317-6776 Code: São Martinho Replay: +1 (412) 317-0088 Code: 446078# Webcast with Slides: www.saomartinho.ind.br/ir



#### **Investor Relations**

João Carvalho do Val CFO and IRO Felipe Vicchiato Alexandre Gorla Aline Reigada

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

## SÃO MARTINHO'S NET INCOME GROWS 130% TO R\$46.6 MILLION IN 2Q11

São Paulo, November 16, 2010 – SÃO MARTINHO S.A. (BM&FBovespa: SMTO3; Reuters SMTO3.SA and Bloomberg SMTO3 BZ), one of the largest sugar and ethanol producers in Brazil, announces today its results for the second quarter of fiscal year 2011 (2Q11) – 2010/11 harvest year.

## **HIGHLIGHTS**

- The São Martinho Group recorded Adjusted EBITDA of R\$127.1 million in 2Q11 (EBITDA Margin of 37.5%), representing a 66% increase on 2Q10. In the comparison of 6M11 with 6M10, EBITDA grew by 103.5% to R\$246 million. The main driver of EBITDA growth was the higher sugar sales volume and the significant improvement (30%) in sugar prices in Brazilian real.
- As a result, Net Income grew 130% in 2Q11 from 2Q10. In 6M11, Net Income totaled R\$69.5 million, up 41.5% on 6M10.
- São Martinho ended 2Q11 with 68% more ethanol in inventory than in 2Q10. As a result, the ethanol available for sale at our units for the next six months comes to approximately 380,000 m<sup>3</sup>.
- Sugar volume available for sale in the second half of the 2010/2011 harvest year totals 416,000 metric tons, while on September 30, 2010, we had approximately 274,000 metric tons hedged at USD 21.26 cents/pound. In addition, on the same date, we held hedge positions equivalent to 61,000 metric tons of sugar at USD 20.39 cents/pound related to the 2011/2012 harvest year, which corresponds to less than 7% of the sugar production capacity for the coming harvest.
- The group's Net Debt reached R\$930.7 million in September 2010, a reduction of 5.2% from September 2009. In the same period, the Net Debt/EBITDA ratio stood at 1.9x, down significantly from 3.8x in the same period a year earlier.
- We expect to end the 2010/2011 harvest with a production of 880,000 metric tons of sugar and 580,000 m³ of ethanol. In relation to the previously announced guidance, this volume represents growth in sugar production of around 20,000 metric tons and a reduction of 20,000 m³ in ethanol production. The lower ethanol production was caused by the dry weather during some months of the harvest in the entire Center-South region, and consequently at the group's units.







2010/2011 Harvest

## FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS (R\$ Thousand)	2Q11	2Q10	Chg. (%)	6M11	6M10 (	Chg. (%)
São Martinho - Consolidated						
Gross Revenue	357,354	308,152	16.0%	661,518	549,417	20.4%
Net Revenue	338,752	286,297	18.3%	624,203	503,752	23.9%
Adjusted EBITDA	127,102	76,502	66.1%	245,575	120,697	103.5%
EBITDA Margin	37.5%	26.7%	10.8 p.p.	39.3%	24.0%	15.4 p.p.
Consolidated Balance Sheet Indicators						
Total Assets	3,616,009	3,425,810	5.6%	3,616,009	3,425,810	5.6%
Shareholders' Equity	1,706,430	1,624,357	5.1%	1,706,430	1,624,357	5.1%
EBITDA (LTM)	488,572	262,131	86.4%	488,572	262,131	86.4%
Net Debt	930,683	981,822	-5.2%	930,683	981,822	-5.2%
Net Debt / EBITDA (LTM)	1.90 x	3.75 x		1.90 x	3.75 x	
Net Debt / Shareholders' Equity	55%	60%		55%	60%	

OPERATING DATA	6M11	6M10	Chg.(%)
São Martinho - Consolidated			
Crushed Sugarcane ('000 tons)	10,813	9,466	14.2%
Own	6,640	5,429	22.3%
Third Parties	4,173	4,037	3.4%
Mechanized Harvest	85.7%	84.5%	1.2 p.p
Production			
Sugar ('000 tons)	706	525	34.5%
Anhydrous Ethanol ('000 m³)	211	154	36.9%
Hydrous Ethanol ('000 m³)	270	282	-4.1%
Ribonucleic Acid (RNA) Sodium Salt ('000 Kg)	147	147	-0.2%
Energy ('000 MWh)	127	113	12.3%

## PRO-FORMA RESULTS - NOVA FRONTEIRA OPERATION

Petrobrás Biocombustível is expected to conclude, in December 2010, its payment of the shares in Nova Fronteira Bioenergia S.A. (the controlling shareholder of Usina Boa Vista and SMBJ Agroindustrial S/A). Therefore, as of the next quarter, the São Martinho Group should consolidate a 51% interest in Nova Fronteira Bioenergia S.A.

For informative purposes, we present below a comparison of the results published for 6M11 with the proforma results considering the partial consolidation (51%) of Nova Fronteira Bioenergia S.A.

Results - 6M11		
	Consolidated	Proforma Including Pbio
R\$ Million	6M11	6M11
NET REVENUE	624	585
ADJUSTED EBITDA	246	233
ADJUSTED EBITDA MARGIN	39.3%	39.9%
NET DEBT	931	464







### INDUSTRY OVERVIEW - SUGAR



The above chart shows that international sugar prices have resumed a strong upward trend since the close of 1Q11, influenced by the expectation that weather conditions in Brazil and India (the main world producers) could adversely affect the estimated production volume, consequently delaying the rebuilding of world sugar stocks.

The only contract still active from the 2010/2011 harvest year is the one for March 2011, which is trading at above USD 27 cents/pound.

Contracts for the next harvest year (2011/2012) have also remained in line with this increase in shorter-dated sugar prices. All prices for maturities in the 2011/2012 harvest year are already trading above USD 20 cents, which leaves us in a very favorable scenario for locking in next harvest's sugar production at levels above those practiced in the 2010/2011 harvest year, guaranteeing yet another season of high prices and profitability for the sugar produced at our units.

Sugar sales in 2Q11 primarily reflected the prices locked in at quotes for July 2010 (60%) and October 2010 (40%), with an average realization price of USD 20.50 cents/pound.

At the end of 2Q11, the volume of sugar hedged for the 2010/11 harvest year stood at 274,015 metric tons at USD 21.26 cents/pound, which corresponds to 66% of the volume available for sale during the remainder of the 2010/11 harvest year (415,517 metric tons). Most of this volume that has already been hedged is concentrated in the quote for October 2010 (72% at USD 22.07).







## **INDUSTRY OVERVIEW - ETHANOL**

AVERAGE PRICES - ETHANOL	2Q11	2Q10	Chg. (%)	6M11	6M10	Chg. (%)
Market Prices						
Anhydrous ESALQ, Net DM R\$ / m <sup>3</sup>	968.30	843.95	14.7%	914.93	767.01	19.3%
Hydrous ESALQ, Net DM - R $\$$ / $m^3$	830.04	740.78	12.0%	791.72	672.62	17.7%

Anhydrous and hydrous ethanol prices increased by 14.7% and 12.0%, respectively, in comparison with 2Q10. In the comparison between 6M11 and 6M10, prices increased by 19.3% for anhydrous ethanol and by 17.7% for hydrous ethanol, which reflects the more stable balance between supply and demand in the 2010/2011 harvest year.

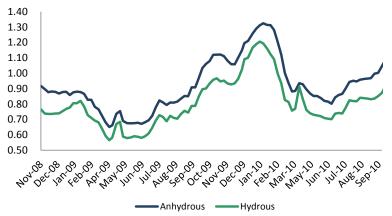
The prices of ethanol sold by the São Martinho Group in 2Q11 were 1.3% lower than the average market price disclosed by CEPEA/ESALQ. The uniform distribution of sales volumes over the months of 2Q11 and the export volume of approximately 15,000 m<sup>3</sup>, with prices higher than in the domestic market, were the main determinants of the ethanol sales prices in 2Q11.

Note that in October 2010, ethanol prices have continued to rise, basically reflecting the higher consumption in the domestic market. In the week ended October 15, 2010, average hydrous and anhydrous prices were already at R\$1,081/m³, which represents increases of 20% and 34% from 2Q11 and 1Q11, respectively.

As part of our sales strategy, we plan to partially use our ethanol storage capacity during the harvest period, which historically presents more depressed ethanol prices. Today our storage capacity is approximately 450,000 m<sup>3</sup>, which represents nearly 75% of estimated production.

## Alcohol Weekly Indicator

CEPEA / ESALQ São Paulo







## FINANCIAL PERFORMANCE

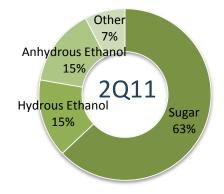
NET REVENUE BREAKDOWN	2Q11	2Q10 Chg. (%)		6M11	6M10 C	chg. (%)
R\$ Thousand						
Domestic Market	117,191	119,537	-2.0%	220,799	224,512	-1.7%
Sugar	9,610	10,855	-11.5%	19,363	21,987	-11.9%
Hydrous Ethanol	44,215	56,840	-22.2%	91,833	106,961	-14.1%
Anhydrous Ethanol	39,967	33,316	20.0%	68,600	59,763	14.8%
Energy	10,547	9,005	17.1%	16,266	14,439	12.6%
Other	12,851	9,521	35.0%	24,737	21,362	15.8%
Export Market	221,561	166,760	32.9%	403,403	279,240	44.5%
Sugar	203,729	126,464	61.1%	371,423	220,145	68.7%
Hydrous Ethanol	5,773	22,609	-74.5%	10,333	32,032	-67.7%
Anhydrous Ethanol	9,736	16,044	-39.3%	16,906	19,724	-14.3%
RNA	2,322	1,643	41.3%	4,741	7,339	-35.4%
Net Revenue	338,752	286,297	18.3%	624,203	503,752	23.9%
Sugar	213,339	137,319	55.4%	390,786	242,132	61.4%
Hydrous Ethanol	49,989	79,448	-37.1%	102,166	138,993	-26.5%
Anhydrous Ethanol	49,703	49,360	0.7%	85,506	79,488	7.6%
RNA	2,322	1,643	41.3%	4,741	7,339	-35.4%
Energy	10,547	9,005	17.1%	16,266	14,439	12.6%
Other	12,851	9,521	35.0%	24,737	21,362	15.8%

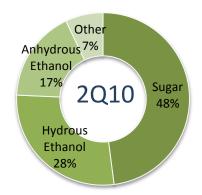
#### **Net Revenue**

In 2Q11, the São Martinho Group recorded Net Revenue growth of 18.3% from 2Q10, driven by the 18.3% increase in sugar sales volume and the 31.3% increase in sugar sales prices. Ethanol sales revenue, however, declined by 23% from 2Q10, mainly due to the 34% reduction in sales volume, which was partially offset by the increase of 18% in the average sales price in the comparison period.

Year to date, net revenue increased by 23.9% in relation to 6M10, driven primarily by the increases in the sugar sales price and in sugar sales volume of 32.6% and 21.7%, respectively.

## Breakdown – Net Revenue 2Q11 x 2Q10



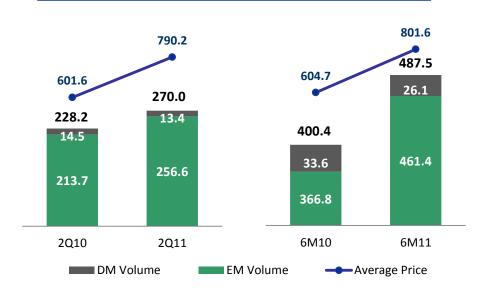






Sugar

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



Net revenue from sugar sales totaled R\$213.3 million in 2Q11, an increase of 55.4% from R\$137.3 million in 2Q10. The increase of 18.3% in sugar sales volume and the increase of more than 31% in sugar prices were the key drivers of the strong net revenue growth.

In 6M11 versus 6M10, net revenue from sugar sales climbed by 61.4%, due to the same reasons mentioned earlier.

The average international sugar price stood at US\$20.48 cents/pound in 2Q11, an increase of 55.6% on 2Q10.

It is important to note that the prices quoted for both July 2010 and October 2010 jointly account for 100% of billed sugar volume in 2Q11, and since October 2009, when we began hedging for the 2010/11 harvest year, the average price of each was US\$ 19.53 cents/pound and US\$ 19.22 cents/pound, respectively.



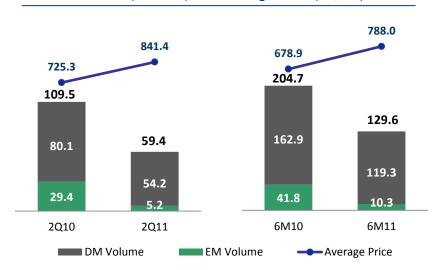




#### **Ethanol**

## **Hydrous Ethanol**

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



Net revenue from hydrous ethanol sales was R\$49.9 million in 2Q11, down 37.1% from 2Q10. This result reflects the 45.8% drop in hydrous ethanol sales volume, which ended up being partially offset by the 16.0% increase in the average sales price.

Net revenue also fell in 6M11, contracting by 26.5%, basically due to the 36.7% reduction in sales volume, which was partially offset by the 16.1% increase in prices in relation to the same period of last year.

The decreases in hydrous ethanol sales in 2Q11 and 6M11 were driven by to the Group's sales strategy to concentrate sales of hydrous ethanol in the off-harvest period, when prices are higher.

Of the total hydrous ethanol sales volume in 2Q11, approximately 56% came from mills located in the state of São Paulo and 44% from the Boa Vista mill in the state of Goiás.

Considering the hydrous ethanol production volume of 322,681 m<sup>3</sup> announced in our guidance, approximately 65% of this total will be available for sale in the coming months.

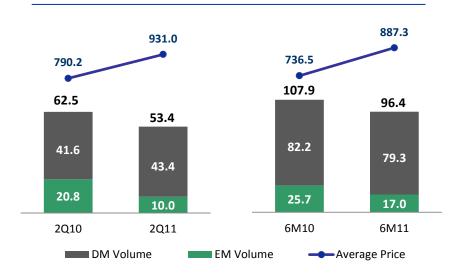






## **Anhydrous Ethanol**

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



Net revenue from anhydrous ethanol sales totaled R\$49.7 million in 2Q11, a slight increase of 0.7% from 2Q10. The 17.8% increase in sales price was the main factor responsible for the improvement observed in revenue from anhydrous ethanol sales, since in 2Q11 sales volume was 14.5% lower than in 2Q10.

In 6M11 versus 6M10, revenue from anhydrous ethanol climbed 7.6%, reflecting both the higher price (+20.5%) and lower sales volume (-10.7%).

Although anhydrous ethanol sales volume decreased in comparison with the previous harvest, it is worth mentioning that in this harvest the Boa Vista mill began to produce anhydrous ethanol. Therefore, we ended 2Q11 with 97.7% more anhydrous ethanol volume in inventory than in 2Q10.

Of the total anhydrous ethanol sales volume in 2Q11, approximately 72% came from the mills located in the state of São Paulo and 28% from the Boa Vista mill in the state of Goiás.

Considering the anhydrous ethanol production volume of 249,372 m<sup>3</sup> announced in our guidance, approximately 68% of this total will be available for sale in the coming months.







## Ribonucleic Acid (RNA) Sodium Salt

Net revenue from RNA sodium salt amounted to R\$2.3 million in 2Q11, growing by 41.3% from 2Q10, reflecting the 47.4% increase in sales volume and the 4.1% reduction in the BRL sales price, basically as a result of the appreciation of 15.6% in the BRL against the USD in the comparison period.

In 6M11, net revenue from RNA sodium salt fell by 35.4%, mainly due to the lower sales volume (-25.7%) in comparison with the previous harvest.

The lower RNA sodium salt sales volume was caused by adjustments in the schedule of deliveries during this harvest year, which are more concentrated in the last quarters of the fiscal year.

## **Electricity**

In 2Q11, net revenue from electricity sales grew 17.1% from 2Q10, mainly due to the increase of 22.5% in sales volume.

The increase in billed electricity volume over 2Q10 is explained by the higher volume of cogeneration. In 6M11, power generation was 12.3% higher than in 6M10. During the whole of the 2010/11 harvest year, we expect to cogenerate approximately 160,000 MWh of electricity. It represents a small increase in comparison with the previous harvest year.

In 6M11, net revenue from electricity grew 12.6% to R\$16.2 million, fueled by the increase of 9.1% in sales volume and of 3.2% in the average sales price.

The higher prices are due to the start in 2010 of the delivery of energy sold at the reserve auction held in 2008, at which we sold 96,360 MWh at a restated approximate price of R\$168 / MWh.

#### Other Products and Services

Net revenue from the "Other Products and Services" line totaled R\$12.8 million in 2Q11, up 35% in relation to the previous year. This revenue also grew in relation to 6M10, by 15.8%. 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 sugarcane suppliers at cost.







## **INVENTORIES / PRODUCT AVAILABILITY**

INVENTORIES	2Q11	2Q10	Chg. (%)
Sugar (tons)	240,699	265,362	-9.3%
Hydrous Ethanol (m³)	158,831	105,513	50.5%
Anhydrous Ethanol (m³)	130,726	66,111	97.7%

Inventories / Production Estimates (*)							
		Remaining	Available Volume				
	2Q11 Inventories	Production	Harvest 2010/11				
		2010/11 (*)	(Estimated)				
Hydrous Ethanol (m <sup>3</sup> )	158,831	52,404	211,235				
Anhydrous Ethanol (m <sup>3</sup> )	130,726	38,272	168,998				
Total Ethanol (m <sup>3</sup> )	289,557	90,676	380,233				
Sugar (Tons)	240,699	174,818	415,517				

<sup>(\*)</sup> Estimated production from October/2010 through the end of the 2010/11 Harvest

The increase in anhydrous and hydrous ethanol inventories in 2Q11 compared with 2Q10 is directly associated with the strategy of concentrating sales in the off-harvest period in 2011, making use of the Group's current storage capacity. In addition, in the 2010/11 harvest year we began production of anhydrous ethanol at the Boa Vista mill, which contributed to the 97.7% increase in the volume of anhydrous ethanol stocks.

## **EBITDA AND EBITDA COST BY PRODUCT**

EBITDA BY PRODUCT - 2Q11	SUGAR	ETHANOL	OTHER	TOTAL
R\$ Thousand				
Net Revenues	213,339	99,692	25,721	338,752
COGS (Cash)	(90,082)	(54,265)	(16,798)	(161,145)
Gross Profit (Cash)	123,257	45,427	8,923	177,607
Gross Margin (Cash)	57.8%	45.6%	34.7%	52.4%
Sales Expenses	(15,460)	(2,963)	(23)	(18,446)
G&A Expenses	(17,313)	(11,897)	(3,246)	(32,455)
Other Revenues (Expenses)	-	-	394	394
EBITDA	90,484	30,567	6,049	127,102
EBITDA Margin	42.4%	30.7%	23.5%	37.5%
EBITDA Cost (*)	455.0	612.8	-	-

(\*) Sugar in R\$/Ton Ethanol in R\$/m <sup>3</sup>







Results
2010/2011 Harvest

EBITDA BY PRODUCT - 2Q10	SUGAR	ETHANOL	OTHER	TOTAL
R\$ Thousand				
Net Revenues	137,319	128,808	20,170	286,297
COGS (Cash)	(71,577)	(82,940)	(13,878)	(168,395)
Gross Profit (Cash)	65,742	45,868	6,292	117,902
Gross Margin (Cash)	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
EBITDA	43,698	27,958	4,846	76,502
EBITDA Margin	31.8%	21.7%	24.0%	26.7%
EBITDA Cost (*)	410.2	586.3	-	-

<sup>(\*)</sup> Sugar in R\$/Ton Ethanol in R\$/m <sup>3</sup>

EBITDA BY PRODUCT - 6M11	SUGAR	ETHANOL	OTHER	TOTAL
R\$ Thousand				
Net Revenues	390,786	187,672	45,745	624,203
COGS (Cash)	(160,140)	(105,567)	(29,517)	(295,224)
Gross Profit (Cash)	230,646	82,105	16,228	328,979
Gross Margin (Cash)	59.0%	43.7%	35.5%	52.7%
Sales Expenses	(26,906)	(5,744)	(104)	(32,754)
G&A Expenses	(26,716)	(20,332)	(5,228)	(52,275)
Other Revenues (Expenses)	-	-	1,626	1,626
EBITDA	177,025	56,029	12,522	245,574
EBITDA Margin	45.3%	29.9%	27.4%	39.3%
EBITDA Cost (*)	438.5	582.4	-	-

<sup>(\*)</sup> Sugar in R\$/Ton Ethanol in R\$/m <sup>3</sup>

EBITDA BY PRODUCT - 6M10	SUGAR	ETHANOL	OTHER	TOTAL
R\$ Thousand				
Net Revenues	242,132	218,480	43,140	503,752
COGS (Cash)	(126,191)	(148,495)	(32, 158)	(306,844)
Gross Profit (Cash)	115,941	69,985	10,982	196,907
Gross Margin (Cash)	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
EBITDA	75,671	37,783	7,241	120,697
EBITDA Margin	31.3%	17.3%	16.8%	24.0%
EBITDA Cost (*)	415.7	578.0	-	-

<sup>(\*)</sup> Sugar in R\$/Ton Ethanol in R\$/m <sup>3</sup>

In 2Q11, sugar accounted for 71% of the Group's consolidated EBITDA, while ethanol and other products accounted for 24% and 5%, respectively. Sugar EBITDA margin was 42.4% in 2Q11, significantly higher than in 2Q10 (31.8%), primarily due to the increase in the sugar sale prices in 2Q11 versus 2Q10 (+31.3% in R\$/metric tons).







Meanwhile, ethanol EBITDA margin stood at 30.7% in 2Q11, also representing improvement from the 21.7% margin recorded in 2Q10, mainly reflecting the increase of 18.0% in the sales price in relation to 2Q10.

Year-to-date, sugar accounted for 72% of the Group's consolidated EBITDA, while ethanol and other products accounted for 23% and 5%, respectively. In terms of the profitability of each product, sugar posted the best results, with consolidated EBITDA margin of 45.3% in 6M11, compared with a margin of close to 30% for ethanol based on sales in the year to date.

## **COST OF GOODS SOLD (COGS)**

BREAKDOWN OF COGS - CASH	2Q11	2Q10	Chg. (%)	6M11	6M10	Chg. (%)
R\$ Thousand						
Agricultural Costs	132,274	139,993	-5.5%	240,749	245,366	-1.9%
Suppliers	70,882	69,597	1.8%	108,814	108,043	0.7%
Partnerships	10,657	11,744	-9.3%	25,071	23,755	5.5%
Own Sugarcane	50,735	58,653	-13.5%	106,863	113,568	-5.9%
Industrial	14,842	17,114	-13.3%	29,644	33,338	-11.1%
Other Products	14,028	11,289	24.3%	24,833	28,140	-11.8%
Total COGS	161,145	168,395	-4.3%	295,224	306,844	-3.8%
TRS Sold (000 Tons)	478	535	-10.7%	901	957	-5.9%
Unit Cost (Sugar and Ethanol Cash COGS / TRS Sold)	308	294	4.8%	300	291	3.0%

As shown above, Cash COGS in 2Q11 was 4.3% lower than in 2Q10, mainly due to: 1) the reduction of 10.7% in sales volume (in TRS equivalent); 2) the higher volume of own sugarcane processed in relation to the previous harvest year. However, the increase of 16% in the Consecana price mainly affected expenses with suppliers, which, despite the lower sales volume sold, registered an increase of 1.8% in relation to 2Q10.

Cash COGS fell 3.8% in the six-month comparison, due to the same reasons mentioned above.

### **SELLING EXPENSES**

SELLING EXPENSES R\$ Thousand	2Q11	2Q10	Chg. (%)	6M11	6M10	Chg. (%)
Port Costs	2,259	3,044	-25.8%	3,073	4,885	-37.1%
Freight	15,488	15,927	-2.8%	28,442	27,654	2.8%
Sales Commission	699	512	36.4%	1,239	1,421	-12.8%
Selling Expenses	18,446	19,484	-5.3%	32,754	33,959	-3.5%
TRS Sold ('000 Tons)	478	535	-10.7%	901	957	-5.9%
% of Net Revenues	5.4%	6.8%	-1.4 p.p.	5.2%	6.7%	-1.5 p.p.

Selling expenses declined by 5.3% from 2Q10, despite the 20% increase in sugar export volumes between the quarters. The main positive impact came from the reduction of approximately 23,000 m<sup>3</sup> in ethanol export volumes, since the group prioritized anhydrous and hydrous ethanol sales in the domestic market.

The main highlight in selling expenses was the reduction in the cost per metric ton of sugar exports, which decreased from R\$63 in 6M10 to R\$58 in 6M11. As a result, despite







the 25.8% growth in sugar export volumes, selling expenses decreased by 3.5% to R\$32.7 million in 6M11.

## **GENERAL AND ADMINISTRATIVE EXPENSES**

G&A EXPENSES - (CASH)	2Q11	2Q10	Chg. (%)	6M11	6M10	Chg. (%)
R\$ Thousand						
Personnel	9,033	7,038	28.3%	16,726	13,780	21.4%
Taxes, Fees and Contributions	4,479	5,309	-15.6%	5,706	7,056	-19.1%
Provisions for Contingencies	5,567	3,550	56.8%	9,456	8,894	6.3%
General Expenses and Third-Party Services	5,063	5,051	0.2%	10,267	9,436	8.8%
Management Fee	2,412	1,903	26.7%	4,219	3,772	11.9%
Total Recurring General and Administrative	26,555	22,850	16.2%	46,375	42,938	8.0%
Non-Recurring Items	5,900	-	n.m	5,900	-	n.m
Total General and Administrative Expenses	32,455	22,850	42.0%	52,275	42,938	21.7%

In the second quarter, G&A expenses were impacted by non-recurring expenses of approximately R\$6 million that were basically related to the sale of part of the Group's interest in Usina Boa Vista S.A. to Petrobrás Biocombustível. Additional expenses of around R\$8 million related to the same project are expected to be booked in 3Q11. As of 4Q11, the Company will no longer incur expenses related to this sale.

Excluding the non-recurring items, G&A expenses came to R\$26.5 million, 16.2% more than in 2Q10. The main impacts were the increases in: 1) personnel expenses (+ R\$2 million) due to the 2010 collective bargaining agreement, and 2) the anticipation of various labor agreements, which generated an additional provision of R\$1.8 million.

## **EBITDA**

EBITDA RECONCILIATION	2Q11	2Q10	Chg. (%)	6M11	6M10	Chg. (%)
R\$ Thousand						
Adjusted EBITDA	127,102	76,502	66.1%	245,575	120,697	103.5%
Adjusted EBITDA Margin	37.5%	26.7%	10.8 p.p.	39.3%	24.0%	15.4 p.p.
Non Recurring Operating Revenues (Expenses)	548	(1,116)	n.m.	(823)	(750)	9.7%
Non Cash Items Launched in the COGS	(4,256)	(8,303)	-48.7%	1,192	(6,313)	n.m.
EBITDA	130,810	85,921	52.2%	245,206	127,760	91.9%
EBITDA Margin	38.6%	30.0%	8.6 p.p.	39.3%	25.4%	13.9 p.p.
(-) Depreciation and Amortization	(58,420)	(65,675)	-11.0%	(120,686)	(120,435)	0.2%
(-) Financial Revenue (Expense), net	(2,139)	12,990	n.m.	(21,096)	70,096	n.m.
(=) Operating Income	70,251	33,236	111.4%	103,424	77,421	33.6%

#### **Adjusted EBITDA**

In 2Q11, the São Martinho Group recorded adjusted EBITDA of R\$127.1 million, up 66.1% from 2Q10. In 6M11, adjusted EBITDA totaled R\$245.5 million, up 103.5% on 6M10. The main positive impact was the increases in sugar sales price and volume between the two quarters, as described in the "Net Revenue" section.







## Reconciliation of EBITDA to adjusted EBITDA (non-cash adjustment)

#### The main adjustments made to EBITDA in 2Q11 and 2Q10 are detailed below:

1) Negative adjustment to EBITDA - "Non-cash items booked under COGS": 2Q11: - R\$4.2 million and 2Q10: - R\$8.3 million

Note that this represents the reversal of an accounting adjustment made in the first quarter of these two harvest years. The adjustment is explained by the fact that at the close of the first quarter the volume of finished products in stock is typically very low, 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 sugar and ethanol market prices, we must make adjustments (reductions) to market value, offsetting the cost of goods sold.

### **HEDGE**

#### **U.S.** Dollar

On September 30, 2010, the São Martinho Group held a US\$84.1 million short position in USD currency futures through non-deliverable forwards (NDFs) at an average price of R\$1.8913/US\$, with maturities through April 2011.

#### Sugar

On September 30, 2010, the São Martinho Group held positions in derivatives and prices fixed with clients and in the futures market in the following amounts:

OPTIONS/PRICING	Maturity	Tons	Average Price
Type			
Purchase of "PUT"	Mar/11 to Jul/11	21,590	20.09
Sale of "CALL"	Mar/11 to Jul/11	29,210	21.41
Sale of "PUT"	Mar/11	6,350	14.75
Future Contracts - Bought	Mar/11 to Jul/11	9,652	21.80
Future Contracts - Sold	Mar/11 to Jul/11	17,272	19.59
Hedging directly with clients (no margin call)	Jul/10 to Jul/11	241,351	21.48
Forward Sales (no margin call)	Mar/11 to Jul/11	66,802	20.04
Subtotal (i)	2010/11 Harvest	274,015	21.26
Subtotal (ii)	2011/12 Harvest	61,062	20.39
Total		335,077	21.10







**2010/11 Harvest Year** – 274,015 metric tons of sugar hedged at an average price of US\$21.26 cents/pound, corresponding to approximately 66% of the sugar volume available for sale in the 2010/11 harvest.

**2011/12 Harvest Year** – 61,062 metric tons of sugar hedged at an average price of US\$20.39 cents/pound.

**Hedge Accounting** – As of March 2010, 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 gain of R\$2.1 million in September 2010).

Upon settlement of these cash flow hedge accounting operations, the respective effects are apportioned to the income statement under "Gross sales revenue" in order to minimize undesired variations in the hedge lines.

#### **NET FINANCIAL RESULT**

FINANCIAL RESULT	2Q11	2Q10	Chg. (%)	6M11	6M10 (	Chg. (%)
R\$ Thousand						
Financial Revenues	7,069	1,868	278.4%	9,862	3,714	165.5%
Financial Expenses	(14,348)	(16,155)	-11.2%	(31,457)	(26,776)	17.5%
Hedge Result - Sugar	(5,751)	(14,011)	-59.0%	(5,925)	(20,694)	-71.4%
Exchange Variation	12,487	42,789	-70.8%	9,413	117,084	-92.0%
Copersucar Monetary Variation	(1,597)	(1,501)	6.4%	(2,989)	(3,232)	-7.5%
Net Financial Result	(2,139)	12,990	n.m.	(21,096)	70,096	n.m.

The most significant variation in the financial result in the comparison of 2Q11 with 2Q10 is due to the foreign exchange gain in 2Q10. In the period, the BRL appreciated by more than 10% against the USD, generating a non-recurring gain of R\$42.8 million due to our debt balance pegged to the USD used to finance exports.

The 2Q11 financial result was also impacted by the financial expense of R\$5.7 million due to the marking to market of operations in sugar options that do not fall under hedge accounting.





## **OPERATING WORKING CAPITAL**

OPERATING WORKING CAPITAL	2Q10	1Q11	2Q11	2Q11 x 1Q11	2Q11 x 2Q10
R\$ Thousand					
ASSETS	559,283	477,086	664,749	(187,663)	(105,466)
Accounts Receivable	71,970	59,459	72,236	(12,777)	(266)
Inventories	430,430	340,306	510,657	(170,351)	(80,227)
Tax receivable	56,883	77,321	81,856	(4,535)	(24,973)
LIABILITIES	163,272	165,927	210,644	44,717	47,372
Suppliers	104,475	96,947	135,874	38,927	31,399
Payroll and social contribution	46,536	54,233	47,209	(7,024)	673
Tax payable	12,261	14,747	27,561	12,814	15,300
WORKING CAPITAL	396,011	311,159	454,105	(142,946)	(58,094)

As shown in the table above, in 2Q11 the São Martinho Group invested R\$454.1 million in working capital in its operations, for an increase of nearly R\$58.0 million from the total invested in 2Q10. In comparison with 1Q11, there was an increase of R\$142.9 million in working capital invested, which usually occurs at the beginning of the crushing period to finance production.

## **NET INCOME**

Net income totaled R\$46.6 million in 2Q11, R\$26.3 million higher than the R\$20.2 million recorded in the same period last year. In 6M11, consolidated net income totaled R\$69.5 million, up 41.5% on 6M10.

### **DEBT WITH COPERSUCAR**

On September 30, 2010, the Company recognized debt of R\$196.4 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\$143 million on a consolidated basis.





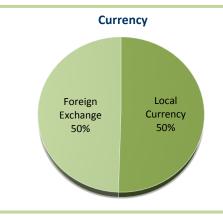
## **INDEBTEDNESS**

DEBT	Sep/10	Sep/09	Chg. (%)
R\$ Thousand			
PESA	71,984	72,780	-1.1%
Rural Credit	75,911	37,535	102.2%
BNDES / FINAME	508,330	500,422	1.6%
Working Capital	110,467	108,400	1.9%
ACC (Advances on Foreign Exchange Contracts)	124,272	202,704	-38.7%
PPE (Export prepayment)	255,501	178,321	43.3%
Others	604	795	-24.0%
Gross Debt	1,147,069	1,100,957	4.2%
Cash and Cash Equivalents	216,386	119,135	81.6%
Net Debt	930,683	981,822	-5.2%
Net Debt ex. PESA	858,699	909,042	-5.5%

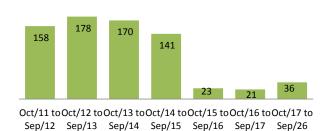
The Group's net debt stood at R\$930.7 million in September 2010, which represents a reduction of 5.2% from 2Q10. In the same period, the Net Debt/EBITDA ratio stood at 1.9x, down significantly from 3.7x in September 2009.

Note that part of the Company's debt was contracted to finance ethanol stocks. On September 30, 2010, the market value of these stocks was over R\$300 million.

#### **Indebtedness Breakdown**







Short-term 37%

Long-term 63%

# Net Debt / EBITDA LTM Evolution

6.5 x 5.7 x 5.0 x 4.2 x 3.7 x 3.0 x 2.3 x 1.9 x 1.9 x 864 1,003 942 934 982 953 825 843 931

2Q09 3Q09 4Q09 1Q10 2Q10 3Q10 4Q10 1Q11 2Q11

Net Debt Net Debt Adjusted EBITDA

47.05.22







#### **CAPEX**

SÃO MARTINHO - CONSOLIDATED	2Q11	2Q10	Chg. (%)	6M11	6M10	Chg. (%)
Capex (maintenance)						
Sugarcane Planting	15,026	19,791	-24.1%	28,907	43,263	-33.2%
Industrial / Agricultural	10,226	5,194	96.9%	16,959	19,092	-11.2%
Sub Total	25,252	24,985	1.1%	45,866	62,356	-26.4%
Upgrading, Mechanization and Expansion						
Industrial / Agricultural	4,313	-	n.m.	8,162	496	1544.2%
Other	787	-	n.m.	787	306	156.9%
Sub Total	5,100	-	n.m.	8,949	803	1014.8%
Boa Vista Mill (Greenfield)						
Sugarcane Planting	16,598	18,519	-10.4%	26,776	34,270	-21.9%
Industrial / Agricultural	24,342	8,656	181.2%	32,726	29,533	10.8%
Sub Total	40,940	27,175	50.7%	59,502	63,803	-6.7%
Total	71,292	52,161	36.7%	114,317	126,961	-10.0%

As shown above, Capex in 2Q11 increased by 36.7% from 2Q10, mainly due to the increase of 50.7% in investments to expand crushing capacity at the Boa Vista mill.

In 6M11, the Group invested R\$114.3 million, 10% less than in 6M10, with the main impact coming from the reduction of 26.4% in investments in maintenance in relation to the same period last year. Note that this reduction will be reversed over the coming quarters due to the difference in the investment timetable between the two harvest years, with maintenance capex for the 2010/2011 harvest year estimated at approximately R\$175 million.

#### **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 sugar and ethanol groups in Brazil, and operates there mills: São Martinho, in Pradópolis (in Ribeirão Preto region of São Paulo state); Iracema, in Iracemápolis (in the Limeira region of São Paulo state); and Boa Vista (In Quirinópolis, 300 km from Goiânia, in Goiás state); as well as a unit producing a ribonucleic acid known as Omtek, which is also based in Iracemápolis. For more information, please visit the website at <a href="https://www.saomartinho.ind.br">www.saomartinho.ind.br</a>.







Results
2010/2011 Harvest

## **INCOME STATEMENT**

SÃO MARTINHO S.A CONSOLIDATED	2Q11	2Q10	Chg. (%)	6M11	6M10	Chg. (%)
R\$ Thousand						
Gross Revenue	357,354	308,152	16.0%	661,518	549,417	20.4%
Deductions from Gross Revenue	(18,602)	(21,855)	-14.9%	(37,315)	(45,665)	-18.3%
Net Revenue	338,752	286,297	18.3%	624,203	503,752	23.9%
Cost of Goods Sold (COGS)	(212,087)	(222,861)	-4.8%	(410,932)	(414,675)	-0.9%
Gross Profit	126,665	63,436	99.7%	213,271	89,077	139.4%
Gross Margin (%)	37.4%	22.2%	15.2 p.p	34.2%	17.7%	16.5 p.p
Operating Expenses	(54,275)	(43,190)	25.7%	(88,751)	(81,752)	8.6%
Selling Expenses	(18,446)	(19,484)	-5.3%	(32,754)	(33,959)	-3.5%
General and Administrative Expenses	(33,254)	(23,840)	39.5%	(54,204)	(45,365)	19.5%
Management Fees	(2,412)	(1,903)	26.7%	(4,219)	(3,772)	11.9%
Other Operating Expenses, Net	(163)	2,037	n.m.	2,426	1,344	80.5%
Operating Profit, Before Financial Effects	72,390	20,246	257.6%	124,520	7,325	1599.9%
Financial Result, Net	(2,139)	12,990	n.m.	(21,096)	70,096	n.m.
Financial Revenues	7,715	17,087	-54.8%	11,387	40,685	-72.0%
Financial Expenses	(30,963)	(36,242)	-14.6%	(50,805)	(56,695)	-10.4%
Monetary and Exchange Variations, Net	21,109	32,145	-34.3%	18,322	86,106	-78.7%
Income (Loss) Before Income and Social Contribution Taxes	70,251	33,236	111.4%	103,424	77,421	33.6%
Income Tax and Social Contribution - Current	(21,201)	(6,791)	212.2%	(33,775)	(8,431)	300.6%
Income Tax and Social Contribution - Deferred	(2,468)	(5,121)	-51.8%	(103)	(17,064)	-99.4%
Net Income (Loss) Before Minority Interest	46,582	21,324	118.4%	69,546	51,926	33.9%
Minority Interest	-	(1,075)	n.m.	-	(2,770)	n.m.
Net Income	46,582	20,249	130.0%	69,546	49,156	41.5%
Net Margin (%)	13.8%	7.1%	6.7 p.p	11.1%	9.8%	1.4 p.p





## **BALANCE SHEET (ASSETS)**

SÃO MARTINHO S.A. CONSOLIDATED- ASSETS		
R\$ Thousand		
<u>ASSETS</u>	\$ep/10	Jun/10
SHORT-TERM ASSETS		
Cash and Cash Equivalents	216,386	210,723
Accounts Receivable	72,236	59,459
Derivatives Financial Instruments	16,562	37,793
Inventories	510,657	340,306
Recoverable Taxes	81,856	77,321
Other Assets	13,789	11,579
TOTAL SHORT-TERM ASSETS	911,486	737,181
LONG-TERM ASSETS		
Long-term Receivables		
Related Parties	391	499
Deferred Income Tax and Social Contribution	112,254	110,280
Accounts Receivable - Copersucar	4,104	4,059
Recoverable Taxes	35,471	37,164
Other Assets	196	188
	152,416	152,190
Investments	3,540	3,540
Fixed Assets	2,473,913	2,499,191
Intangible	36,806	36,984
Deferred	37,848	39,012
TOTAL LONG-TERM ASSETS	2,704,523	2,730,917
TOTAL ASSETS	3,616,009	3,468,098





## **BALANCE SHEET (LIABILITIES)**

SÃO MARTINHO S.A. CONSOLIDATED- LIABILIT	IES	
R\$ Thousand		
LIABILITIES AND SHAREHOLDERS' EQUITY	Sep/10	Jun/10
		_
SHORT-TERM LIABILITIES		
Loans and Financing	419,192	364,433
Derivatives Financial Instruments	12,766	1,160
Suppliers	135,874	96,947
Accounts Payable - Copersucar	2,203	2,203
Payroll and Social Contribution	47,209	54,233
Tax Payable	27,561	14,747
Related Companies	89	121
Dividends Payable	-	6,469
Other Liabilities	42,113	13,468
TOTAL SHORT-TERM LIABILITIES	687,007	553,781
LONG-TERM LIABILITIES		
Loans and Financing	727,877	689,510
Accounts Payable - Copersucar	194,205	194,164
Tax Installments	48,261	47,476
Deferred Income Tax and Social Contribution	202,526	219,108
Provision for Contingencies	34,949	38,856
Other Liabilities	14,754	15,706
TOTAL LONG-TERM LIABILITIES	1,222,572	1,204,820
SHAREHOLDERS' EQUITY		
Capital Stock	455,900	360,000
Capital Reserve	1,049,197	1,057,986
Adjustments to Book Value	2,125	42,936
Capital Budget Reserve	112,556	217,294
Treasury Shares	(1,899)	(1,899)
Accumulated Profit	88,551	33,180
TOTAL SHAREHOLDERS' EQUITY	1,706,430	1,709,497
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3,616,009	3,468,098





Results 2010/2011 Harvest

## **CONSOLIDATED CASH FLOW**

SÃO MARTINHO S.A.	2Q11	6M11
R\$ Thousand		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income in the period	46,582	69,546
Adjustments		
Depreciation and amortization	58,420	120,686
Residual cost of investment and property, plant and equipment disposals	2,923	3,639
Interest, monetary and foreign exchange variations, net	2,472	26,855
Constitution of provision for contingencies, net	2,486	4,737
Deferred income tax and social contribution on net income	2,468	103
Constitution (reversal) of provision for inventory losses	(4,256)	1,191
Adjustments to present value and others	(1,057)	(753)
	110,038	226,004
Changes in assets and liabilities		
Trade accounts receivable	(12,778)	(30,609)
Inventories	(127,681)	(222,070)
Taxes recoverable	(1,594)	4,461
Related parties - assets	600	(180)
Derivative financial instruments	17,029	38,763
Other assets	(2,264)	
Office assets	(2,204)	(7,797)
Suppliers	38,927	61,701
Salaries and social charges	(7,024)	5,663
Taxes payable	(966)	(14,102)
Related parties - liabilities	(524)	(34)
Taxes payable in installments	629	707
Provision for contingencies	(7,776)	(11,994)
Other liabilities	(34,348)	(38,690)
Cash provided by (used in) operations	(27,732)	11,823
Interest paid	12,456	27,238
Income tax and social contribution on net income paid	10,199	20,321
Net cash provided by (used in) operating activities	(5,077)	59,382
CASH FLOW FROM INVESTMENT ACTIVITIES		
Additions to property, plant and equipments, intangible assets and deferred	(=====	
charges	(72,360)	(118,721)
Net cash used in investing activities	(72,360)	(118,721)
CASH FLOW FROM FINANCING ACTIVITIES		
Financing - third parties	203,373	437,641
Repayment of financing - Copersucar	(1,476)	(2,954)
Repayment of financing - third parties	(103,490)	(274,289)
Payment of dividends and interest on own equity	(15,307)	(15,307)
	(12,021)	(10,001)
Net cash provided by (used in) financing activities	83,100	145,091
Increase (decrease) in cash and cash equivalents	5,663	85,752
Cash and cash equivalents at the beginning of the period	210,723	130,634
Cash and cash equivalents at the end of the period	216,386	216,386
ADDITIONAL INFORMATION		
ADDITIONAL INFORMATION  Payables to suppliers for purchases of property, plant and equipment	7,574	7,574
. 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1,	7,071	,,,,,