(A free translation of the original in Portuguese)

# São Martinho S.A.

## Quarterly information (ITR) at December 31, 2011 and report on review of quarterly information

(A free translation of the original in Portuguese)

# Report on review of quarterly information

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

## Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of São Martinho S.A., included in the Quarterly Information (ITR) Form for the quarter ended December 31, 2011, comprising the balance sheet at that date and the statements of income and comprehensive income for the three and nine-month periods then ended, as well as the statements of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company interim accounting information in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and of the consolidated interim accounting information in accordance with accounting standard CPC 21 and International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim accounting information based on our review.

## Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion on the parent company interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company interim accounting information included in the Quarterly Information referred to above has not been prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the Brazilian Securities Commission (CVM).

### Conclusion on the consolidated interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim accounting information included in the Quarterly Information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the Brazilian Securities Commission (CVM).

### Other matters

### Interim statements of value added

We have also reviewed the parent company and consolidated interim statements of value added for the nine-month period ended December 31, 2011, which are required to be presented in accordance with the standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which does not require the presentation of the statement of value added. These statements were submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been properly prepared, in all material respects, in relation to the parent company and consolidated interim accounting information taken as a whole.

Ribeirão Preto, February 13, 2012

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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

## São Martinho S.A.

### Balance sheets

**All amounts in thousands of reais** (A free translation of the original in Portuguese)

| | | Parent company | | Consolidated | |
|---|---|---|---|---|---|
| **Assets** | **Note** | **December 31, 2011** | **March 31, 2011** | **December 31, 2011** | **March 31, 2011** |
| Current assets | | | | | |
| Cash and cash equivalents | 6 | 353.317 | 116.461 | 464.102 | 225.067 |
| Trade receivables - customers | 7 | 49.724 | 50.439 | 63.686 | 59.673 |
| Derivative financial instruments | 28 | 29.690 | 5.967 | 31.444 | 5.967 |
| Inventories | 8 | 296.628 | 116.042 | 384.006 | 139.106 |
| Taxes recoverable | 9 | 29.275 | 12.650 | 38.508 | 33.520 |
| Income tax and social contribution | 24 | 16.031 | 1.023 | 18.833 | 5.037 |
| Other assets | 11 | 11.223 | 4.958 | 12.993 | 5.692 |
| | | 785.888 | 307.540 | 1.013.572 | 474.062 |
| Non-current assets | | | | | |
| Long-term receivables | | | | | |
| Related parties | 10 | 12.635 | 4.833 | 2.539 | 33 |
| Deferred income tax and social contribution | 24 | | | 35.105 | 43.917 |
| Accounts receivable - Copersucar | | 7.626 | 9.749 | 8.154 | 9.939 |
| Taxes recoverable | 9 | 15.859 | 14.354 | 38.744 | 37.220 |
| Judicial deposits | 27 | 39.079 | 30.564 | 42.954 | 32.367 |
| Other assets | 11 | 3.947 | 5.619 | 5.236 | 7.101 |
| | | 79.146 | 65.119 | 132.732 | 130.577 |
| Investments | 12 | 1.351.037 | 1.207.284 | 2.873 | |
| Biological assets | 13 | 372.765 | 342.152 | 548.623 | 435.532 |
| Property, plant and equipment | 14 | 1.334.018 | 1.328.183 | 3.052.817 | 2.864.761 |
| Intangible assets | 15 | 2.881 | 1.831 | 83.798 | 36.726 |
| | | 3.139.847 | 2.944.569 | 3.820.843 | 3.467.596 |
| Total assets | | 3.925.735 | 3.252.109 | 4.834.415 | 3.941.658 |

| | | Parent company | | Consolidated | |
|---|---|---|---|---|---|
| **Liabilities and equity** | **Note** | **December 31, 2011** | **March 31, 2011** | **December 31, 2011** | **March 31, 2011** |
| Current liabilities | | | | | |
| Borrowings | 16 | 199.145 | 80.291 | 308.460 | 140.982 |
| Derivative financial instruments | 28 | 31.696 | 25.910 | 32.730 | 25.910 |
| Trade payables | 17 | 106.037 | 46.642 | 122.309 | 61.096 |
| Payables to Copersucar | 18 | 2.040 | 2.040 | 2.420 | 2.203 |
| Salaries and social charges | | 32.283 | 37.015 | 41.228 | 44.000 |
| Taxes payable | | 10.383 | 18.294 | 14.075 | 20.343 |
| Income tax and social contribution | 24 | | 829 | 636 | 829 |
| Related parties | 10 | | 33 | 20.078 | 705 |
| Dividends payable | | | 9.180 | | 9.180 |
| Advances from customers | | 4.767 | 14.455 | 11.050 | 14.475 |
| Acquisition of equity interest | 36 | 56.356 | | 56.356 | |
| Other liabilities | 20 | 14.813 | 15.256 | 18.549 | 21.137 |
| | | 457.520 | 249.945 | 627.891 | 340.860 |
| Non-current liabilities | | | | | |
| Borrowings | 16 | 637.466 | 335.790 | 958.019 | 570.711 |
| Payables to Copersucar | 18 | 202.256 | 201.650 | 224.241 | 207.645 |
| Taxes payable in installments | 19 | 54.803 | 54.910 | 63.061 | 55.833 |
| Deferred income tax and social contribution | 24 | 386.291 | 375.874 | 768.452 | 728.368 |
| Provision for contingencies | 27 | 69.366 | 70.043 | 74.644 | 74.284 |
| Acquisition of equity interest | 36 | 54.081 | | 54.081 | |
| Other liabilities | 20 | 7.266 | 10.411 | 7.340 | 10.471 |
| | | 1.411.529 | 1.048.678 | 2.149.838 | 1.647.312 |
| Equity | 21 | | | | |
| Share capital | | 455.900 | 455.900 | 455.900 | 455.900 |
| Carrying value adjustments | | 1.271.437 | 1.304.969 | 1.271.437 | 1.304.969 |
| Revenue reserves | | 173.454 | 194.516 | 173.454 | 194.516 |
| Treasury shares | | (6.088) | (1.899) | (6.088) | (1.899) |
| Retained earnings | | 161.983 | | 161.983 | |
| | | 2.056.686 | 1.953.486 | 2.056.686 | 1.953.486 |
| Total liabilities and equity | | 3.925.735 | 3.252.109 | 4.834.415 | 3.941.658 |

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

## São Martinho S.A.

### Statements of income

**All amounts in thousands of reais** (A free translation of the original in Portuguese)

| | | Parent company | | | |
|---|---|---|---|---|---|
| | | 31/12/2011 | | 31/12/2010 | |
| | Note | Quarter | Nine months | Quarter | Nine months |
| Revenue | 30 | 320,077 | 963,173 | 161,860 | 326,504 |
| Cost of sales | 31 | (248,017) | (676,141) | (104,444) | (215,890) |
| **Gross profit** | | 72,060 | 287,032 | 57,416 | 110,614 |
| **Operating income (expenses)** | | | | | |
| Selling expenses | 31 | (12,383) | (42,097) | (6,226) | (12,739) |
| General and administrative expenses | 31 | (24,568) | (73,020) | (13,183) | (26,740) |
| Equity in the results of investees | 12 | 13,668 | 22,785 | 37,491 | 80,670 |
| Other income, net | 32 | 13,497 | 15,610 | 6,190 | 6,839 |
| | | (9,786) | (76,722) | 24,272 | 48,030 |
| **Operating profit** | | 62,274 | 210,310 | 81,688 | 158,644 |
| **Finance result** | 33 | | | | |
| Finance income | | 15,292 | 50,536 | 5,829 | 9,358 |
| Finance costs | | (20,249) | (68,027) | (14,222) | (22,105) |
| Monetary and foreign exchange variations, net | | (3,296) | (14,820) | 6,760 | 4,989 |
| | | (8,253) | (32,311) | (1,633) | (7,758) |
| **Profit before income tax and social contribution** | | 54,021 | 177,999 | 80,055 | 150,886 |
| Income tax and social contribution | 24(b) | | | | |
| Current | | 139 | (16,472) | (9,300) | (17,683) |
| Deferred | | (9,282) | (30,018) | (1,090) | (2,790) |
| **Profit for the period** | | 44,878 | 131,509 | 69,665 | 130,413 |
| **Basic and diluted earnings per share - R$** | 34 | 0.40 | 1.17 | 0.62 | 1.16 |

## São Martinho S.A.

### Statements of income
**All amounts in thousands of reais, except for earnings per share** **(continued)**

| | | Consolidated | | | |
|---|---|---|---|---|---|
| | | 31/12/2011 | | 31/12/2010 | |
| | Note | Quarter | Nine months | Quarter | Nine months |
| Revenue | 30 | 380.448 | 1.107.518 | 390.285 | 1.014.488 |
| Cost of sales | 31 | (281.794) | (758.453) | (264.580) | (691.389) |
| **Gross profit** | | 98.654 | 349.065 | 125.705 | 323.099 |
| **Operating income (expenses)** | | | | | |
| Selling expenses | 31 | (14.119) | (46.236) | (18.072) | (50.826) |
| General and administrative expenses | 31 | (28.278) | (86.281) | (25.449) | (81.208) |
| Equity in the results of investees | 12 | 2.365 | (418) | | |
| Other income, net | 32 | 13.679 | 14.920 | 14.606 | 16.908 |
| | | (26.353) | (118.015) | (28.915) | (115.126) |
| **Operating profit** | | 72.301 | 231.050 | 96.790 | 207.973 |
| **Finance result** | 33 | | | | |
| Finance income | | 18.166 | 58.619 | 11.030 | 22.417 |
| Finance costs | | (21.980) | (85.597) | (26.020) | (76.825) |
| Monetary and foreign exchange variations, net | | (12.623) | (24.078) | 3.579 | 21.901 |
| | | (16.437) | (51.056) | (11.411) | (32.507) |
| **Profit before income tax and social contribution** | | 55.864 | 179.994 | 85.379 | 175.466 |
| Income tax and social contribution | 24(b) | | | | |
| Current | | 626 | (16.192) | (18.211) | (51.986) |
| Deferred | | (11.612) | (32.293) | 2.497 | 6.933 |
| **Profit for the period** | | 44.878 | 131.509 | 69.665 | 130.413 |

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

## São Martinho S.A.

### Statements of comprehensive income

**All amounts in thousands of reais** (A free translation of the original in Portuguese)

| | Parent company and consolidated | | | |
|---|---|---|---|---|
| | 31/12/2011 | | 31/12/2010 | |
| | Quarter | Nine months | Quarter | Nine months |
| **Profit for the period** | 44,878 | 131,509 | 69,665 | 130,413 |
| **Other comprehensive income** | | | | |
| Gains (losses) on derivative transactions - hedge accounting | 26,871 | (3,058) | (40,769) | (84,465) |
| **Total comprehensive income for the period** | 71,749 | 128,451 | 28,896 | 45,948 |

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

## Statements of changes in equity

**All amounts in thousands of reais** (A free translation of the original in Portuguese)

| | | | Carrying value adjustments | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Deemed cost | | Gains (losses) on derivative transactions - hedge accounting | | Revenue reserves | | | | | |
| | Note | Share capital | Own | Of investees | Own | Of investees | Legal | Capital investments | Additional dividends | Treasury shares | Retained earnings (accumulated deficit) | Total equity |
| **At April 1, 2011** | | 360,000 | 423,429 | 934,418 | 25,458 | 20,363 | 9,731 | 200,062 | 8,838 | (1,899) | (71,009) | 1,909,391 |
| Realization of the deemed cost increment | **21(c)** | | (11,887) | (16,871) | | | | | | | 28,758 | |
| Gains (losses) on derivative transactions - hedge accounting | **21(c)** | | | | (64,102) | (20,363) | | | | | | (84,465) |
| Capital increase with reserves | **21(d)** | 95,900 | | | | | | (95,900) | | | | |
| Merger of the deemed cost of USM | | | 243,345 | (243,345) | | | | | | | | |
| Adjustment due to decrease in holding in subsidiary | | | | 504 | | | | | | | | 504 |
| Distribution of interest on capital | | | | | | | | | | | (19,558) | (19,558) |
| Prior-year additional dividends distributed | | | | | | | | | (8,838) | | | (8,838) |
| Profit for the period | | | | | | | | | | | 130,413 | 130,413 |
| **At December 31, 2010** | | 455,900 | 654,887 | 674,706 | (38,644) | | 9,731 | 104,162 | | (1,899) | 68,604 | 1,927,447 |
| **At April 1, 2011** | | 455,900 | 645,687 | 674,582 | (15,300) | | 15,199 | 158,255 | 21,062 | (1,899) | | 1,953,486 |
| Realization of the deemed cost increment | **21(c)** | | (30,185) | (289) | | | | | | | 30,474 | |
| Merger of the deemed cost of OMTEK | **1.2** | | 3,374 | (3,374) | | | | | | | | |
| Gains (losses) on derivative transactions - hedge accounting | **21(c)** | | | | (3,058) | | | | | | | (3,058) |
| Aquisition of own shares | **21(b)** | | | | | | | | | (4,189) | | (4,189) |
| Prior-year additional dividends distributed | **21(e)** | | | | | | | | (21,062) | | | (21,062) |
| Profit for the period | | | | | | | | | | | 131,509 | 131,509 |
| **At December 31, 2011** | | 455,900 | 618,876 | 670,919 | (18,358) | | 15,199 | 158,255 | | (6,088) | 161,983 | 2,056,686 |

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

# São Martinho S.A.

## Statements of cash flows
## Nine-month periods ended December 31
**All amounts in thousands of reais** (A free translation of the original in Portuguese)

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2011 | 12/31/2010 | 12/31/2011 | 12/31/2010 |
| **Cash flows from operating activities** | | | | |
| **Profit for the period** | 131,509 | 130,413 | 131,509 | 130,413 |
| **Adjustments** | | | | |
| Depreciation and amortization | 113,058 | 57,565 | 138,919 | 112,570 |
| Harvested biological assets (depreciation) | 121,907 | 28,388 | 132,015 | 146,205 |
| Changes in the fair value of biological assets | (30,965) | 5,641 | (28,232) | 27,352 |
| Equity in the results of investees | (22,785) | (80,670) | 418 | |
| Capital gain on investment in jointly-controlled subsidiary | (13,720) | (8,533) | (13,720) | (24,666) |
| Residual cost of investment and property, plant and equipment disposals | 1,258 | 1,485 | 1,432 | 4,390 |
| Interest, monetary and foreign exchange variations, net | 73,638 | 12,568 | 101,313 | 50,096 |
| Constitution (reversal) of provision for contingencies, net | 7,831 | (689) | 7,165 | 1,511 |
| Deferred income tax and social contribution | 30,018 | 2,790 | 32,293 | (6,933) |
| Provision (reversal of provision) for inventory losses | 295 | | (3,137) | 2,201 |
| Adjustments to present value and others | 2,026 | 1,566 | 875 | (1,238) |
| | 414,070 | 150,524 | 500,850 | 441,901 |
| Changes in assets and liabilities | | | | |
| Trade receivables | (1,050) | (21,959) | (5,168) | (42,483) |
| Inventories | (124,769) | (5,849) | (146,324) | (196,871) |
| Taxes recoverable | (16,349) | 9,393 | (15,294) | 26,429 |
| Related parties | 3,216 | (4,422) | 283 | (688) |
| Other assets | (6,919) | (1,479) | (8,437) | (6,717) |
| Trade payables | 46,399 | (35,713) | 39,311 | 57,596 |
| Salaries and social charges | (5,197) | (7,175) | (6,266) | 502 |
| Taxes payable | 4,018 | 3,527 | 3,030 | 14,010 |
| Taxes payable in installments | (4,024) | (68) | (4,348) | 1,740 |
| Provision for contingencies | (13,914) | (5,551) | (14,297) | (14,554) |
| Other liabilities | (15,278) | 1,743 | (12,709) | 11,831 |
| **Cash from operations** | 280,203 | 82,971 | 330,631 | 292,696 |
| Interest paid | (9,888) | (8,583) | (26,305) | (39,528) |
| Income tax and social contribution paid | (12,893) | (2,214) | (12,893) | (14,859) |
| **Net cash provided by operating activities** | 257,422 | 72,174 | 291,433 | 238,309 |
| **Cash flows from investing activities** | | | | |
| Financial resources (used in) obtained from investments | (60,594) | 410 | (59,010) | 410 |
| Additions to property, plant and equipment and intangible assets | (133,288) | (27,948) | (184,848) | (130,180) |
| Additions to biological assets (crop planting and treatment) | (146,397) | (46,476) | (223,693) | (171,583) |
| Increase in investee's cash and cash equivalents due to changes in ownership interest | | | 99,963 | 143,165 |
| Cash and cash equivalents of merged subsidiary | 1,320 | 65,004 | | |
| Advances for future capital increase | (12,826) | | (4,340) | |
| Dividends and interest on own capital received | 21,373 | 119,576 | | |
| **Net cash provided by (used in) investing activities** | (330,412) | 110,566 | (371,928) | (158,188) |
| **Cash flows from financing activities** | | | | |
| Derivative financial instruments | 1,335 | (13,921) | 1,099 | (42,206) |
| New borrowings - third parties | 528,239 | 50,426 | 569,521 | 565,492 |
| Repayment of borrowings - Copersucar | (4,231) | (1,734) | (3,708) | (4,287) |
| Repayment of borrowings - third parties | (181,065) | (82,243) | (230,430) | (445,579) |
| Borrowings received (repaid) - related parties | | | 17,480 | (103) |
| Advances for future capital increase | | | | 448 |
| Purchase of treasury shares | (4,189) | | (4,189) | |
| Payment of dividends and interest on own capital | (30,243) | (34,865) | (30,243) | (34,865) |
| **Net cash provided by (used in) financing activities** | 309,846 | (82,337) | 319,530 | 38,900 |
| **Increase in cash and cash equivalents** | 236,856 | 100,403 | 239,035 | 119,021 |
| **Cash and cash equivalents at the beginning of the period** | 116,461 | 24,200 | 225,067 | 130,634 |
| **Cash and cash equivalents at the end of the period** | 353,317 | 124,603 | 464,102 | 249,655 |

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

## São Martinho S.A.

### Statements of value added
### Nine-month periods ended December 31
**All amounts in thousands of reais** (A free translation of the original in Portuguese)

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2011 | 12/31/2010 | 12/31/2011 | 12/31/2010 |
| **Revenue** | | | | |
| Gross sales of products and goods | 1,006,023 | 342,626 | 1,167,542 | 1,078,934 |
| Revenue from the construction of own assets | 171,768 | 60,369 | 250,358 | 195,738 |
| Other income | 2,605 | 3,304 | 3,002 | 5,135 |
| | 1,180,396 | 406,299 | 1,420,902 | 1,279,807 |
| **Inputs acquired from third parties** | | | | |
| Cost of products and goods sold | (322,694) | (78,773) | (343,001) | (276,747) |
| Materials, energy, outsourced services and others | (237,168) | (97,484) | (335,531) | (343,471) |
| Recovery (impairment) of assets | (295) | | 3,076 | (2,196) |
| | (560,157) | (176,257) | (675,456) | (622,414) |
| **Gross value added** | 620,239 | 230,042 | 745,446 | 657,393 |
| Depreciation and amortization | (113,058) | (57,565) | (138,919) | (112,570) |
| Harvested biological assets (depreciation) | (121,907) | (28,388) | (132,015) | (146,205) |
| **Net value added generated by the entity** | 385,274 | 144,089 | 474,512 | 398,618 |
| **Value added received through transfer** | | | | |
| Equity in the results of investees | 22,785 | 80,670 | (418) | |
| Finance income | 144,048 | 28,021 | 157,123 | 94,769 |
| Other | 14,805 | 7,648 | 16,037 | 24,161 |
| **Total value added to distribute** | 566,912 | 260,428 | 647,254 | 517,548 |
| **Distribution of value added** | | | | |
| Personnel and payroll charges | | | | |
| Direct remuneration | 127,614 | 38,507 | 153,185 | 121,084 |
| Benefits | 39,523 | 13,934 | 48,099 | 37,300 |
| Government Severance Indemnity Fund for Employees (FGTS) | 10,675 | 3,543 | 12,562 | 10,939 |
| Management fees | 7,688 | 5,308 | 8,482 | 8,341 |
| Taxes and contributions | | | | |
| Federal | 64,704 | 27,487 | 73,434 | 68,632 |
| State | 1,637 | (1,594) | 9,630 | 7,481 |
| Municipal | 347 | 46 | 387 | 283 |
| Less: state tax incentives | | | (4,905) | (6,560) |
| Creditors | | | | |
| Interest | 41,142 | 14,378 | 59,766 | 55,277 |
| Rentals | 3,871 | 604 | 1,728 | 874 |
| Exchange differences | 108,334 | 13,674 | 122,582 | 50,451 |
| Other | 29,868 | 14,128 | 30,795 | 33,033 |
| Interest on capital | | 19,558 | | 19,558 |
| Profits reinvested | 131,509 | 110,855 | 131,509 | 110,855 |
| **Value added distributed** | 566,912 | 260,428 | 647,254 | 517,548 |

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

# 1 OPERATIONS

## 1.1 General information

São Martinho S.A. (the "Company") 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 52% of the sugar cane used in the production of the products derives from the Company's own plantations, from those of stockholders, related companies and agricultural partnerships, and the remaining 48% from third-party suppliers.

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

The sale of sugar and ethanol is carried out in a partnership with Santa Cruz S.A. Açúcar e Álcool ("SC") through a commercial agreement, in which costs, expenses and obligations arising from sales transactions are apportioned proportionally between the Company and its subsidiaries and SC, in accordance with their percentage of ownership interest in the total volume sold.

As part of its strategic objectives, the Company maintains investments in the following subsidiaries jointly-controlled companies and associates:

- Vale do Mogi Empreendimentos Imobiliários S.A. ("Vale do Mogi"), current corporate name of Usina São Martinho S.A. ("USM");
- Nova Fronteira Bioenergia S.A. ("NF") and its subsidiaries:
  - Usina Boa Vista S.A. ("UBV"); and
  - SMBJ Agroindustrial S.A. ("SMBJ");
- SMA Indústria Química S.A. ("SMA");
- Usina Santa Luiza S.A. ("USL");
- São Martinho Energia S.A. ("SME");
- Omtek Indústria e Comércio Ltda. ("Omtek") - investment merged into the Company on May 30, 2011;
- Santa Cruz S.A. Açúcar e Álcool ("SC"); and
- Agro Pecuária Boa Vista S.A. ("ABV").

The Company is a listed corporation headquartered in Pradópolis, State of São Paulo, and registered with the São Paulo Futures, Commodities and Stock Exchange - BM&FBovespa S.A. ("BM&FBovespa") in the Novo Mercado (New Market) category. It is a subsidiary of the holding company LJN Participações S.A. ("LJN"), which has a controlling interest of 56.12% in its voting capital. In turn, the owners of LJN are the family holding companies Luiz Ometto Participações S.A., João Ometto Participações S.A. and Nelson Ometto Participações Ltda.

The issue of this quarterly financial information was approved by the Company's Board of Directors on February 13, 2012.

**All amounts in thousands of reais unless otherwise stated**

## 1.2 Merger of Omtek Indústria e Comércio Ltda. ("Omtek")

At the Extraordinary General Stockholders Meeting held on May 30, 2011, the stockholders approved the merger of the assets and liabilities of Omtek Indústria e Comércio Ltda., based on an appraisal report at book value as of April 30, 2011, issued by independent appraisers. The net assets merged by the Company, including the equity variations up to May 30, 2011, as well as the effects arising from the adoption of the new CPCs/IFRS, were as follows:

| **Assets** | **Assets spun-off** | **Liabilities** | **Liabilities spun-off** |
|---|---|---|---|
| Current assets | | Current liabilities | |
| Cash and cash equivalents | 1,320 | Trade payables | 723 |
| Trade receivables | 321 | Salaries and social charges | 465 |
| Inventories | 1,400 | Taxes payable | 57 |
| Taxes recoverable | 13,799 | Other liabilities | 21 |
| Other assets | 895 | | |
| | | | 1,266 |
| | 17,735 | | |
| Non-current assets | | Non-current liabilities | |
| Long-term receivables | | Taxes payable in installments | 469 |
| Deferred income tax and social contribution | 259 | Deferred income tax and social contribution | 1,760 |
| Taxes recoverable | 49 | Provision for contingencies | 358 |
| Other assets | 262 | | |
| | | | 2,587 |
| | 570 | | |
| Property, plant and equipment | 9,198 | | |
| Intangible assets | 2 | | |
| | 9,200 | | |
| **Total assets** | 27,505 | **Total liabilities** | 3,853 |
| | | **Total net assets spun-off and merged** | **23,652** |

## 1.3 Payment of capital in NF

On November 1, 2011, the stockholder Petrobras Biocombustível S.A. ("PBio") paid subscribed capital in NF of R$ 163,035. This payment was made as established in the Extraordinary General Stockholders Meeting held on November 1, 2010, which approved the increase of the capital of NF by R$ 420,874.

After the payment of capital, the Company's percentage of ownership interest in NF decreased from 62.89% to 50.95% (calculated based in the paid-up capital). Additionally, this payment by PBio generated a net capital gain to the Company of R$13,720, which was recorded in the statement of income for the period within "Other income, net", as it was characterized as a gain on the partial loss of control in the formation of a joint venture with a commercial nature.

### 1.4 Acquisition of ownership interest in Santa Cruz S.A. Açúcar e Álcool ("SC") and Agro Pecuária Boa Vista S.A. ("ABV")

On November 21, 2011, the Company acquired 32.18% of SC and 17.97% of ABV for the total present value of R$ 168,072. The payment is being effected in three installments, without monetary restatement, as detailed in Note 36 including the details of the transaction and its accounting effects. There is no contingent consideration.

### 1.5 Changes in corporate structure

In addition to the merger of Omtek and the acquisition of SC and ABV, as mentioned above in items 1.2 and 1.4, other important corporate transactions were realized in the current period, which significantly affected the comparison of the current period results with those of the prior period, mainly in relation to the amounts in the parent company and principally because of the merger of a substantial portion of the spun-off net assets of Vale do Mogi (former USM).

These transactions are described in detail in the annual financial statements for the year ended March 31, 2011 in the following notes:

- Capital increase in NF - note 1.5;
- Total spin-off of Mogi Agrícola ("Mogi") - note 1.6; and
- Partial spin-off of Vale do Mogi (USM) and merger of the spun-off net assets into the Company - note 1.7.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The interim accounting information included in this financial information was prepared in accordance with the Brazilian technical pronouncement CPC 21 - Interim Financial Reporting, and with the international accounting standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and is presented in accordance with the standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of Quarterly Information.

Accordingly, and as described in CVM's Circular Letter CVM/SNC/SEP 03/2011, the Company elected to present the explanatory notes in this Quarterly Information (ITR) in a summarized manner when the information is the same as that presented in the annual financial statements. In such cases, the complete explanatory note in the annual financial statements is indicated to facilitate the understanding of the Company's financial position and performance during the interim period.

The Company declares that the basis of preparation, including the consolidation criteria, and the accounting policies were the same as those utilized in preparing the annual financial statements for the year ended March 31, 2011, except for the acquisitions of equity interests, which accounting practice adopted is described below. Therefore, the corresponding information should be referred to in explanatory notes 2.1 through 2.21 to those financial statements.

### (a) Acquisitions of equity interests

The acquisitions of equity interests are accounted for using the acquisition method of accounting, following the same criteria adopted for business combinations (CPC 15). The method includes the measurement, at the acquisition date, of the identifiable assets acquired and the liabilities and contingent liabilities assumed at their fair values. The excess between the consideration of the acquisition and the fair value of the identifiable net assets acquired is recorded as goodwill. If the consideration is less than the fair value of the identifiable net assets acquired, the gain on the advantageous acquisition is recognized directly in the statement of income for the period in which the acquisition is realized.

The Company has up to one year after the acquisition date, the period which is denominated as the "measurement period", to measure the fair value of the identifiable net assets acquired and the liabilities and contingent liabilities assumed, with the consequent allocation of goodwill or the accounting of gain on advantageous purchase, as applicable. The changes in the fair values obtained are amended retrospectively. The adjustments of the measurement period correspond to adjustments resulting from the additional information obtained during the "measurement period" that already existed at the acquisition date.

The goodwill in a business combination is initially accounted for at cost, representing the excess of the cost of the business combination over the net fair value of the identifiable assets acquired, and the liabilities and contingent liabilities assumed. After the initial recognition, goodwill is measured at cost less any impairment losses. Goodwill is reviewed annually for evidence of impairment, and also whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Acquisition-related costs are expensed as incurred.

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company confirms that the critical accounting estimates and judgments described in the annual financial statements for the year ended March 31, 2011, in Note 3.1, remain valid for this Quarterly Information - ITR.

## 4 FINANCIAL RISK MANAGEMENT

There are no differences between the current financial risk factors and risk management policy and those described in Note 5 to the financial statements for the year ended March 31, 2011.

### 4.1 Assets and liabilities subject to foreign exchange variations

The table below summarizes foreign currency-denominated assets and liabilities (in U.S. dollars - US$), recorded in the consolidated balance sheet at December 31, 2011:

| Current assets | R$ | Equivalents in thousands of US$ |
|---|---|---|
| Cash and cash equivalents (banks - demand deposits) | 127,142 | 67,805 |
| Trade receivables | 11,232 | 5,990 |
| Derivative financial instruments | 31,444 | 16,769 |
| Total assets | 169,818 | 90,564 |
| **Liabilities** | | |
| Current liabilities: | | |
| Borrowings | 179,446 | 95,664 |
| Derivative financial instruments | 32,730 | 17,449 |
| Other liabilities | 6,338 | 3,379 |
| Non-current liabilities: | | |
| Borrowings | 520,924 | 277,708 |
| Other liabilities | 6,767 | 3,608 |
| Total liabilities | 746,205 | 397,808 |
| Subtotal, net | 576,387 | 307,244 |
| ( - ) Export-linked financing - ACC and PPE (*) | (660,646) | (352,194) |
| Net exposure - assets | (84,259) | (44,950) |

These assets and liabilities were adjusted and recorded in the quarterly information at December 31, 2011 at the exchange rate in effect on that date, of R$ 1.8751 per US$ 1.00 for assets and R$ 1.8758 per US$ 1.00 for liabilities.

(*) The balance of borrowings in foreign currency refers mainly to loans in the modality of Advances on Foreign Exchange Contracts (ACC) and Export Prepayments (PPE), maturing from January 2012 to September 2016, which are linked to exports. 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 temporary accounting effect on the financial statements, without a corresponding effect on the companies' cash flows.

## 4.2 Volatility risk of commodity price

The Company is exposed to the risk of changes in the commodity prices of manufactured products such as sugar and ethanol.

At December 31, 2011, the prices of 25,955 metric tons of sugar were hedged by sales contracts for future delivery scheduled for the period between January and March 2012, priced at an average of 26.90 ¢/lb (cents per pound weight) with the New York - ICE Futures US.

## 4.3 Liquidity risk

Cash flow forecasting is realized for the Company and its subsidiaries and aggregated by the Finance Department. The Finance Department monitors rolling forecasts of the Company's liquidity requirements to ensure that it has sufficient cash to meet operating needs.

All amounts in thousands of reais unless otherwise stated

Surplus cash held by the operating entities over and above the balance required for working capital management is invested in interest-earning current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient margins as determined by the above-mentioned forecasts. At December 31, 2011, the Company and its subsidiaries had financial investments consisting mainly of repurchase agreements backed by government securities and fixed-income funds, indexed to the Interbank Deposit Certificates (CDI) interest rate, with high liquidity and active trading in the market, that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyzes the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

| | | | | Parent company |
|---|---|---|---|---|
| | **Less than 1 year** | **Between 1 and 2 years** | **Between 2 and 5 years** | **Over 5 years** |
| At December 31, 2011 | | | | |
| Borrowings | 199,145 | 358,510 | 243,319 | 35,637 |
| Derivative financial instruments | 31,696 | | | |
| Trade payables | 106,037 | | | |
| Acquisition of equity interest | 56,356 | 54,081 | | |
| Other liabilities | 14,813 | 3,882 | 3,384 | |
| At March 31, 2011 | | | | |
| Borrowings | 80,291 | 72,062 | 243,015 | 20,713 |
| Derivative financial instruments | 25,910 | | | |
| Trade payables | 46,642 | | | |
| Related parties | 33 | | | |
| Other liabilities | 15,256 | 4,845 | 5,566 | |

| | | | | Consolidated |
|---|---|---|---|---|
| | **Less than 1 year** | **Between 1 and 2 years** | **Between 2 and 5 years** | **Over 5 years** |
| At December 31, 2011 | | | | |
| Borrowings | 308,460 | 206,399 | 638,599 | 113,021 |
| Derivative financial instruments | 32,730 | | | |
| Trade payables | 122,309 | | | |
| Related parties | 20,078 | | | |
| Acquisition of equity interest | 56,356 | 54,081 | | |
| Other liabilities | 18,549 | 3,956 | 3,384 | |
| At March 31, 2011 | | | | |
| Borrowings | 140,982 | 130,467 | 371,715 | 68,529 |
| Derivative financial instruments | 25,910 | | | |
| Trade payables | 61,096 | | | |
| Related parties | 705 | | | |
| Other liabilities | 21,137 | 4,598 | 5,873 | |

**All amounts in thousands of reais unless otherwise stated**

## 4.4 Sensitivity analysis

In accordance with CVM Instruction 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 the pricing and hedging of and foreign currency risks and other financial assets and liabilities denominated in foreign currency at December 31, 2011, considered by management as the major risks to which the Company is exposed. This analysis reflects management expectations with respect to the future scenario projected.

| Parent company: | | Probable scenario | | Possible scenarios | |
|---|---|---|---|---|---|
| | Risk | Average rate/price | Effect on the statement of income and cash flows | Deterioration 25% | Deterioration 50% |
| **Foreign exchange rate risk** | | | | | |
| Cash and banks | US$ depreciation | 1.80 | (5,138) | (35,639) | (66,140) |
| Trade receivables | US$ depreciation | 1.80 | (923) | (6,402) | (11,882) |
| Short and long-term borrowings | US dollar appreciation | 1.85 | 8,372 | (121,791) | (251,953) |
| Forward contracts - foreign currency - NDF | US dollar appreciation | 1.80 | 22,459 | (69,261) | (160,981) |
| Trade payables | US dollar appreciation | 1.80 | 410 | (2,025) | (4,460) |
| **Price risk** | | | | | |
| Forward contracts - sugar - NDF | Increase in the commodity price | 23.62 | (2,559) | (19,145) | (35,731) |
| Futures market - sale - ethanol | Increase in the commodity price | 1,247.85 | (3) | (11) | (105) |
| Futures market - purchase - sugar | Decrease in the commodity price | 24.49 | 2,802 | (11,384) | (25,649) |
| Futures market - sale - sugar | Increase in the commodity price | 23.96 | (8,390) | (26,787) | (87,835) |
| "Call" sale - sugar | Increase in the commodity price | 23.79 | (1,341) | (2,546) | (3,751) |
| "Put" sale - sugar | Decrease in the commodity price | 23.69 | 164 | 45 | (74) |
| "Put" purchase - sugar | Decrease in the commodity price | 23.79 | (1,284) | (2,594) | (3,904) |

**All amounts in thousands of reais unless otherwise stated**

| Consolidated: | | | Probable scenario | | Possible scenarios | |
|---|---|---|---|---|---|---|
| | Risk | Average rate/price | Effect on the statement of income and cash flows | Deterioration 25% | Deterioration 50% |
| **Foreign exchange rate risk** | | | | | |
| Cash and banks | US$ depreciation | 1.80 | (5,138) | (35,639) | (66,140) |
| Trade receivables | US$ depreciation | 1.80 | (959) | (6,651) | (12,345) |
| Short and long-term borrowings | US dollar appreciation | 1.85 | 13,723 | (148,206) | (310,134) |
| Forward contracts - foreign currency - NDF | US dollar appreciation | 1.80 | 22,459 | (71,948) | (166,355) |
| Trade payables | US dollar appreciation | 1.80 | 410 | (2,025) | (4,460) |
| **Price risk** | | | | | |
| Forward contracts - sugar - NDF | Increase in the commodity price | 23.62 | (2,559) | (19,145) | (35,731) |
| Futures market - sale - ethanol | Increase in the commodity price | 1,247.85 | (3) | (11) | (105) |
| Futures market - purchase - sugar | Decrease in the commodity price | 24.14 | 2,802 | (14,996) | (32,874) |
| Futures market - sale - sugar | Increase in the commodity price | 23.87 | (8,390) | (31,669) | (97,600) |
| "Call" sale - sugar | Increase in the commodity price | 23.79 | (1,756) | (3,335) | (4,913) |
| "Put" sale - sugar | Decrease in the commodity price | 23.69 | 206 | 56 | (93) |
| "Put" purchase - sugar | Decrease in the commodity price | 23.79 | (1,550) | (3,131) | (4,711) |

## 4.5 Fair value estimation

The fair values of the financial instruments contracted by the Company and its subsidiaries are measured based on information obtained from the financial institutions and prices quoted in an active market based on the standard market pricing methodology, which comprises measuring their nominal values up to the due 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 values of futures negotiated in the New York - Intercontinental Exchange (ICE Futures US) are calculated by the difference between the price of the derivative in the contract 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.

The fair values of foreign exchange options are obtained using the "Black & Scholes" method, which is based on market data, specifically the DI and DDI interest curves published by the BM&F.

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

At the balance sheet date, the Company and its subsidiaries review individual financial assets or a group of financial assets for evidence of impairment.

**All amounts in thousands of reais unless otherwise stated**

The carrying values less impairment provision, or adjustment to present value, when applicable, of trade receivables, notes receivable, trade payables and notes payable are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company and its subsidiaries for similar financial instruments.

The Company and its subsidiaries adopted CPC 40 for financial instruments that are measured in the balance sheet at fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

| | | | **Parent company** |
|---|---|---|---|
| **As per balance sheet** | **Level 1** | **Level 2** | **Total** |
| At December 31, 2011 | | | |
| Assets - derivative financial instruments | | | |
| Ethanol futures | 5 | | 5 |
| Sugar futures | 16.764 | | 16.764 |
| Sugar options | 2.406 | | 2.406 |
| Sugar forward contracts | | 8.223 | 8.223 |
| Liabilities - derivative financial instruments | | | |
| U.S. dollar options | | (88) | (88) |
| Foreign exchange forward contracts | | (31.608) | (31.608) |
| At March 31, 2011 | | | |
| Assets - derivative financial instruments | | | |
| Ethanol futures | 14 | | 14 |
| Sugar options | 129 | | 129 |
| U.S. dollar options | | 221 | 221 |
| Foreign exchange forward contracts | | 3.894 | 3.894 |
| Liabilities - derivative financial instruments | | | |
| Sugar futures | (2.634) | | (2.634) |
| Sugar forward contracts | | (23.276) | (23.276) |

**All amounts in thousands of reais unless otherwise stated**

| | | | Consolidated |
|---|---|---|---|
| **As per balance sheet** | **Level 1** | **Level 2** | **Total** |
| At December 31, 2011 | | | |
| Assets - derivative financial instruments | | | |
| Ethanol futures | 5 | | 5 |
| Sugar futures | 16.662 | | 16.662 |
| Sugar options | 3.585 | | 3.585 |
| Sugar forward contracts | | 8.285 | 8.285 |
| Liabilities - derivative financial instruments | | | |
| U.S. dollar options | | (88) | (88) |
| Foreign exchange forward contracts | | (32.290) | (32.290) |
| Swap contracts | | (250) | (250) |
| At March 31, 2011 | | | |
| Assets - derivative financial instruments | | | |
| Ethanol futures | 14 | | 14 |
| Sugar options | 129 | | 129 |
| U.S. dollar options | | 221 | 221 |
| Foreign exchange forward contracts | | 3.894 | 3.894 |
| Liabilities - derivative financial instruments | | | |
| Sugar futures | (2.634) | | (2.634) |
| Sugar forward contracts | | (23.276) | (23.276) |

All amounts in thousands of reais unless otherwise stated

## 5 FINANCIAL INSTRUMENTS BY CATEGORY

| | | | | Parent company |
|---|---|---|---|---|
| Assets as per balance sheet | Loans and receivables | Assets at fair value through profit or loss | Derivatives used for hedging | Total |
| At December 31, 2011 | | | | |
| Cash and cash equivalents | 141.747 | 211.570 | | 353.317 |
| Trade receivables | 49.724 | | | 49.724 |
| Derivative financial instruments | 2.292 | | 27.398 | 29.690 |
| Related parties | 12.635 | | | 12.635 |
| Judicial deposits | 39.079 | | | 39.079 |
| Other assets | 15.170 | | | 15.170 |
| At March 31, 2011 | | | | |
| Cash and cash equivalents | 18.791 | 97.670 | | 116.461 |
| Trade receivables | 50.439 | | | 50.439 |
| Derivative financial instruments | 1.709 | | 4.258 | 5.967 |
| Related parties | 4.833 | | | 4.833 |
| Judicial deposits | 30.564 | | | 30.564 |
| Other assets | 10.577 | | | 10.577 |

**All amounts in thousands of reais unless otherwise stated**

| | | | | Parent company |
|---|---|---|---|---|
| **Liabilities as per balance sheet** | **Liabilities at fair value through profit or loss** | **Derivatives used for hedging** | **Other financial liabilities** | **Total** |
| At December 31, 2011 | | | | |
| Borrowings | 70,743 | | 765,868 | 836,611 |
| Derivative financial instruments | | 31,696 | | 31,696 |
| Trade payables | 106,037 | | | 106,037 |
| Other liabilities | 22,079 | | | 22,079 |
| At March 31, 2011 | | | | |
| Borrowings | | | 416,081 | 416,081 |
| Derivative financial instruments | | 25,910 | | 25,910 |
| Trade payables | | | 46,642 | 46,642 |
| Related parties | | | 33 | 33 |
| Other liabilities | | | 31,809 | 31,809 |

| | | | | Consolidated |
|---|---|---|---|---|
| **Assets as per balance sheet** | **Loans and receivables** | **Assets at fair value through profit or loss** | **Derivatives used for hedging** | **Total** |
| At December 31, 2011 | | | | |
| Cash and cash equivalents | 146.300 | 317.802 | | 464.102 |
| Trade receivables | 63.686 | | | 63.686 |
| Derivative financial instruments | 2.292 | 1.754 | 27.398 | 31.444 |
| Related parties | 2.539 | | | 2.539 |
| Judicial deposits | 42.954 | | | 42.954 |
| Other assets | 18.229 | | | 18.229 |
| At March 31, 2011 | | | | |
| Cash and cash equivalents | 20.937 | 204.130 | | 225.067 |
| Trade receivables | 59.673 | | | 59.673 |
| Derivative financial instruments | 1.709 | | 4.258 | 5.967 |
| Related parties | 33 | | | 33 |
| Judicial deposits | 32.367 | | | 32.367 |
| Other assets | 12.793 | | | 12.793 |

All amounts in thousands of reais unless otherwise stated

| | | | | Consolidated |
|---|---|---|---|---|
| **Liabilities as per balance sheet** | **Liabilities at fair value through profit or loss** | **Derivatives used for hedging** | **Other financial liabilities** | **Total** |
| At December 31, 2011 | | | | |
| Borrowings | 76,532 | | 1,189,947 | 1,266,479 |
| Derivative financial instruments | 1,034 | 31,696 | | 32,730 |
| Trade payables | 122,309 | | | 122,309 |
| Related parties | 20,078 | | | 20,078 |
| Other liabilities | 25,889 | | | 25,889 |
| At March 31, 2011 | | | | |
| Borrowings | | | 711,693 | 711,693 |
| Derivative financial instruments | | 25,910 | | 25,910 |
| Trade payables | | | 61,096 | 61,096 |
| Related parties | | | 705 | 705 |
| Other liabilities | | | 31,608 | 31,608 |

## 6 CASH AND CASH EQUIVALENTS

| | | Parent company | |
|---|---|---|---|
| | **Remuneration** | **December 31, 2011** | **March 31, 2011** |
| Cash and banks | | 141,747 | 18,791 |
| Financial investments | | | |
| . Agribusiness Credit Notes (LCA) | 40% of the Interbank Deposit Certificate (CDI) interest rate - weighted average rate | | 3,008 |
| . Bank Deposit Certificates (CDB) | 100.70% (March - 100.71%) of the CDI interest rate - weighted average rate | 101,982 | 17,103 |
| . Debenture repurchase agreements | 101.70% (March - 100.95%) of the CDI interest rate - weighted average rate | 109,588 | 77,559 |
| | | 353,317 | 116,461 |

All amounts in thousands of reais unless otherwise stated

| | Remuneration | Consolidated<br>December 31, 2011 | <br>March 31, 2011 |
|---|---|---|---|
| Cash and banks | | 146,300 | 20,937 |
| Financial investments | | | |
| . Agribusiness Credit Notes (LCA) | 40% of the Interbank Deposit Certificate (CDI) interest rate - weighted average rate | | 3,008 |
| . Bank Deposit Certificates (CDB) | 100.68% (March - 100.75%) of the CDI interest rate - weighted average rate | 166,050 | 82,494 |
| . Debenture repurchase agreements | 101.66% (March - 101.02%) of the CDI interest rate - weighted average rate | 149,035 | 115,780 |
| . Funds - Financial Treasury Bills (LFT) | 100% of the Special System for Settlement and Custody (SELIC) interest rate | 2,717 | 2,848 |
| | | 464,102 | 225,067 |

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.

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

## 7 TRADE RECEIVABLES - CUSTOMERS

The analysis of the balance of trade receivables is as follows:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | December 31, 2011 | March 31, 2011 | December 31, 2011 | March 31, 2011 |
| Local customers | 39,381 | 36,303 | 52,454 | 44,111 |
| Foreign customers | 10,343 | 14,136 | 11,232 | 15,562 |
| | 49,724 | 50,439 | 63,686 | 59,673 |

At December 31 and March 31, 2011, management did not identify the need to record a provision for impairment of trade receivables.

**All amounts in thousands of reais unless otherwise stated**

As of December 31, 2011, trade receivables of R$ 6,331 (R$ 9,269 - consolidated) were past due but not impaired. These receivables related to a number of customers for whom there is no history of default. The ageing analysis of these trade receivables is as follows:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| **Past due and not provided for:** | **December 31, 2011** | **March 31, 2011** | **December 31, 2011** | **March 31, 2011** |
| up to 30 days | 5,858 | 14,593 | 8,660 | 16,027 |
| from 31 to 60 days | | | 3 | |
| over 61 days | 473 | 123 | 606 | 313 |
| **Not yet due:** | | | | |
| up to 30 days | 41,314 | 33,514 | 49,951 | 41,082 |
| from 31 to 60 days | 1,985 | 2,185 | 1,985 | 2,185 |
| over 61 days | 94 | 24 | 2,481 | 66 |
| | 49,724 | 50,439 | 63,686 | 59,673 |

At March 31, 2011, the past due amounts mainly referred to export transactions which were billed for immediate payment and took on average 30 days to be collected. The average collection period for trade receivables was 8 days (12 days - consolidated).

The maximum exposure to credit risk at the reporting date is the carrying value of the balances of the receivables.

## 8 INVENTORIES

| | Parent company | |
|---|---|---|
| | **December 31, 2011** | **March 31, 2011** |
| Finished products and work in process | 199.000 | 66.674 |
| Advances - purchases of sugar cane | 54.163 | 19.931 |
| Inputs and indirect, maintenance and other materials | 44.136 | 29.437 |
| Provision for reduction of inventories to realizable value | (671) | |
| | 296.628 | 116.042 |

| | Consolidated | |
|---|---|---|
| | **December 31, 2011** | **March 31, 2011** |
| Finished products and work in process | 258.346 | 80.510 |
| Advances - purchases of sugar cane | 70.989 | 23.986 |
| Inputs and indirect, maintenance and other materials | 55.671 | 38.510 |
| Provision for reduction of inventories to realizable value | (1.000) | (3.900) |
| | 384.006 | 139.106 |

All amounts in thousands of reais unless otherwise stated

To guarantee payment of part of the obligations assumed at the time of the withdrawal from Copersucar on March 31, 2008, the Company pledged 25,757 m³ of fuel ethanol in favor of Copersucar.

## 9 TAXES RECOVERABLE

The balance of taxes recoverable can be summarized as follows:

| | Parent company | |
|---|---|---|
| | December 31, 2011 | March 31, 2011 |
| Social Contribution on Revenues (COFINS), including credits on purchases of property, plant and equipment | 20,209 | 18,162 |
| Value-Added Tax on Sales and Services (ICMS), including credits on purchases of property, plant and equipment | 18,233 | 4,438 |
| Social Integration Program (PIS), including credits on purchases of property, plant and equipment | 5,976 | 3,950 |
| Other | 716 | 454 |
| | 45,134 | 27,004 |
| Current assets | (29,275) | (12,650) |
| Non-current assets (mainly credits on purchases of property, plant and equipment) | 15,859 | 14,354 |

| | Consolidated | |
|---|---|---|
| | December 31, 2011 | March 31, 2011 |
| COFINS, including credits on purchases of property, plant and equipment | 39,777 | 42,116 |
| ICMS, including credits on purchases of property, plant and equipment | 26,323 | 18,819 |
| PIS, including credits on purchases of property, plant and equipment | 10,230 | 9,236 |
| Other | 922 | 569 |
| | 77,252 | 70,740 |
| Current assets | (38,508) | (33,520) |
| Non-current assets (mainly credits on purchases of property, plant and equipment) | 38,744 | 37,220 |

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

The credits on purchases of property, plant and equipment are offset against taxes and contributions payable in accordance with the applicable legislation.

All amounts in thousands of reais unless otherwise stated

## 10 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

### (a) Parent company and consolidated balances

| | | | Parent company | | |
|---|---|---|---|---|---|
| | | | December 31, 2011 | | March 31, 2011 |
| | Current assets | Non-current assets | Current liabilities | Non-current assets | Current liabilities |
| Subsidiaries and related parties: | | | | | |
| Vale do Mogi (formerly USM) | | | | 203 | |
| Omtek | | | | 2,962 | |
| UBV | 946 | | 7 | 80 | 33 |
| USL | 17 | 1,500 | 15 | 1,586 | |
| Monte Sereno Agrícola Ltda. | 6 | | | 2 | |
| SME | | 8,638 | | | |
| CTC | | 2,497 | | | |
| SC | 305 | | | | |
| ABV | 2 | | | | |
| SMA | 124 | | | | |
| Other | 15 | | | | |
| **Sub-total** | 1,415 | 12,635 | 22 | 4,833 | 33 |
| Stockholders (including liabilities arising from purchases of sugar cane - trade payables) | 378 | | 3,937 | | 877 |
| | 1,793 | 12,635 | 3,959 | 4,833 | 910 |

| | | | Consolidated | | |
|---|---|---|---|---|---|
| | | | December 31, 2011 | | March 31, 2011 |
| | Current assets | Non-current assets | Current liabilities | Non-current assets | Current liabilities |
| Subsidiaries and related parties: | | | | | |
| UBV | 464 | | 4 | | |
| USL | 9 | | 7 | 1 | |
| SC | 207 | 17 | | | |
| ABV | 1 | | | | |
| SMA | 62 | | 18,172 | | 693 |
| SMBJ | | | | 30 | 12 |
| CTC | | 2,522 | | | |
| Other | 20 | | | 2 | |
| **Sub-total** | 763 | 2,539 | 18,183 | 33 | 705 |
| Stockholders (including liabilities arising from purchases of sugar cane - trade payables) | 378 | | 4,045 | | 4,541 |
| | 1,141 | 2,539 | 22,228 | 33 | 5,246 |

The asset balances with subsidiaries at December 31, 2011 refer to advances for future capital increase.

All amounts in thousands of reais unless otherwise stated

## (b) Parent company transactions in the quarter

| | December 31, 2011 | | | |
|---|---|---|---|---|
| | Finance costs and administrative expenses | Sales revenue | Expenses reimbursed by subsidiaries | Purchases of goods and services |
| UBV | | | 1,652 | |
| USL | | | 94 | |
| Vale do Mogi | | | | 9,363 |
| SMA | | | 81 | |
| USC | | 5,283 | 69 | |
| Other | | | 62 | |
| Stockholders | | | | |
| - rental of properties | 75 | | | |
| - rendering of services | 565 | | | |
| - purchases of sugar cane | | | | 1,979 |
| | 640 | 5,283 | 1,958 | 11,342 |

| | December 31, 2010 | | | | |
|---|---|---|---|---|---|
| | Finance costs and administrative expenses | Sales revenue | Expenses apportioned by subsidiary | Expenses reimbursed by subsidiaries | Purchases of goods and services |
| Vale do Mogi | | | 754 | 324 | 211 |
| Omtek | | 2,308 | | 27 | |
| UBV | | | | 631 | |
| Stockholders | | | | | |
| - rental of properties | 59 | | | | |
| - rendering of services | 94 | | | | |
| - purchases of sugar cane | | | | | 406 |
| | 153 | 2,308 | 754 | 982 | 617 |

The transactions with related parties refer to revenues and expenses in respect of sales of molasses, steam, 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 subsidiary refer to expenditures with the shared services center incurred by USM up to November 2010 (subsequently transferred to the Company). 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.

## (c) Consolidated transactions in the quarter

| | December 31, 2011 | | | |
|---|---|---|---|---|
| | Finance costs and administrative expenses | Sales revenue | Expenses reimbursed by subsidiaries | Purchases of goods and services |
| UBV | | | 742 | |
| USL | | | 53 | |
| SMA | | | 40 | |
| USC | | 5,166 | 46 | |
| Other | | | 62 | |
| Stockholders | | | | |
| - rental of properties | 75 | | | |
| - rendering of services | 572 | | | |
| - purchases of sugar cane | | | | 1,924 |
| | 647 | 5,166 | 943 | 1,924 |

All amounts in thousands of reais unless otherwise stated

| | December 31, 2010 | |
|---|---|---|
| | Finance costs and administrative expenses | Purchases of goods and services |
| Stockholders | | |
| - rental of properties | 59 | |
| - rendering of services | 94 | |
| - purchases of sugar cane | | 406 |
| | 153 | 406 |

**(d) Key management remuneration**

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

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | December 31, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 |
| Wages and salaries | 1,134 | 118 | 1,381 | 388 |
| Fees and bonuses | 7,688 | 5,308 | 8,482 | 8,341 |
| Social security contributions | 1,724 | 811 | 1,812 | 1,056 |
| Private pension plan | 341 | 44 | 359 | 91 |
| Profit sharing program | 150 | | 177 | |
| Other | 170 | 53 | 176 | 76 |
| | 11,207 | 6,334 | 12,387 | 9,952 |

## 11 OTHER ASSETS

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | December 31, 2011 | March 31, 2011 | December 31, 2011 | March 31, 2011 |
| Prepaid expenses | 3.067 | 2.191 | 3.601 | 2.767 |
| Sundry advances | 1.300 | 2.234 | 1.748 | 2.333 |
| Available-for-sale investments (i) | 6.078 | | 6.775 | |
| Advances to suppliers | 3.693 | | 3.693 | |
| Other investments | 142 | 5.347 | 290 | 5.418 |
| Other receivables | 890 | 805 | 2.122 | 2.275 |
| | 15.170 | 10.577 | 18.229 | 12.793 |
| Current assets | (11.223) | (4.958) | (12.993) | (5.692) |
| Non-current assets | 3.947 | 5.619 | 5.236 | 7.101 |

(i) Refers to the participation of the Company and its subsidiary SC in Uniduto S.A.

All amounts in thousands of reais unless otherwise stated

# 12 INVESTMENTS

The parent company's investments in other companies are as follows:

## 12.1 In subsidiaries, jointly-controlled subsidiaries and associated companies

| | | | | | | | | | | December 31, 2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Vale do Mogi | Omtek | SME | NF | SMA | USL | USC | ABV | Other | Total |
| In subsidiaries, jointly-controlled subsidiaries and associates: | | | | | | | | | | |
| Shares/quotas held (thousands) | 23.500 | | 1.000 | 426.635 | 50 | 11.898 | 1.643 | 1.146 | | |
| Percentage holding | 100,00% | | 100,00% | 50,95% | 50,00% | 41,67% | 32,19% | 17,97% | | |
| Share capital | 59.540 | | 1 | 847.906 | 100 | 7.341 | 63.082 | 208.559 | | |
| Equity (net capital deficiency) | 767.345 | | (150) | 806.813 | (711) | (15.041) | 191.800 | 243.929 | | |
| Profit (loss) for the period | 25.529 | | (151) | 8.994 | (754) | (4.096) | (13.527) | 650 | | |
| Changes in investments: | | | | | | | | | | |
| At March 31, 2011 | 762.432 | 24.614 | | 392.344 | 21 | 27.873 | | | | 1.207.284 |
| Reclassification of other assets | | | | | | | | | 5.216 | 5.216 |
| Additional dividends distributed | (20.616) | | | | | | | | | (20.616) |
| Acquisition of equity interest - note 36 | | | | | | | 102.764 | 65.308 | | 168.072 |
| Reclassification of tax benefit of goodwill - Note 36 | | | | | | | (12.208) | (7.344) | | (19.552) |
| Collection of interest on capital | | | | | | | (756) | | | (756) |
| Payment and increase of capital | | | 1 | | | 1.583 | | | 2.524 | 4.108 |
| Merger of spun-off net assets - note 1.2 | | (23.652) | | | | | | | | (23.652) |
| Capital gain on the transaction described in note 1.3 | | | | 13.720 | | | | | | 13.720 |
| Equity in the results of investees | 25.529 | (962) | (151) | 5.020 | (377) | (1.707) | (4.356) | 117 | (328) | 22.785 |
| Reclassification of investment available for sale - note 11 | | | | | | | | | (6.078) | (6.078) |
| Reclassification to current liabilities related to investments with net capital deficiency - note 20 | | | 150 | | 356 | | | | | 506 |
| At December 31, 2011 | 767.345 | | | 411.084 | | 27.749 | 85.444 | 58.081 | 1.334 | 1.351.037 |

| | | | | | | | December 31, 2010 |
|---|---|---|---|---|---|---|---|
| | Vale do Mogi (Formerly USM) | Omtek | Nova Fronteira | UBV | USL | SMA | Total |
| In subsidiaries: | | | | | | | |
| Shares/quotas held (thousands) | 23,500 | 27,971 | 426,635 | | 11,898 | 50 | |
| Percentage holding | 100.00% | 100.00% | 62.89% | | 41.67% | 50.00% | |
| Share capital | 59,540 | 27,971 | 684,870 | | 3,541 | 100 | |
| Equity (net capital deficiency) | 762,565 | 26,965 | 623,282 | | (15,817) | 40 | |
| Profit (loss) for the period | 88,559 | (5,321) | (2,461) | | 2,402 | | |
| Changes in investments: | | | | | | | |
| At March 31, 2010 | 1,263,806 | 18,906 | | 89,061 | | | 1,371,773 |
| Interest on capital received | (15,680) | | | | | | (15,680) |
| Additional dividends distributed | (93,567) | | | | | | (93,567) |
| Merger of spun-off net assets - note 1.7 | (444,085) | 15,884 | 287,855 | | 26,423 | 20 | (113,903) |
| Capital increase with advances | | | | 8,377 | | | 8,377 |
| Gain (loss) on revaluation reserve of subsidiaries, due to increase (decrease) in holding | 2,101 | (2,055) | | (46) | | | |
| Capital subscription with transfer of UBV's shares | | | 96,246 | (96,246) | | | |
| Sale of shares - note 1.5 | | | (410) | | | | (410) |
| Capital gain on the transaction described in note 1.5 | | | 8,943 | | | | 8,943 |
| Equity loss arising from carrying value adjustments | (37,218) | | | (26) | | | (37,244) |
| Capital gain (loss) due to decrease in participation in accumulated results up to March 31, 2010 | (1,348) | (449) | | 1,797 | | | |
| Equity in the results of investees | 88,559 | (5,321) | (652) | (2,917) | 1,001 | | 80,670 |
| At December 31, 2010 | 762,568 | 26,965 | 391,982 | | 27,424 | 20 | 1,208,959 |

There are no cross-holdings between the parent company and the investees.

All amounts in thousands of reais unless otherwise stated

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

Goodwill is described in detail in Note 13.2 to the annual financial statements for the year ended March 31, 2011.

### 12.3 Investments in the consolidated

The balance of investments in the consolidated is related to: (i) the indirect investees: Agropecuária Caieira do Norte S.A., Monte Sereno Agrícola Ltda. and Agropecuária do Cachimbo S.A., which investments amount to R$ 28, R$ 1,387 and R$ 51, respectively; and (ii) the associated company CTC – Centro de Tecnologia Canavieira amounting to R$ 1,407.

These investees are not consolidated and the investments are evaluated based on the equity accounting.

## 13 BIOLOGICAL ASSETS

At December 31, 2011, the Company and UBV had sugar cane plantations in the States of São Paulo and Goiás used to provide raw material for the industrial process. The cultivation of sugar cane begins with the planting of seedlings in land of the Company or of third parties, and the first harvest occurs after a period of 12 to 18 months after planting, when the cane is harvested and the root ("stubble") remains in the ground. After each harvest (year/crop), the treated stubble grows again, giving an average cycle of five or six crops.

The Company's land in which crops are cultivated is recorded in property, plant and equipment and is not part of the fair value of biological assets.

Key assumptions used for measuring the fair value:

The fair value of sugar cane plantations is determined based on the discounted cash flow method, considering basically:

a) Cash inflows obtained from the multiplication of (i) the estimated production, measured in kilograms of ATR (Total Sugar Recoverable), and (ii) the futures market price of sugar cane, which is estimated based on public data and estimates of the future prices of sugar and ethanol; and
b) Cash outflows represented by the estimate of (i) costs necessary for the biological transformation of the sugarcane (cultivation) up to the harvest; (ii) costs with harvest/cutting, loading and transportation (CCT); (iii) capital costs (land and machinery and equipment); (iv) costs of leases and rural partnerships; and (v) taxes on positive cash flows.

The following assumptions were used to determine the related fair value:

| | Consolidated | |
|---|---|---|
| | 31/12/2011 | 31/03/2011 |
| Estimated harvest area (ha) | 123,738 | 109,053 |
| Expected productivity (t/ha) | 75.32 | 84.64 |
| Amount of ATR per metric ton of sugar cane (kg) | 136.84 | 137.47 |
| Estimated average price of ATR (R$) | 0.4586 | 0.4323 |

**All amounts in thousands of reais unless otherwise stated**

Based on the estimates of revenue and costs, the Company determines the future cash flows to be generated and adjusts them to present value, considering a discount rate compatible with the remuneration of the investment in the circumstances. The changes in the fair value are recorded as biological assets with a corresponding entry to the sub account "Changes in the fair value of biological assets", under "Cost of sales" in the statement of income for the period.

The model and assumptions used to determine the fair value represent management's best estimates at the reporting date and are reviewed on a quarterly basis and, if necessary, adjusted.

The change in the fair value of biological assets for the nine-month period was as follows:

| | December 31, 2011 | |
|---|---|---|
| | Parent company | Consolidated |
| Biological assets at March 31, 2011 | 342,152 | 435,532 |
| Decrease due to loss of holding in subsidiary - NF | | (24,989) |
| Increases arising from the holdings in subsidiaries | | 48,915 |
| Increases arising from planting and treatment | 146,397 | 223,693 |
| Change in fair value | 30,965 | 28,232 |
| Decreases resulting from harvest | (146,749) | (162,760) |
| Biological assets at the end of the period | 372,765 | 548,623 |

### (a) Operating lease, agricultural partnership and future sugar cane purchase commitments.

The Company and its subsidiaries signed agreements related to operating leases and purchases of sugar cane produced in the rural properties of third parties and agricultural partnerships through multiyear agreements. The lease and sugar cane purchase agreements are effective for six to twelve years, and most of them are renewable.

The amounts to be disbursed due to these transactions will be determined at the end of each crop by the price of a metric ton of sugar cane established in the model defined by the Council of Sugar Cane, Sugar and Alcohol Producers of the State of São Paulo (CONSECANA). The total payments related to leases and purchase agreements at December 31, 2011 and March 31, 2011 are estimated as follows:

| | Consolidated | |
|---|---|---|
| | December 31, 2011 | March 31, 2011 |
| Less than 1 year | 130,505 | 92,233 |
| More than 1 year and less than 5 years | 379,522 | 273,905 |
| More than 5 years | 153,698 | 121,136 |
| | 663,725 | 487,274 |

All amounts in thousands of reais unless otherwise stated

## 14 PROPERTY, PLANT AND EQUIPMENT

Parent company

| | Land | Buildings and premises | Industrial equipment and facilities | Vehicles | Agricultural machinery and implements | Other | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|
| **At March 31, 2011** | 604,409 | 64,724 | 436,819 | 41,124 | 109,747 | 8,221 | 63,139 | 1,328,183 |
| Total cost | 604,409 | 68,828 | 445,829 | 41,895 | 111,868 | 32,492 | 63,139 | 1,368,460 |
| Accumulated depreciation | | (4,104) | (9,010) | (771) | (2,121) | (24,271) | | (40,277) |
| Net book value | 604,409 | 64,724 | 436,819 | 41,124 | 109,747 | 8,221 | 63,139 | 1,328,183 |
| **At March 31, 2011** | 604,409 | 64,724 | 436,819 | 41,124 | 109,747 | 8,221 | 63,139 | 1,328,183 |
| Purchases | | | 31,679 | 406 | 155 | 1,587 | 111,720 | 145,547 |
| Disposals (residual) | | | (58) | (181) | (866) | (99) | | (1,204) |
| Transfers | 11 | 676 | 55,475 | 10,644 | 14,632 | 2,164 | (85,086) | (1,484) |
| Assets merged from OMTEK | 1,260 | 1,543 | 6,325 | | | 70 | | 9,198 |
| Depreciation | | (3,190) | (118,895) | (8,365) | (14,472) | (1,300) | | (146,222) |
| **At December 31, 2011** | 605,680 | 63,753 | 411,345 | 43,628 | 109,196 | 10,643 | 89,773 | 1,334,018 |
| Total cost | 605,680 | 71,293 | 473,041 | 52,677 | 125,399 | 36,335 | 89,773 | 1,454,198 |
| Accumulated depreciation | | (7,540) | (61,696) | (9,049) | (16,203) | (25,692) | | (120,180) |
| Net book value | 605,680 | 63,753 | 411,345 | 43,628 | 109,196 | 10,643 | 89,773 | 1,334,018 |
| **Net book value of:** | | | | | | | | |
| Historical cost | 21,164 | 19,393 | 170,570 | 38,734 | 63,444 | 10,643 | 89,773 | 413,721 |
| Revaluation increment | 584,516 | 44,360 | 240,775 | 4,894 | 45,752 | | | 920,297 |
| | 605,680 | 63,753 | 411,345 | 43,628 | 109,196 | 10,643 | 89,773 | 1,334,018 |
| Average depreciation rates | | 5.38% | 10.93% | 15.30% | 13.35% | 12.09% | | |

Consolidated

| | Land | Buildings and premises | Industrial equipment and facilities | Vehicles | Agricultural machinery and implements | Leasehold improvements | Other | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| **At March 31, 2011** | 1,732,305 | 162,291 | 630,459 | 63,054 | 141,105 | 20,926 | 11,247 | 103,374 | 2,864,761 |
| Total cost | 1,732,305 | 178,143 | 662,184 | 68,564 | 155,031 | 27,911 | 36,626 | 103,374 | 2,964,138 |
| Accumulated depreciation | | (15,852) | (31,725) | (5,510) | (13,926) | (6,985) | (25,379) | | (99,377) |
| Net book value | 1,732,305 | 162,291 | 630,459 | 63,054 | 141,105 | 20,926 | 11,247 | 103,374 | 2,864,761 |
| **At March 31, 2011** | 1,732,305 | 162,291 | 630,459 | 63,054 | 141,105 | 20,926 | 11,247 | 103,374 | 2,864,761 |
| Purchases | | | 39,744 | 527 | 1,240 | | 1,728 | 153,616 | 196,855 |
| Disposals (residual) | | | (91) | (308) | (866) | | (113) | | (1,378) |
| Transfers | 11 | 803 | 62,649 | 12,160 | 16,147 | | 2,268 | (99,029) | (4,991) |
| Depreciation | | (5,799) | (143,788) | (11,215) | (18,831) | (4,963) | (1,550) | | (186,146) |
| Acquisition of investments in USC and ABV | 112,789 | 14,981 | 95,834 | 11,852 | 11,685 | 80 | 238 | 11,059 | 258,518 |
| Decrease in holding in NF | (3,887) | (16,000) | (33,346) | (3,927) | (5,610) | (3,154) | (536) | (8,342) | (74,802) |
| **At December 31, 2011** | 1,841,218 | 156,276 | 651,461 | 72,143 | 144,870 | 12,889 | 13,282 | 160,678 | 3,052,817 |
| Total cost | 1,841,218 | 178,410 | 763,485 | 94,333 | 178,841 | 22,835 | 40,310 | 160,678 | 3,280,110 |
| Accumulated depreciation | | (22,134) | (112,024) | (22,190) | (33,971) | (9,946) | (27,028) | | (227,293) |
| Net book value | 1,841,218 | 156,276 | 651,461 | 72,143 | 144,870 | 12,889 | 13,282 | 160,678 | 3,052,817 |
| **Net book value of:** | | | | | | | | | |
| Historical cost | 128,203 | 101,169 | 367,222 | 61,456 | 95,390 | 12,889 | 13,282 | 160,678 | 940,289 |
| Revaluation increment | 1,713,015 | 55,107 | 284,239 | 10,687 | 49,480 | | | | 2,112,528 |
| | 1,841,218 | 156,276 | 651,461 | 72,143 | 144,870 | 12,889 | 13,282 | 160,678 | 3,052,817 |
| Average depreciation rates | | 3.65% | 8.27% | 16.78% | 13.81% | 20.00% | 12.43% | | |

The parent company balance of construction in progress at December 31, 2011 refers to the refurbishment of its two industrial facilities to increase sugar and ethanol production and other improvements. The consolidated balance of construction in progress also includes the expansion and improvements to the industrial park of UBV for the production of ethanol and electricity generation.

Under the terms of certain borrowing agreements entered into by the Company and its subsidiaries, property, plant and equipment totaling R$ 594,097 at December 31, 2011 (consolidated) was pledged as collateral. These assets are mainly represented by industrial equipment and facilities, and agricultural machinery and implements. In addition, land totaling R$ 1,070,463 was pledged as collateral for securitized rural credits, recorded in current and long-term liabilities.

All amounts in thousands of reais unless otherwise stated

At December 31, 2011, 13,712 ha. of the Company's land was pledged in guarantee for UBV transactions.

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

The Company and its subsidiaries capitalized financial charges of R$ 974 and R$ 2,054 in the quarters ended December 31, 2011 and 2010, respectively.

### (a) Deemed cost

See Note 15 (a) to the annual financial statements for the year ended March 31, 2011.

## 15 INTANGIBLE ASSETS

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | December 31, 2011 | March 31, 2011 | December 31, 2011 | March 31, 2011 |
| Goodwill - expected future profitability (i) | | | 84,121 | 38,826 |
| Accumulated amortization (i) | | | (4,811) | (4,811) |
| Software | 6,679 | 5,148 | 8,973 | 6,858 |
| Accumulated amortization | (3,798) | (3,317) | (4,876) | (4,147) |
| Other Assets | | | 391 | |
| | 2,881 | 1,831 | 83,798 | 36,726 |

(i) The goodwill attributed to expected future profitability, derived from the spin-off of the net assets of USL, of R$ 38,826, currently merged by the Company, is no longer being amortized but is being reviewed annually for evidence of impairment as from the fiscal year beginning April 1, 2009, as mentioned in Note 13.2 to the annual financial statements for the year ended March 31, 2011. The goodwill attributed to acquisition of SC and ABV is detailed in Note 36.

All amounts in thousands of reais unless otherwise stated

## 16 BORROWINGS

| | | | | Parent company | |
|---|---|---|---|---|---|
| **Type** | **Charges** | **Guarantees** | **Maturity** | **December 31, 2011** | **March 31, 2011** |
| **In local currency:** | | | | | |
| Securitized rural credits | General Market Price Index (IGP-M) + weighted average interest of 4.58% p.a., paid annually | (a) | Annual installments with maturities between Sep 18 and Jul 20 | 70,743 | 76,154 |
| Rural credit (PROCER) | Weighted average fixed interest rate of 11.25% paid on the maturity of the contract | (b) | Single installment with maturity in Oct 11 | | 11,721 |
| Rural credit | Weighted average fixed interest rate of 6.75% p.a. paid on final maturity of the contract | (b) | Monthly installments with maturities between Feb 12 and Dec12 | 22,196 | 3,469 |
| Finame / BNDES Automatic loans | Quarterly Long-term Interest Rate (TJLP) + weighted average interest of 3.79% p.a. paid monthly | (c) | Monthly installments with maturities between Jan 12 and Dec 16 | 22,709 | 33,415 |
| Finame / BNDES Automatic loans | Weighted average fixed rate of 5.30% p.a. paid monthly | (d) | Monthly installments with maturities between Jan 12 and Apr 16 | 39,179 | 40,266 |
| Other securitized credits | Fixed interest rate of 3% p.a. paid annually | (e) | Annual installments with final maturity in Oct 25 | 68 | 71 |
| Working capital | Variation of 99 % CDI OVER CETIP (average rate for interbank loans for one day registered with CETIP) paid on the maturities of the contracts | (g) | Single installments with maturities in May 12, May 13 and May 14 | 106,792 | |
| Leasing | Fixed interest rate of 7.51% p.a. paid monthly | (f) | Monthly installments with maturities between Jan 12 and Apr 13 | 301 | 460 |
| FINEM DIRECT | Quarterly Long-term Interest Rate (TJLP) + weighted average interest of 2.85% p.a. paid monthly | (c) | Monthly installments with maturities between Jan 12 and Apr 23 | 12,713 | |
| FINEM DIRECT | Fixed interest rate of 5.50% p.a. paid monthly | (c) | Monthly installments with maturities between Jan 12 and Apr 21 | 32,887 | |
| **In foreign currency:** | | | | | |
| Advances on Foreign Exchange Contracts (ACC) | Fixed interest of 1.30% p.a. + US$ variation paid on maturities | (l) | Single installment with maturity in Jan 12 | 56,484 | 4,983 |
| Export Prepayments (PPE) | 6-month Libor + fixed rate of 2% = 2.6623% p.a. + US$ variation paid on maturities | (h) | Semiannual installments with maturities between Jan 12 and Sep 16 | 471,817 | 245,527 |
| Finame / BNDES Automatic loans | Currency basket (US Dollar, Euro and Yen) + weighted average fixed rate of 6.5905% p.a. paid monthly | (k) | Monthly installments with maturities between Jan 12 and Mar 12 | 4 | 15 |
| FINEM DIRECT | Currency basket (US Dollar, Euro and Yen) + weighted average fixed rate of 6.6905% p.a. paid monthly | (c) | Monthly installments with maturities between Jan 12 and Apr 23 | 718 | |
| **Total** | | | | 836,611 | 416,081 |
| Current liabilities | | | | (199,145) | (80,291) |
| Non-current liabilities | | | | 637,466 | 335,790 |

**All amounts in thousands of reais unless otherwise stated**

| Type | Charges | Guarantees | Maturity | Consolidated December 31, 2011 | Consolidated March 31, 2011 |
|---|---|---|---|---|---|
| **In local currency:** | | | | | |
| Securitized rural credits | General Market Price Index (IGP-M) + weighted average interest of 4.59% p.a., paid annually | (a) | Annual installments with maturities between Sep 18 and Jul 20 | 76,532 | 76,367 |
| Rural credit (PROCER) | Weighted average fixed interest rate of 11.25% p.a. paid on the maturity of the contracts | (b) | Monthly installments with maturity in Jan 12 | 853 | 22,252 |
| Rural credit | Fixed interest rate of 6.75% p.a. paid on final maturity of the contracts | (b) | Monthly installments with maturities between Feb 12 and Dec 12 | 22,196 | 3,469 |
| Finame / BNDES Automatic loans | Quarterly Long-term Interest Rate (TJLP) + weighted average interest of 3.83% p.a. paid monthly | (c) and (i) | Monthly installments with maturities between Jan 12 and Dec 16 | 34,211 | 42,174 |
| Finame / BNDES Automatic loans | Weighted average fixed interest rate of 5.57% p.a. paid monthly | (d) and (j) | Monthly installments with maturities between Jan 12 and Apr 16 | 45,752 | 41,588 |
| Industrial Credit Certificate | Weighted average fixed interest rate of 11.5% p.a. paid monthly | (j) | Monthly installments with maturities between Jan 12 and Nov 19 | 4,517 | 6,104 |
| Working capital | Variation of 100.86 % CDI OVER CETIP (average rate for interbank loans for one day registered with CETIP) paid on the maturities of the contracts | (g) | Single installments with maturities in May 12, Mar 13, May 13 and May 14 | 112,052 | |
| Other securitized credits | Fixed interest rate of 3% p.a. paid annually | (e) | Annual installments with maturities between Jan 12 and Oct 25 | 68 | 71 |
| Leasing | Weighted average fixed rate of 8.14% p.a. paid monthly | (f) | Monthly installments with maturities between Jan 12 and May 13 | 330 | 484 |
| FINEM - DIRECT | Quarterly Long-term Interest Rate (TJLP) + weighted average interest of 2.32% p.a. paid monthly | (c) and (i) | Monthly installments with maturities between Jan 12 and Apr 23 | 192,488 | 184,828 |
| FINEM - DIRECT | Fixed interest rate of 4.96% p.a. paid monthly | (c) and (i) | Monthly installments with maturities between Jan 12 and Apr 21 | 77,110 | 38,819 |
| **In foreign currency:** | | | | | |
| Finame / BNDES Automatic loans | Currency basket (US Dollar, Euro and Yen) + weighted average fixed rate of 7.00% p.a. paid monthly | (k) | Monthly installments with maturities between Jan 12 and Mar 12 | 76 | 15 |
| FINEM - DIRECT | Currency basket (US Dollar, Euro and Yen) + weighted average fixed rate of 6.10% p.a. paid monthly | (c) and (k) | Monthly installments with maturities between Jan 12 and Apr 23 | 39,648 | 45,012 |
| Advances on Foreign Exchange Contracts (ACC) | Fixed interest of 2.07% p.a. + US$ variation paid on final maturities | (l) | Single installment with maturity in Jan 12 | 73,529 | 4,983 |
| Export Prepayments (PPE) | 6-month Libor + fixed rate of 2% = 2.6623% p.a. + US$ variation paid on final maturities | (h) | Semiannual installments with maturities between Jan 12 and Sep 16 | 471,817 | 245,527 |
| Export Prepayments (PPE) | Average fixed interest rate of 4.7742% p.a. + US$ variation paid on final maturities | (h) | Installments with maturities between Aug 12 and Apr 18 | 90,186 | |
| Export Prepayments (PPE) | Principal restated at the US dollar variation and interest restated at 135% of the variation of the Interbank Deposit Certificate (CDI) OVER Central System for Custody and Financial Settlement of Securities (CETIP) rate, paid on final maturities | (h) | Single installment with maturity in Jan 13 | 5,552 | |
| Working capital | Average fixed interest rate of 5.1132% p.a. + US$ variation paid on final maturities | (m) | Single installment with maturity in Jul 18 | 19,562 | |
| **Total** | | | | 1,266,479 | 711,693 |
| Current liabilities | | | | (308,460) | (140,982) |
| Non-current liabilities | | | | 958,019 | 570,711 |

**All amounts in thousands of reais unless otherwise stated**

At December 31, 2011, all the borrowings were guaranteed by stockholders' sureties and by the following additional guarantees (referenced to the tables above):

| Description of the guarantees for borrowings at December 31, 2011 | | Carrying or contractual value |
|---|---|---|
| (a) | Mortgage - 15,543.32 ha of land | 537,998 |
| (b) | Promissory note | 11,580 |
| (c) | Statutory lien of industrial equipment | 59,685 |
| | Statutory lien of agricultural equipment | 72,457 |
| | Promissory note | 30,842 |
| (d) | Mortgage - 23.00 ha of land | 533 |
| | Statutory lien of industrial equipment | 57,842 |
| | Statutory lien of agricultural equipment | 46,457 |
| | Promissory note | 1,664 |
| (e) | Mortgage - 78.53 ha of land | 4,779 |
| (f) | Promissory note | 1,580 |
| | Statutory lien of industrial equipment | 121 |
| (g) | Mortgage - 253.13 ha of land | 5,864 |
| | Promissory note | 100,000 |
| (h) | Consolidated financial covenants: maintenance of a minimum percentage of principal with a projected flow of receivables and minimum ratio between the net debt and the Earnings before interest, tax, depreciation and amortization (EBITDA). At December 31 and March 31, 2011, the Company was in compliance with all the covenants in financing agreements. | |
| | Mortgage - 3,828.46 ha of land | 88,686 |
| | Promissory note | 180,000 |
| | Promissory note | 195,504 |
| | Promissory note | 89,085 |
| | Promissory note | 80,507 |
| (i) | Mortgage of 11,460 ha | 199,534 |
| | Statutory lien of industrial equipment | 155,165 |
| | Statutory lien of agricultural equipment | 13,265 |
| | Statutory lien of social and environmental equipment | |
| | Promissory note | |
| (j) | Mortgage of 199 ha | 3,138 |
| | Statutory lien of industrial equipment | 72,597 |
| | Statutory lien of agricultural equipment | 371 |
| (k) | Mortgage of 2,332 ha | 40,807 |
| | Statutory lien of industrial equipment | 2,697 |
| (l) | Promissory note | 58,102 |
| (m) | Mortgage of 941.37 ha | 21,807 |

**All amounts in thousands of reais unless otherwise stated**

The land given as collateral for borrowings refers to sugar cane plantation areas.

Long-term borrowings have the following maturities:

| | December 31, 2011 | |
|---|---|---|
| | Parent company | Consolidated |
| From 1/1/13 to 12/31/2013 | 113,386 | 206,399 |
| From 1/1/14 to 12/31/2014 | 245,124 | 326,336 |
| From 1/1/15 to 12/31/2015 | 152,846 | 206,002 |
| From 1/1/16 to 12/31/2016 | 77,310 | 106,261 |
| From 1/1/17 to 12/31/2017 | 13,163 | 39,035 |
| From 1/1/18 to 9/30/2026 | 35,637 | 73,986 |
| | 637,466 | 958,019 |

The carrying amounts and fair values of borrowings are similar.

Based on Brazilian Central Bank Resolution 2471/98 and other pertinent legal provisions, in 1998, 1999 and 2000, the Company and USL securitized debts with financial institutions, by means of the purchase of National Treasury notes (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 through 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 the debts. The companies' disbursements during the 20 years in which this securitization is effective is limited to the annual payment of amounts equivalent to the application of variable percentages of between 3.9% and 4.96% per annum to 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 December 31 and March 31, 2011, based on the amount of future disbursements adjusted to present value.

## 17 TRADE PAYABLES

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | December 31, 2011 | March 31, 2011 | December 31, 2011 | March 31, 2011 |
| Sugar cane | 68,320 | 26,448 | 71,318 | 31,794 |
| Materials, services and other | 37,717 | 20,194 | 50,991 | 29,302 |
| | 106,037 | 46,642 | 122,309 | 61,096 |

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.

**All amounts in thousands of reais unless otherwise stated**

## 18 PAYABLES TO COPERSUCAR

Copersucar provided funds to the companies during the period they were 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 related 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, a company could be required to reimburse, within 120 days, the amount that was transferred to it. The main amounts included in these liabilities arose from Excise Tax (IPI), whose constitutionality and legality had been challenged in court by the Cooperative, totaling R$ 68,399 and R$ 65,962, as of December 31 and March 31, 2011, respectively (R$ 71,000 and R$ 68,495, respectively, in the consolidated) and from tax liabilities included in the Tax Recovery Program (REFIS) of Copersucar, as shown below.

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

| | **Parent company** | |
|---|---|---|
| | **December 31, 2011** | **March 31, 2011** |
| REFIS - Copersucar - Updated based on the SELIC interest rate | 89,742 | 86,051 |
| Bills of Exchange - Updated based on the SELIC interest rate | 68,399 | 70,096 |
| Bills of Exchange - Onlending of resources not subject to charges | 44,272 | 44,272 |
| Bills of Exchange - Updated based on the US$ variation + interest of 4.53% p.a. | 1,883 | 3,271 |
| Total | 204,296 | 203,690 |
| Current liabilities | (2,040) | (2,040) |
| Non-current liabilities | 202,256 | 201,650 |

| | **Consolidated** | |
|---|---|---|
| | **December 31, 2011** | **March 31, 2011** |
| REFIS - Copersucar - Updated based on the SELIC interest rate | 104,842 | 86,051 |
| Bills of Exchange - Updated based on the SELIC interest rate | 73,743 | 75,001 |
| Bills of Exchange - Onlending of resources not subject to charges | 46,160 | 45,225 |
| Bills of Exchange - Updated based on the TJLP rate | - | 110 |
| Bills of Exchange - Updated based on the US$ variation + interest of 4.53% p.a. | 1,916 | 3,461 |
| Total | 226,661 | 209,848 |
| Current liabilities | (2,420) | (2,203) |
| Non-current liabilities | 224,241 | 207,645 |

All amounts in thousands of reais unless otherwise stated

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

Copersucar enrolled in the special Tax Recovery Program (REFIS) established by Law 11941/09. The amount included in the installment payments of taxes under this Program was allocated to the cooperative and ex-cooperative members during the year ended March 31, 2011, according to the resolution of the Board of Directors of Copersucar.

In accordance with the terms of the withdrawal from Copersucar, as from the date thereof, the Company and its subsidiaries USL and SC will remain liable for the obligations recorded under "Payables to Copersucar" in non-current 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 judged by the courts on an unappealable basis. Such liabilities continue to be collateralized by bank guarantees in the amount of R$ 162,698 (R$ 187,519 - consolidated).

## 19 TAXES PAYABLE IN INSTALLMENTS

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | December 31, 2011 | March 31, 2011 | December 31, 2011 | March 31, 2011 |
| ICMS | 8,212 | 8,848 | 8,346 | 8,848 |
| REFIS installment program - Law 11941 | 52,246 | 50,815 | 59,700 | 52,075 |
| Other | | | 928 | |
| | 60,458 | 59,663 | 68,974 | 60,923 |
| Current liabilities (taxes payable) | (5,655) | (4,753) | (5,913) | (5,090) |
| Non-current liabilities | 54,803 | 54,910 | 63,061 | 55,833 |

In October and November 2009, the Company and its subsidiaries Omtek and USL enrolled in the Tax Recovery Program (REFIS), established by Law 11941, of May 27, 2009, with benefits of the reduction of interest, fines and legal charges. Most of the lawsuits included in the installment payment program were being challenged in court and had been provided for, based on the opinion of the legal advisors. As a consequence of the enrollment in REFIS, the Company and its subsidiaries must pay the installments without any delay exceeding three months, as well as waive their legal claims and any plea of rights on which these lawsuits were based, subject to the immediate rescission of the installment program and, consequently, the loss of the benefits (discounts and advantageous payment terms).

**All amounts in thousands of reais unless otherwise stated**

## 20 OTHER LIABILITIES

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | December 31, 2011 | March 31, 2011 | December 31, 2011 | March 31, 2011 |
| Sales to be billed | 8,557 | 7,187 | 12,393 | 10,663 |
| Revenues to be appropriated | 933 | 1,458 | 933 | 2,913 |
| Taxes payable in installments | 153 | 728 | 165 | 728 |
| Net capital deficiency of subsidiary | 505 | | | |
| Mitsubishi Corporation | 10,151 | 11,748 | 10,151 | 11,748 |
| Other | 1,780 | 4,546 | 2,247 | 5,556 |
| | 22,079 | 25,667 | 25,889 | 31,608 |
| Current liabilities | (14,813) | (15,256) | (18,549) | (21,137) |
| Non-current liabilities | 7,266 | 10,411 | 7,340 | 10,471 |

The outstanding balance due to Mitsubishi Corporation arose from the acquisition of the investment in UBV, realized in November 2009, and has a final maturity in 2014.

## 21 EQUITY

### (a) Share capital

At December 31 and March 31, 2011, the capital was divided into 113,000,000 registered common shares, without par value.

### (b) Treasury shares

On December 13, 2011, the Board of Directors approved the second common share repurchase program, such shares to be held in treasury for subsequent sale, cancellation or utilization for the stock option plan (item (f) below), 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 of this second plan will be carried out up to June 12, 2012 on the BM&FBovespa S.A. (São Paulo Stock, Commodities and Futures Exchange), at market prices, with the intermediation of brokerage firms. Up to 1,000,000 shares are to be acquired.

During the quarter ended December 31, 2011, the Company repurchased 240,600 common shares for R$ 4,189, at a minimum price per share of R$ 16.74 and a maximum price of R$ 18.40, resulting in an average price of R$ 17.41. The table below summarizes the changes in treasury shares in this period:

| | Number | Average price of acquisition* | Total amount |
|---|---|---|---|
| Treasury shares at March 31, 2011 | 139,000 | 13.66 | 1,899 |
| Repurchase of shares of the second program | 240,600 | 17.41 | 4,189 |
| Treasury shares at December 31, 2011 | 379,600 | 16.04 | 6,088 |

** Includes additional costs on acquisition*

The market value of the totality of these shares at December 31, 2011 was R$ 6,358.The market value at March 31, 2011 was R$ 3,557, when the balance in treasury was 139,000 shares.

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

### (c) Carrying value adjustments

See note 22 (c) to the annual financial statements for the year ended March 31, 2011.

### (d) Legal and capital investments reserves

No changes occurred in the calculation method utilized during the quarter ended December 31, 2011. See note 22 (d) to the annual financial statements for the year ended March 31, 2011.

At a meeting held on July 29, 2011, the stockholders approved an additional allocation of R$ 54,091 to the capital investments reserve.

### (e) Dividends and interest on capital

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

The Ordinary General Stockholders Meeting held on July 29, 2011 approved an additional dividend distribution of R$ 21,062 (R$ 0.1866 per share).

### (f) Stock Option Plan

The Extraordinary General Stockholders Meeting 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 Brazilian Securities Commission - CVM.

During this quarter, the Board of Directors approved this plan’s Regulations and Adhesion Agreements and also defined the eligible beneficiaries. Additionally, 140,440 and 418.538 shares were granted on November 28 and December 12, 2011, respectively, to the executives eligible for the plan. The vesting period for the first grant considers that the beneficiaries may exercise their rights in installments of 1/3 of the total shares granted as from the end of the first year from the date of the signature of the Adhesion Agreements, 1/3 as from the end of the second year and 1/3 as from the third year. In relation to the second grant, the vesting was postponed by one year, i.e., 1/3 as from the end of the second year, 1/3 as from the end of the third year and the last 1/3 as from the fourth year. The maximum term for the exercise of the first grant will be in 2017 and the second one will be in 2018. The projected expenses at December 31, 2011 of these grants totaled R$ 106, in accordance with the calculations made by a specialized company, using the Black-Scholes method.

All amounts in thousands of reais unless otherwise stated

## 22 EMPLOYEE AND MANAGEMENT BENEFITS PLAN

During the quarter ended December 31, 2011, there were no changes effected in the model and assumptions used for the plan, as described in note 23 to the annual financial statements for the year ended March 31, 2011.

The contributions in the quarters ended December 31, 2011 and 2010, recorded as operating costs or expenses in the consolidated statements of income, amounted to R$ 172 and R$ 430, respectively.

## 23 PROFIT SHARING PROGRAM

There were no changes in the assumptions utilized for this calculation during the quarter ended December 31, 2011. See note 24 to the annual financial statements for the year ended March 31, 2011.

The profit sharing for the quarters ended December 31, 2011 and 2010, recorded as operating costs or expenses in the consolidated statements of income, amounted to R$ 10,315 and R$ 7,989, respectively.

## 24 INCOME TAX AND SOCIAL CONTRIBUTION

### (a) The income tax and social contribution are represented by:

| | Parent company | |
|---|---|---|
| **Tax credits** | **December 31, 2011** | **March 31, 2011** |
| **Current assets - prepayments** | | |
| . Income tax and social contribution to be offset | 16,031 | 1,023 |
| **Tax debits** | | |
| **In current liabilities - current payables** | | |
| . Income tax and social contribution payable | | 829 |
| **Non-current liabilities** | | |
| **Deferred credits** | | |
| . Income tax on tax losses | 8,786 | 14,296 |
| . Social contribution on tax losses | 3,236 | 5,220 |
| Taxes on temporary differences of: | | |
| . Provision for contingencies | 17,394 | 17,127 |
| . Biological assets and agricultural product (changes in fair value) | | 16,718 |
| . Tax benefit of merged goodwill | 6,451 | 9,509 |
| . Goodwill on acquisition of equity interest | 19,552 | |
| . Pre-operating expenses (deferred, written off) | 6 | |
| . Derivative financial instruments | 22,794 | 13,784 |
| . Other | 3,304 | 9,414 |
| | 81,523 | 86,068 |

**All amounts in thousands of reais unless otherwise stated**

| | Parent company | |
|---|---|---|
| | **December 31, 2011** | **March 31, 2011** |
| **Deferred liabilities** | | |
| Taxes on temporary differences of: | | |
| . Revaluation increment of property, plant and equipment (deemed cost) | (315,990) | (329,797) |
| . Accelerated tax-incentive depreciation | (111,684) | (107,366) |
| . Securitized financing | (13,548) | (12,574) |
| . Adjustments to present value | (6,683) | (8,371) |
| . Derivative financial instruments | (11,084) | (3,834) |
| . Biological assets and agricultural product (changes in fair value) | (1,025) | |
| . Other | (7,800) | |
| | (467,814) | (461,942) |
| | (386,291) | (375,874) |

| | Consolidated | |
|---|---|---|
| **Tax credits** | **December 31, 2011** | **March 31, 2011** |
| **In current assets - prepayments** | | |
| . Income tax and social contribution to be offset | 18,833 | 5,037 |
| **In non-current assets - deferred credits** | | |
| . Income tax on tax losses | 39,509 | 33,442 |
| . Social contribution on tax losses | 14,303 | 12,113 |
| Taxes on temporary differences of: | | |
| . Provision for contingencies | 17,857 | 17,363 |
| . Biological assets and agricultural product (changes in fair value) | 5,038 | 27,750 |
| . Tax benefit of merged goodwill | 6,451 | 9,509 |
| . Goodwill on acquisition of equity interest | 23,334 | |
| . Pre-operating expenses (deferred, written off) | 6,020 | 7,982 |
| . Derivative financial instruments | 22,794 | 13,784 |
| . Other | 3,724 | 10,733 |
| | 139,030 | 132,676 |

**All amounts in thousands of reais unless otherwise stated**

| | Consolidated | |
|---|---|---|
| **Tax debits** | **December 31, 2011** | **March 31, 2011** |
| **In current liabilities - current payables** | | |
| . Income tax and social contribution payable | 636 | 829 |
| **In non-current liabilities - deferred liabilities** | | |
| Taxes on temporary differences of: | | |
| . Revaluation increment of property, plant and equipment (deemed cost) | (710,880) | (684,793) |
| . Accelerated tax-incentive depreciation | (111,684) | (107,366) |
| . Securitized financing | (14,636) | (12,740) |
| . Adjustments to present value | (6,705) | (8,393) |
| . Derivative financial instruments | (11,084) | (3,835) |
| . Biological assets and agricultural product (changes in fair value) | (709) | |
| . Other | (16,679) | |
| | (872,377) | (817,127) |

Accumulated income tax and social contribution losses can be carried forward indefinitely, but without monetary adjustment or interest, and 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.

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 | |
|---|---|---|
| **Periods ended March 31:** | **Parent company** | **Consolidated** |
| 2012 | 4,617 | 8,344 |
| 2013 | 37,962 | 42,375 |
| 2014 | 4,253 | 9,140 |
| 2015 | 4,253 | 8,395 |
| 2016 | 4,253 | 12,587 |
| 2017 and thereafter | 26,185 | 58,189 |
| | 81,523 | 139,030 |

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 the securitized loans, which mature through 2021, impacts the period for recovery of the deferred income tax and social contribution assets.

**All amounts in thousands of reais unless otherwise stated**

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

The income tax and social contribution charges are reconciled to the standard rates as shown below:

| | December 31, 2011 | | | | December 31, 2010 | | | |
|---|---|---|---|---|---|---|---|---|
| | Quarter | | Nine months | | Quarter | | Nine months | |
| **Parent company:** | Income tax | Social contribution | Income tax | Social contribution | Income tax | Social contribution | Income tax | Social contribution |
| Profit before income tax and social contribution | 54,021 | 54,021 | 177,999 | 177,999 | 80,055 | 80,055 | 150,886 | 150,886 |
| Standard rates of tax - % | 25% | 9% | 25% | 9% | 25% | 9% | 25% | 9% |
| | (13,505) | (4,862) | (44,500) | (16,020) | (20,014) | (7,205) | (37,722) | (13,580) |
| Reconciliation to the effective rate: | | | | | | | | |
| Permanent differences | | | | | | | | |
| Equity in the results of investees | 3,417 | 1,230 | 5,696 | 2,051 | 9,373 | 3,374 | 20,168 | 7,260 |
| Interest on capital | (189) | (68) | (189) | (68) | 970 | 349 | 970 | 349 |
| Tax benefits - REFIS installment program - Law 11941 | | | 176 | 64 | | | | |
| Gain on the capital increase by Pbio in NF - note 1.3 | 3,430 | 1,235 | 3,430 | 1,235 | | | | |
| Other permanent differences | (265) | (54) | 394 | 247 | 1,698 | 610 | 1,085 | 391 |
| PAT and donations with incentives | 488 | | 994 | | 455 | | 606 | |
| Income tax and social contribution | (6,624) | (2,519) | (33,999) | (12,491) | (7,518) | (2,872) | (14,893) | (5,580) |
| Income tax and social contribution | (9,143) | | (46,490) | | (10,390) | | (20,473) | |

| | December 31, 2011 | | | | December 31, 2010 | | | |
|---|---|---|---|---|---|---|---|---|
| | Quarter | | Nine months | | Quarter | | Nine months | |
| **Consolidated:** | Income tax | Social contribution | Income tax | Social contribution | Income tax | Social contribution | Income tax | Social contribution |
| Profit before income tax and social contribution | 55,864 | 55,864 | 179,994 | 179,994 | 85,379 | 85,379 | 175,466 | 175,466 |
| Standard rates of tax - % | 25% | 9% | 25% | 9% | 25% | 9% | 25% | 9% |
| | (13,966) | (5,028) | (44,999) | (16,199) | (21,345) | (7,684) | (43,867) | (15,792) |
| Reconciliation to the effective rate: | | | | | | | | |
| Permanent differences | | | | | | | | |
| Tax incentives - non-taxable ICMS | 591 | 213 | 1,226 | 441 | 888 | 320 | 1,495 | 538 |
| Equity in the results of investees | 556 | 200 | (105) | (38) | | | | |
| Deferred taxes, not recorded | (213) | (77) | (1,756) | (632) | 185 | 67 | (177) | (63) |
| Interest on capital | | | | | 4,890 | 1,760 | 4,890 | 1,760 |
| Gain on the capital increase by Pbio in NF - note 1.3 | 3,430 | 1,235 | 3,430 | 1,235 | | | | |
| Tax benefits - REFIS installment program - Law 11941 | | | 364 | 132 | | | | |
| Other permanent differences | 1,146 | 453 | 5,346 | 2,092 | 2,625 | 945 | 2,838 | 1,021 |
| PAT and donations with incentives | 474 | | 978 | | 1,635 | | 2,304 | |
| Income tax and social contribution | (7,982) | (3,004) | (35,516) | (12,969) | (11,122) | (4,592) | (32,517) | (12,536) |
| Income tax and social contribution | (10,986) | | (48,485) | | (15,714) | | (45,053) | |

## 25 INVESTMENT SUBSIDIES

There were no changes in the assumptions utilized for this calculation during the quarter ended December 31, 2011. See Note 26 to the annual financial statements for the year ended March 31, 2011.

The incentive amounts credited to operations for the quarters ended December 31, 2011 and 2010 were R$ 2,133 and R$ 3,551, respectively.

**All amounts in thousands of reais unless otherwise stated**

## 26 COMMITMENTS

The Company and its subsidiaries assume several commitments in the ordinary course of their business. There were no significant changes to these commitments in comparison with those described in note 27 to the annual financial statements for the year ended March 31, 2011.

In addition, the Company is the guarantor of the borrowings contracted by UBV in the amount of R$ 475,006.

## 27 PROVISION FOR CONTINGENCIES

### 27.1 PROBABLE LOSSES

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

| | | | | | | | Parent company |
|---|---|---|---|---|---|---|---|
| | March 31, 2011 | Merged balance OMTEK | Additions | Reversals | Utilizations | Monetary restatement | December 31, 2011 |
| Tax | 8,727 | 3 | 40 | | | 221 | 8,991 |
| Civil and environmental | 14,498 | | 1,061 | (950) | (1,512) | 770 | 13,867 |
| Labor | 46,818 | 353 | 9,805 | (2,125) | (12,402) | 4,059 | 46,508 |
| | 70,043 | 356 | 10,906 | (3,075) | (13,914) | 5,050 | 69,366 |
| (-) Judicial deposits | (30,564) | (253) | (12,856) | | 5,816 | (1,222) | (39,079) |
| | 39,479 | 103 | (1,950) | (3,075) | (8,098) | 3,828 | 30,287 |

| | | | | | | | | Consolidated |
|---|---|---|---|---|---|---|---|---|
| | March 31, 2011 | Decrease in holding in NF | Acquisition of interest in SC and ABV | Additions | Reversals | Utilizations | Monetary restatement | December 31, 2011 |
| Tax | 9,470 | (12) | 138 | 40 | (85) | - | 279 | 9,830 |
| Civil and environmental | 15,124 | (6) | 507 | 1,065 | (1,255) | (1,537) | 807 | 14,705 |
| Labor | 49,690 | (30) | 1,524 | 9,959 | (2,559) | (12,760) | 4,285 | 50,109 |
| | 74,284 | (48) | 2,169 | 11,064 | (3,899) | (14,297) | 5,371 | 74,644 |
| (-) Judicial deposits | (32,367) | 30 | (2,241) | (12,990) | 38 | 5,878 | (1,302) | (42,954) |
| | 41,917 | (18) | (72) | (1,926) | (3,861) | (8,419) | 4,069 | 31,690 |

On May 30, 2011, the Company merged all the assets of Omtek Indústria e Comércio Ltda., also assuming the lawsuits in which it was involved. Therefore, the provisions of the merged company were added to those of the Company, as identified in the column "Merged balance OMTEK ".

As mentioned in Note 1.3, there was a reduction in the NF consolidation percentage (from 62.89% to 50.95%) on November 1, 2011. Therefore, there was a reduction in the balances for provisions in the consolidated, which is identified in the column "Decrease in holding in NF".

As mentioned in Note 1.4, the Company acquired holdings in SC and ABV on November 21, 2011. Therefore, the provisions of the companies acquired were added to those of the Company in the consolidated, as identified in the column "Acquisition of interest in SC and ABV".

The nature of the main lawsuits to which the above provisions related at December 31, 2011 was as follows (Parent Company and Consolidated):

All amounts in thousands of reais unless otherwise stated

**Tax:**

Refer to: (a) taxes whose payment is being challenged in court by the Company and its subsidiaries in which the amounts challenged have been deposited in court; (b) success fees payable to legal advisors for defenses in tax lawsuits.

**Civil and environmental:**

Refer to: (i) compensation for material and moral damages; (ii) redress for damages caused by the burning of sugar cane straw; and (iii) environmental lawsuits.

**Labor:**

Refer mainly to claims for: (i) overtime; (ii) commuting hours; (iii) indemnity for elimination of the break between shifts; (iv) hazardous duty and health hazard premiums; (v) refund of payroll deductions such as confederation dues; (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.

## 27.2 Possible losses (contingent liabilities)

The Company and its subsidiaries are parties to several processes involving tax, environmental and civil matters that were assessed by the legal counsel as possible losses (contingent liabilities). The nature and the amounts involved in the processes are as follows:

**Tax:**

| Consolidated | | | Stage | | | | | |
|---|---|---|---|---|---|---|---|---|
| Subject | | Number of lawsuits | Administrative | Trial court | Appeals court | Lower tribunal | Higher tribunal | Total |
| (i) | Social security contributions | 15 | 98,226 | | 3,709 | 8,944 | | 110,879 |
| (ii) | Calculation of Corporate Income Tax (IRPJ)/Social Contribution on Net Income (CSLL) | 6 | 79,191 | | | | | 79,191 |
| | Negative balance of IRPJ | 3 | | 96 | | 222 | 1,513 | 1,831 |
| | Offset of credits - PIS | 2 | 3,722 | | | 1,741 | | 5,463 |
| | Offset of federal taxes | 2 | 222 | | | 1,464 | | 1,686 |
| | Other tax cases | 43 | 9,483 | 1,313 | | 1,297 | | 12,093 |
| | | 71 | 190,844 | 1,409 | 3,709 | 13,668 | 1,513 | 211,143 |

In addition, in accordance with the terms negotiated for the withdrawal from Copersucar, the Company and USL remain liable for the payment of any obligations, in proportion 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 ethanol sales made by Copersucar up to December 31, 2008, as principal taxpayer or substitute taxpayer of the distribution companies. The updated amount, calculated proportionately to the interest of the Company and its subsidiaries in the Cooperative, amounts to R$ 144,956. Legal counsel assesses the outcome in 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.

**All amounts in thousands of reais unless otherwise stated**

## Civil and environmental:

| Consolidated | | Stage | | | | |
|---|---|---|---|---|---|---|
| Subject | Number of lawsuits | Administrative | Trial court | Lower tribunal | Higher tribunal | Total |
| Environmental | 31 | 1.053 | 1.097 | 1.073 | 4.884 | 8.107 |
| Civil | | | | | | |
| Indemnities | 55 | | 4.374 | 228 | 26 | 4.628 |
| Review of contracts | 9 | | | 20 | | 20 |
| Rectification of area and land registration | 5 | | 10 | | | 10 |
| Permits for obtaining mining research license | 8 | | | | | |
| Regulatory | 1 | 69 | | | | 69 |
| | 109 | 1.122 | 5.481 | 1.321 | 4.910 | 12.834 |

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 could result in a significant impact on future results of operations.

## 28 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 values 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 for the period, 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 time as the hedged items affect the entity's results of operations, in order to conform with 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 (except SC and ABV) opted for the utilization of hedge accounting to record a part of their derivative financial instruments. The instruments elected were sugar, ethanol and foreign currency (U.S. dollar) derivatives, which cover the sales of the 2011/2012 and 2012/2013 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 values in the balance sheet. The effective portion of the variations in the fair value of the designated derivatives, which qualify for hedge accounting, are recorded in "Carrying value adjustments" in equity, net of deferred taxes, and recorded in the statement of income in "Net sales revenue", when the revenue of the related hedged sale is recognized, which occurs in the month the products are shipped. The ineffective portion of the variations is recorded as finance income or costs in the same period in which it occurs.

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

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 were realized by contracting Non-Deliverable Forwards (NDFs) and options strategies with leading financial institutions.

**All amounts in thousands of reais unless otherwise stated**

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 were realized in the New York Intercontinental Exchange (ICE Futures US) and with leading financial institutions through over-the-counter contracts.

The balances of assets and liabilities at December 31, 2011 and March 31, 2011 relating to transactions involving derivative financial instruments were as follows:

| | Parent company | |
|---|---|---|
| | **December 31, 2011** | **March 31, 2011** |
| Margin deposits | 2,292 | 1,709 |
| Potential results - futures - sugar | 16,764 | (2,634) |
| Potential results - futures - ethanol | 5 | 14 |
| Potential results - options - sugar | 2,406 | 129 |
| Potential results - options - U.S. dollar | (88) | 221 |
| Potential results - forward contracts - foreign exchange | (31,608) | 3,894 |
| Potential results - forward contracts - sugar | 8,223 | (23,276) |
| | (2,006) | (19,943) |
| In current assets | 29,690 | 5,967 |
| In current liabilities | (31,696) | (25,910) |
| | (2,006) | (19,943) |

| | Consolidated | |
|---|---|---|
| | **December 31, 2011** | **March 31, 2011** |
| Margin deposits | 2,805 | 1,709 |
| Potential results - futures - sugar | 16,662 | (2,634) |
| Potential results - futures - ethanol | 5 | 14 |
| Potential results - options - sugar | 3,585 | 129 |
| Potential results - options - U.S. dollar | (88) | 221 |
| Potential results - forward contracts - foreign exchange | (32,290) | 3,894 |
| Potential results - forward contracts - sugar | 8,285 | (23,276) |
| Potential results - swap contracts | (250) | |
| | (1,286) | (19,943) |
| In current assets | 31,444 | 5,967 |
| In current liabilities | (32,730) | (25,910) |
| | (1,286) | (19,943) |

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.

**All amounts in thousands of reais unless otherwise stated**

The potential results of futures, options and forward contracts refer to the cumulative positive (negative) effect of the fair value of derivative financial instruments, in the related modalities.

The maturity dates of the derivative financial instruments contracted are determined based on the estimated shipment dates of the hedged sugar and ethanol and the forecast cash flows from these shipments, as agreed with the customers.

## 28.1 Fair value of the derivative financial instruments

At December 31 and March 31, 2011, the composition of the fair values of the assets and liabilities related to transactions involving derivative financial instruments was as follows:

### (a) <u>Futures and options contracts</u>:

| | | | | | December 31, 2011 |
|---|---|---|---|---|---|
| **Parent company** | **Contracted volume** | **Price/ average rate** | **Notional value - R$** | **Fair value - R$** | **Payable - R$** |
| **<u>Products - Sugar #11</u>** | | | | | |
| **Futures Contracts** | | | | | |
| *Sales commitment* | 246,431 | 25.06 | 255,351 | 21,526 | 21,526 |
| *Purchase commitment* | 56,337 | 25.33 | 59,018 | (4,762) | (4,762) |
| | | | | | **16,764** |
| **Options Contracts** | | | | | |
| *Principal position - sale* | 87,376 | 22.82 | 82,465 | 6,524 | 6,524 |
| *Written position - sale* | 35,560 | 18.96 | 27,889 | (639) | (639) |
| *Written position - purchase* | 87,376 | 25.19 | 91,021 | (3,479) | (3,479) |
| | | | | | **2,406** |
| **<u>Products - ETH BMF</u>** | | | | | |
| **Futures Contracts** | | | | | |
| *Sales commitment* | 300 | 1,380.00 | 14 | 5 | 5 |
| | | | | | **5** |
| **<u>Currency - US$</u>** | | | | | |
| **Options Contracts** | | | | | |
| *Principal position - sale* | 4,000 | 1.73 | 6,930 | 9 | 9 |
| *Written position - purchase* | 4,000 | 1.96 | 7,850 | (97) | (97) |
| | | | | | **(88)** |

**All amounts in thousands of reais unless otherwise stated**

| Consolidated | Contracted volume | Price/ average rate | Notional value - R$ | Fair value - R$ | Payable - R$ |
|---|---|---|---|---|---|
| | | | | | **December 31, 2011** |
| **Products - Sugar #11** | | | | | |
| **Futures Contracts** | | | | | |
| *Sales commitment* | 267,104 | 25.06 | 276,758 | 23,406 | 23,406 |
| *Purchase commitment* | 71,613 | 25.47 | 75,439 | (6,744) | (6,744) |
| | | | | | **16,662** |
| **Options Contracts** | | | | | |
| *Principal position - sale* | 105,448 | 23.06 | 100,574 | 8,435 | 8,435 |
| *Written position - sale* | 44,637 | 19.04 | 35,145 | (778) | (778) |
| *Written position - purchase* | 114,444 | 25.63 | 121,289 | (4,072) | (4,072) |
| | | | | | **3,585** |
| **Products - ETH BMF** | | | | | |
| **Futures Contracts** | | | | | |
| *Sales commitment* | 300 | 1,380.00 | 14 | 5 | 5 |
| | | | | | **5** |
| **Currency - US$** | | | | | |
| **Options Contracts** | | | | | |
| *Principal position - sale* | 4,000 | 1.73 | 6,930 | 9 | 9 |
| *Written position - purchase* | 4,000 | 1.96 | 7,850 | (97) | (97) |
| | | | | | **(88)** |

**All amounts in thousands of reais unless otherwise stated**

| | | | | | March 31, 2011 |
|---|---|---|---|---|---|
| **Parent company and Consolidated** | **Contracted volume** | **Price/ average rate** | **Notional value - R$** | **Fair value - R$** | **Payable - R$** |
| **Products - Sugar #11** | | | | | |
| **Futures Contracts** | | | | | |
| *Sales commitment* | 141,580 | 24.76 | 125,873 | (1,081) | (1,081) |
| *Purchase commitment* | 83,922 | 25.69 | 77,417 | (1,553) | (1,553) |
| | | | | | **(2,634)** |
| **Options Contracts** | | | | | |
| *Principal position - sale* | 64,872 | 23.92 | 55,712 | 3,201 | 3,201 |
| *Principal position - purchase* | 10,160 | 26.50 | 9,668 | 540 | 540 |
| *Written position - sale* | 14,224 | 21.22 | 10,836 | (240) | (240) |
| *Written position - purchase* | 75,032 | 27.59 | 74,348 | (3,372) | (3,372) |
| | | | | | **129** |
| **Products - ETH BMF** | | | | | |
| **Futures Contracts** | | | | | |
| *Sales commitment* | 11,190 | 1,062.09 | 396 | 14 | 14 |
| | | | | | **14** |
| **Currency - US$** | | | | | |
| **Options Contracts** | | | | | |
| *Principal position - sale* | 9,000 | 1.72 | 15,480 | 528 | 528 |
| *Written position - purchase* | 9,000 | 1.87 | 16,830 | (307) | (307) |
| | | | | | **221** |

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

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

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

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.

All amounts in thousands of reais unless otherwise stated

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

**Parent company - 12/31/2011**

| Maturity | Position | US$ thousand | Average fixed rate - R$/US$ 1 | Notional value - R$ | Fair value - R$ | Payable - R$ |
|---|---|---|---|---|---|---|
| Jan/12 | Sold | 26,742 | 1.6878 | 45,134 | (6,009) | (6,009) |
| Feb/12 | Sold | 30,527 | 1.7045 | 52,036 | (5,311) | (5,311) |
| Mar/12 | Sold | 14,660 | 1.7423 | 25,544 | (2,559) | (2,559) |
| Apr/12 | Sold | 5,160 | 1.8452 | 9,522 | (697) | (697) |
| May/12 | Sold | 5,500 | 1.7205 | 9,464 | (1,024) | (1,024) |
| Jun/12 | Sold | 9,323 | 1.7591 | 16,400 | (1,479) | (1,479) |
| Jul/12 | Sold | 9,416 | 1.7680 | 16,646 | (1,484) | (1,484) |
| Aug/12 | Sold | 27,835 | 1.8210 | 50,692 | (3,261) | (3,261) |
| Sep/12 | Sold | 24,792 | 1.8625 | 46,179 | (2,184) | (2,184) |
| Oct/12 | Sold | 22,146 | 1.8572 | 41,134 | (2,234) | (2,234) |
| Nov/12 | Sold | 20,660 | 1.8610 | 38,445 | (2,209) | (2,209) |
| Dec/12 | Sold | 12,127 | 1.9531 | 23,685 | (370) | (370) |
| Jan/13 | Sold | 7,667 | 1.9466 | 14,925 | (345) | (345) |
| Feb/13 | Sold | 3,680 | 1.9302 | 7,103 | (258) | (258) |
| Aug/13 | Sold | 14,880 | 2.0296 | 30,200 | (602) | (602) |
| Aug/14 | Sold | 14,880 | 2.1608 | 32,152 | (793) | (793) |
| Aug/15 | Sold | 14,880 | 2.2955 | 34,158 | (789) | (789) |
| | | 264,877 | | | | (31,608) |

**Consolidated - 12/31/2011**

| Maturity | Position | US$ thousand | Average fixed rate - R$/US$ 1 | Notional value - R$ | Fair value - R$ | Payable - R$ |
|---|---|---|---|---|---|---|
| Jan/12 | Sold | 28,062 | 1.6876 | 47,357 | (6,264) | (6,264) |
| Feb/12 | Sold | 32,249 | 1.7057 | 55,012 | (5,581) | (5,581) |
| Mar/12 | Sold | 15,014 | 1.7414 | 26,147 | (2,626) | (2,626) |
| Apr/12 | Sold | 5,192 | 1.8442 | 9,576 | (704) | (704) |
| May/12 | Sold | 5,532 | 1.7203 | 9,518 | (1,031) | (1,031) |
| Jun/12 | Sold | 9,919 | 1.7672 | 17,528 | (1,500) | (1,500) |
| Jul/12 | Sold | 9,931 | 1.7743 | 17,619 | (1,510) | (1,510) |
| Aug/12 | Sold | 28,028 | 1.8216 | 51,061 | (3,269) | (3,269) |
| Sep/12 | Sold | 24,872 | 1.8630 | 46,341 | (2,180) | (2,180) |
| Oct/12 | Sold | 22,307 | 1.8576 | 41,442 | (2,243) | (2,243) |
| Nov/12 | Sold | 20,821 | 1.8617 | 38,759 | (2,214) | (2,214) |
| Dec/12 | Sold | 12,449 | 1.9535 | 24,319 | (376) | (376) |
| Jan/13 | Sold | 7,667 | 1.9466 | 14,925 | (345) | (345) |
| Feb/13 | Sold | 4,163 | 1.9384 | 8,069 | (263) | (263) |
| Aug/13 | Sold | 14,880 | 2.0296 | 30,200 | (602) | (602) |
| Aug/14 | Sold | 14,880 | 2.1608 | 32,152 | (793) | (793) |
| Aug/15 | Sold | 14,880 | 2.2955 | 34,158 | (789) | (789) |
| | | 270,848 | | | | (32,290) |

All amounts in thousands of reais unless otherwise stated

| | | | | | Parent company and Consolidated - | 3/31/2011 |
|---|---|---|---|---|---|---|
| Maturity | Position | US$ thousand | Average fixed rate - R$/US$ 1 | Notional value - R$ | Fair value - R$ | Receivable - R$ |
| Apr-11 | Sold | 2,575 | 1.8992 | 4,890 | 696 | 696 |
| May-11 | Sold | 1,000 | 1.6697 | 1,670 | 29 | 29 |
| Jun-11 | Sold | 1,000 | 1.6828 | 1,683 | 29 | 29 |
| Jul-11 | Sold | 6,000 | 1.8048 | 10,830 | 814 | 814 |
| Aug-11 | Sold | 500 | 1.7160 | 858 | 18 | 18 |
| Sep-11 | Sold | 500 | 1.7305 | 865 | 19 | 19 |
| Oct-11 | Sold | 9,500 | 1.8375 | 17,458 | 1,203 | 1,203 |
| Nov-11 | Sold | 2,500 | 1.7669 | 4,418 | 121 | 121 |
| Dec-11 | Sold | 4,500 | 1.8577 | 8,361 | 545 | 545 |
| Jan-12 | Sold | 4,080 | 1.7995 | 7,342 | 224 | 224 |
| Feb-12 | Sold | 1,500 | 1.8162 | 2,724 | 85 | 85 |
| Mar-12 | Sold | 1,000 | 1.8247 | 1,825 | 53 | 53 |
| Apr-12 | Sold | 1,000 | 1.8393 | 1,840 | 58 | 58 |
| | | 35,655 | | | | 3,894 |

The counterparties of the forward contracts are the financial institutions: Citibank, Rabobank, Bradesco, Santander, HSBC, Itaú BBA, Deutsche Bank, Goldman Sachs, Morgan Stanley, BTG Pactual, Barclays and Credit Agricole Brasil.

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

| | | | | | Parent Company - | 12/31/2011 |
|---|---|---|---|---|---|---|
| Maturity | Position | Lots | Average fixed rate (¢/lb) | Notional value - R$ | Fair value - R$ | Payable - R$ |
| mar/12 | Sold | 10 | 22.29 | 418 | (21) | (21) |
| mai/12 | Sold | 282 | 26.94 | 14,252 | 2,352 | 2,352 |
| jul/12 | Sold | 745 | 25.69 | 35,895 | 4,841 | 4,841 |
| out/12 | Sold | 300 | 24.53 | 13,803 | 1,051 | 1,051 |
| | | 1,337 | | | | 8,223 |

| | | | | | Consolidated - | 12/31/2011 |
|---|---|---|---|---|---|---|
| Maturity | Position | Lots | Average fixed rate (¢/lb) | Notional value - R$ | Fair value - R$ | Payable - R$ |
| mar/12 | Sold | 10 | 22.29 | 418 | (21) | (21) |
| mai/12 | Sold | 282 | 26.94 | 14,252 | 2,352 | 2,352 |
| jul/12 | Sold | 751 | 25.68 | 36,233 | 4,874 | 4,874 |
| out/12 | Sold | 306 | 24.54 | 14,141 | 1,080 | 1,080 |
| | | 1,349 | | | | 8,285 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | **Parent company and Consolidated -** | | **3/31/2011** |
| **Maturity** | **Position** | **Lots** | **Average fixed rate (¢/lb)** | **Notional value - R$** | **Fair value - R$** | **Payable - R$** |
| May-11 | Sold | 872 | 22.80 | 32,383 | (6,621) | (6,621) |
| Jul-11 | Sold | 1,508 | 20.63 | 50,678 | (12,060) | (12,060) |
| Oct-11 | Sold | 625 | 20.10 | 20,464 | (4,566) | (4,566) |
| Mar-12 | Sold | 10 | 22.29 | 363 | (29) | (29) |
| | | 3,015 | | | | (23,276) |

The counterparties of the sugar forward contraocts "sugar 11" are the financial institutions: Citibank, Itaú BBA, Macquarie, Deutsche Bank and Barclays.

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

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | **Consolidated -** | **12/31/2011** |
| **Maturity** | **Notional value** | **Base value - R$** | **Asset position** | **Liability position** | **Fair value - R$** | **Payable - R$** |
| Nov-12 | USD 966 | 1,646 | LB12 USD + 1.70% | USD +5.15% | (50) | (50) |
| Nov-13 | USD 2,897 | 4,939 | LB6 USD + 1.95% | USD +5.09% | (200) | (200) |
| | | | | | | (250) |

It is expected that the fair value of the derivative financial instruments, presented above, will be realized in the following screens/periods:

| **Parent company (in thousands of Reais)** | | | | | **Maturity per screen** |
|---|---|---|---|---|---|
| | **Mar-12** | **May-12** | **Jul-12** | **Oct-12** | **Total** |
| **PRODUCTS** | | | | | |
| **Hedge derivatives** | | | | | |
| Fair value of purchased futures - Sugar | (4,532) | (230) | | | (4,762) |
| Fair value of sold futures - Sugar | 6,777 | 5,388 | 6,760 | 2,601 | 21,526 |
| Fair value of sold NDFs - Sugar | (21) | 2,352 | 4,841 | 1,052 | 8,224 |
| | **2,224** | **7,510** | **11,601** | **3,653** | **24,988** |
| ***Sugar options*** | | | | | |
| Fair value of principal position - sale | 297 | 1,246 | 2,432 | 2,549 | 6,524 |
| Fair value of written position - sale | | (140) | (226) | (273) | (639) |
| Fair value of written position - purchase | (271) | (717) | (984) | (1,507) | (3,479) |
| | **26** | **389** | **1,222** | **769** | **2,406** |
| | **2,250** | **7,899** | **12,823** | **4,422** | **27,394** |

| Parent company (in thousands of Reais) | | | | | | | Maturity per period |
|---|---|---|---|---|---|---|---|
| | 4Q11 | 1Q12 | 2Q12 | 3Q12 | 4Q12 | Later | Total |
| **PRODUCTS** | | | | | | | |
| **Hedge derivatives** | | | | | | | |
| Fair value of sold futures - Ethanol | 5 | | | | | | 5 |
| **FOREIGN CURRENCY** | | | | | | | |
| **Hedge derivatives** | | | | | | | |
| Fair value of sold NDFs - Foreign exchange | (13,877) | (3,200) | (6,930) | (4,813) | (603) | (2,184) | (31,607) |
| ***U.S. dollar options*** | | | | | | | |
| Fair value of principal position - sale | 3 | 6 | | | | | 9 |
| Fair value of written position - purchase | (55) | (42) | | | | | (97) |
| | **(52)** | **(36)** | | | | | **(88)** |
| | **(13,924)** | **(3,236)** | **(6,930)** | **(4,813)** | **(603)** | **(2,184)** | **(31,690)** |

| Consolidated (in thousands of Reais) | | | | | Maturity per screen |
|---|---|---|---|---|---|
| | Mar-12 | May-12 | Jul-12 | Oct-12 | Total |
| **PRODUCTS** | | | | | |
| **Hedge derivatives** | | | | | |
| Fair value of purchased futures - Sugar | (4,967) | (737) | (844) | (196) | (6,744) |
| Fair value of sold futures - Sugar | 7,024 | 5,776 | 7,564 | 3,043 | 23,407 |
| Fair value of sold NDFs - Sugar | (21) | 2,352 | 4,874 | 1,081 | 8,286 |
| | **2,036** | **7,391** | **11,594** | **3,928** | **24,949** |
| ***Sugar options*** | | | | | |
| Fair value of principal position - sale | 527 | 1,776 | 3,206 | 2,925 | 8,434 |
| Fair value of written position - sale | (13) | (188) | (286) | (291) | (778) |
| Fair value of written position - purchase | (317) | (839) | (1,256) | (1,661) | (4,073) |
| | **197** | **749** | **1,664** | **973** | **3,583** |
| | **2,233** | **8,140** | **13,258** | **4,901** | **28,532** |

| Consolidated (in thousands of Reais) | | | | | | | Maturity per period |
|---|---|---|---|---|---|---|---|
| | 4Q11 | 1Q12 | 2Q12 | 3Q12 | 4Q12 | Later | Total |
| **PRODUCTS** | | | | | | | |
| **Hedge derivatives** | | | | | | | |
| Fair value of sold futures - Ethanol | 5 | | | | | | 5 |
| **FOREIGN CURRENCY** | | | | | | | |
| **Hedge derivatives** | | | | | | | |
| Fair value of sold NDFs - Sugar | - | (593) | (35) | (30) | (20) | (5) | (683) |
| Fair value of sold NDFs - Foreign exchange | (13,877) | (3,200) | (6,930) | (4,813) | (603) | (2,184) | (31,607) |
| **Derivatives not designated** | | | | | | | |
| Fair value of Swap - U.S. dollar x CDI | | | | (50) | | (200) | (250) |
| ***U.S. dollar options*** | | | | | | | |
| Fair value of principal position - sale | 3 | 6 | | | | | 9 |
| Fair value of written position - purchase | (55) | (42) | | | | | (97) |
| | **(52)** | **(36)** | | | | | **(88)** |
| | **(13,924)** | **(3,829)** | **(6,965)** | **(4,893)** | **(623)** | **(2,389)** | **(32,623)** |

The results of transactions involving derivative financial instruments that affected the results in the quarters ended December 31, 2011 and 2010 were:

### All amounts in thousands of reais unless otherwise stated

| | Parent company | | | | Consolidated | | | |
|---|---|---|---|---|---|---|---|---|
| | 31/12/2011 | | 31/12/2010 | | 31/12/2011 | | 31/12/2010 | |
| **Product-linked contracts:** | Quarter | Nine months | Quarter | Nine months | Quarter | Nine months | Quarter | Nine months |
| Futures contracts | 1.105 | (28.611) | 720 | 20.875 | 1.124 | (28.592) | (7.480) | 32.779 |
| Options | 1.475 | (5.982) | (5.787) | (6.488) | 1.947 | (5.510) | (4.888) | (10.527) |
| Commissions and brokerage fees | (96) | (410) | (76) | (238) | (105) | (419) | (124) | (453) |
| Foreign exchange gains | (107) | 107 | (236) | (468) | (107) | 107 | (219) | (467) |
| | 2.377 | (34.896) | (5.379) | 13.681 | 2.859 | (34.414) | (12.711) | 21.332 |
| **Currency-linked contracts:** | | | | | | | | |
| Futures contracts | (13.647) | (7.723) | 6.532 | 8.831 | (13.959) | (8.035) | 15.718 | 23.737 |
| Options | 71 | (638) | | | 71 | (638) | | |
| | (13.576) | (8.361) | 6.532 | 8.831 | (13.888) | (8.673) | 15.718 | 23.737 |
| **Debt-linked contracts:** | | | | | | | | |
| Swap | | 7.889 | | | (17) | 7.872 | (664) | (9.602) |
| Net effect | (11.199) | (35.368) | 1.153 | 22.512 | (11.046) | (35.215) | 2.343 | 35.467 |
| **Effect on results:** | | | | | | | | |
| Gross income | (14.846) | (38.397) | 7.330 | 29.767 | (14.846) | (38.397) | 8.316 | 56.511 |
| Finance income | 7.071 | 29.560 | 2.781 | 4.035 | 7.675 | 30.164 | 3.485 | 4.857 |
| Finance costs | (3.317) | (26.637) | (8.721) | (10.821) | (3.768) | (27.088) | (9.240) | (25.435) |
| Monetary and exchange rate variations, net | (107) | 106 | (237) | (469) | (107) | 106 | (218) | (466) |
| | (11.199) | (35.368) | 1.153 | 22.512 | (11.046) | (35.215) | 2.343 | 35.467 |

## 28.2 Margin deposits given in guarantee

In order to comply with the requirements of exchanges for certain derivative transactions, the Company and its subsidiaries maintained the following amounts as guarantees for derivative transactions.

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| **Brokers** | **December 31, 2011** | **March 31, 2011** | **December 31, 2011** | **March 31, 2011** |
| Natixis | 418 | | 719 | |
| New Edge | 936 | 507 | 936 | 507 |
| Prudential | 3 | 1,202 | 3 | 1,202 |
| Santander | 935 | | 935 | |
| Macquarie | | | 19 | |
| ICAP | | | 21 | |
| Hencorp | | | 41 | |
| ADM | | | 131 | |
| | 2,292 | 1,709 | 2,805 | 1,709 |

## 29 SEGMENT INFORMATION (CONSOLIDATED)

Management has determined the operating segments of the Company and its subsidiaries based on the reports used for strategic decisions, reviewed by the principal decision-makers, namely: the Executive Board, the CEO and the Board of Directors.

**All amounts in thousands of reais unless otherwise stated**

The analyses are realized by segmenting the business based on the products sold by the Company and its subsidiaries, comprising three segments:

(i) Sugar;
(ii) Ethanol; and
(iii) Other products.

The "Other products" segment (iii) includes operations related to the production and sale of electricity, generated by the Company and UBV, ribonucleic acid (sodium salt), arising from the merging of Omtek, and other products or byproducts of less importance.

The analyses of operating segment performance are realized based on the results of operations of each product, focusing on profitability.

The operating assets related to these segments are located only in Brazil (State of São Paulo and Goiás).

The segment information, utilized by the principal decision-makers, is as follows:

## (a) Consolidated result per segment

**Period ended December 31, 2011**

| | Sugar | Ethanol | Other products | Non-segmented | Total |
|---|---|---|---|---|---|
| Net revenue | 660,481 | 365,213 | 81,824 | | 1,107,518 |
| Cost of sales | (402,849) | (285,158) | (70,446) | | (758,453) |
| **Gross profit** | 257,632 | 80,055 | 11,378 | | 349,065 |
| Gross margin | 39.0% | 21.9% | 13.9% | | 31.5% |
| Selling expenses | (39,183) | (4,832) | (2,221) | | (46,236) |
| Other operating expenses | | | | (71,779) | (71,779) |
| **Operating profit** | 218,449 | 75,223 | 9,157 | (71,779) | 231,050 |
| Finance income (costs) | | | | (26,978) | (26,978) |
| Foreign exchange variations, net | | | | (24,078) | (24,078) |
| **Profit before taxation** | 218,449 | 75,223 | 9,157 | (122,835) | 179,994 |
| Income tax and social contribution | | | | (48,485) | (48,485) |
| **Profit for the period** | 218,449 | 75,223 | 9,157 | (171,320) | 131,509 |

**Period ended December 31, 2010**

| | Sugar | Ethanol | Other products | Non-segmented | Total |
|---|---|---|---|---|---|
| Net revenue | 196,902 | 172,954 | 20,429 | | 390,285 |
| Cost of sales | (116,709) | (128,721) | (19,150) | | (264,580) |
| **Gross profit** | 80,193 | 44,233 | 1,279 | | 125,705 |
| Gross margin | 40.7% | 25.6% | 6.3% | | 32.2% |
| Selling expenses | (14,920) | (3,149) | (3) | | (18,072) |
| Other operating expenses | | | | (10,843) | (10,843) |
| **Operating profit** | 65,273 | 41,084 | 1,276 | (10,843) | 96,790 |
| Finance income (costs) | | | | (14,990) | (14,990) |
| Foreign exchange variations, net | | | | 3,579 | 3,579 |
| **Profit before taxation** | 65,273 | 41,084 | 1,276 | (22,254) | 85,379 |
| Income tax and social contribution | | | | (15,714) | (15,714) |
| **Profit for the period** | 65,273 | 41,084 | 1,276 | (37,968) | 69,665 |

All amounts in thousands of reais unless otherwise stated

## (b) Consolidated operating assets per segment

The main operating assets of the Company and its subsidiaries were segregated by segment based on the cost centers into which they are allocated and/or the apportionment criterion that takes into consideration the production of each product in relation to total production. This allocation could, therefore, vary from one period to another.

**At December 31, 2011**

| | Sugar | Ethanol | Other products | Total |
|---|---|---|---|---|
| Trade receivables | 27.335 | 34.820 | 1.531 | 63.686 |
| Inventories | 178.346 | 205.288 | 372 | 384.006 |
| Biological assets | 234.189 | 314.434 | - | 548.623 |
| Property, plant and equipment | 1.432.154 | 1.462.956 | 157.707 | 3.052.817 |
| Intangible assets | 45.469 | 37.681 | 648 | 83.798 |
| **Total** | 1.917.493 | 2.055.179 | 160.258 | 4.132.930 |

**At March 31, 2011**

| | Sugar | Ethanol | Other products | Total |
|---|---|---|---|---|
| Trade receivables | 22.379 | 34.024 | 3.270 | 59.673 |
| Inventories | 65.442 | 59.811 | 13.853 | 139.106 |
| Biological assets | 206.760 | 228.772 | | 435.532 |
| Property, plant and equipment | 1.471.068 | 1.351.584 | 42.109 | 2.864.761 |
| Intangible assets | 21.700 | 15.026 | | 36.726 |
| **Total** | 1.787.349 | 1.689.217 | 59.232 | 3.535.798 |

Taking into consideration that the principal decision-makers analyze liabilities on a consolidated basis, the segment information relating to liabilities is not being disclosed.

# 30 REVENUE

| | Parent company | | | | Consolidated | | | |
|---|---|---|---|---|---|---|---|---|
| | 31/12/2011 | | 31/12/2010 | | 31/12/2011 | | 31/12/2010 | |
| | Quarter | Nine months | Quarter | Nine months | Quarter | Nine months | Quarter | Nine months |
| **Gross sales revenue** | | | | | | | | |
| Domestic market | 130.440 | 340.169 | 80.263 | 120.585 | 194.135 | 494.689 | 209.280 | 466.032 |
| Foreign market | 205.042 | 665.832 | 92.528 | 222.830 | 208.221 | 672.877 | 208.365 | 613.131 |
| | 335.482 | 1.006.001 | 172.791 | 343.415 | 402.356 | 1.167.566 | 417.645 | 1.079.163 |
| Taxes, contributions and deductions on sales | (15.405) | (42.828) | (10.931) | (16.911) | (21.908) | (60.048) | (27.360) | (64.675) |
| | 320.077 | 963.173 | 161.860 | 326.504 | 380.448 | 1.107.518 | 390.285 | 1.014.488 |

All amounts in thousands of reais unless otherwise stated

## 31 COSTS AND EXPENSES BY NATURE

The Company's statement of income is classified per function. The reconciliation per nature/purpose, as required by the international standards, is as follows:

| | Parent company | | | | Consolidated | | | |
|---|---|---|---|---|---|---|---|---|
| | 31/12/2011 | | 31/12/2010 | | 31/12/2011 | | 31/12/2010 | |
| **Costs and expenses by nature:** | Quarter | Nine months | Quarter | Nine months | Quarter | Nine months | Quarter | Nine months |
| Raw material and materials for use and consumption | 97.443 | 288.143 | 37.024 | 67.164 | 100.906 | 293.594 | 96.621 | 243.171 |
| Personnel expenses | 33.827 | 102.219 | 20.612 | 39.695 | 39.599 | 115.852 | 40.192 | 101.812 |
| Depreciation and amortization (includes harvested biological assets) | 79.996 | 234.965 | 38.583 | 85.953 | 96.812 | 270.914 | 97.228 | 258.953 |
| Outsourced services | 24.621 | 74.766 | 12.149 | 27.251 | 29.748 | 85.172 | 30.325 | 81.954 |
| Contingencies | 4.315 | 14.164 | (713) | 822 | 4.125 | 14.254 | (2.218) | 6.171 |
| Change in fair value of biological assets | (109) | (30.965) | 3.441 | 5.641 | (801) | (28.232) | 10.248 | 27.352 |
| Materials for resale | 12.142 | 17.282 | 1.223 | 4.731 | 16.273 | 26.501 | 6.055 | 20.321 |
| Other expenses | 32.733 | 90.684 | 11.534 | 24.112 | 37.529 | 112.915 | 29.650 | 83.689 |
| | 284.968 | 791.258 | 123.853 | 255.369 | 324.191 | 890.970 | 308.101 | 823.423 |

| | Parent company | | | | Consolidated | | | |
|---|---|---|---|---|---|---|---|---|
| | 31/12/2011 | | 31/12/2010 | | 31/12/2011 | | 31/12/2010 | |
| **Classified as:** | Quarter | Nine months | Quarter | Nine months | Quarter | Nine months | Quarter | Nine months |
| Cost of sales | 248.017 | 676.141 | 104.444 | 215.890 | 281.794 | 758.453 | 264.580 | 691.389 |
| Selling expenses | 12.383 | 42.097 | 6.226 | 12.739 | 14.119 | 46.236 | 18.072 | 50.826 |
| General and administrative expenses | 24.568 | 73.020 | 13.183 | 26.740 | 28.278 | 86.281 | 25.449 | 81.208 |
| | 284.968 | 791.258 | 123.853 | 255.369 | 324.191 | 890.970 | 308.101 | 823.423 |

## 32 OTHER INCOME (EXPENSES), NET

| | Parent company | | | | Consolidated | | | |
|---|---|---|---|---|---|---|---|---|
| | 12/31/2011 | | 12/31/2010 | | 12/31/2011 | | 12/31/2010 | |
| | Quarter | Nine months | Quarter | Nine months | Quarter | Nine months | Quarter | Nine months |
| Result on the sale of property, plant and equipment | 103 | 527 | 440 | 231 | 103 | 515 | 482 | 1,531 |
| REFIS installment program - Law 11941 | | 424 | | | | 617 | | |
| Capital gain on investments | 13,720 | 13,720 | 8,533 | 8,533 | 13,720 | 13,720 | 24,666 | 24,666 |
| Expenditures with corporate restructuring | | | (3,429) | (3,429) | | | (11,347) | (11,347) |
| Other | (326) | 939 | 646 | 1,504 | (144) | 68 | 805 | 2,058 |
| | 13,497 | 15,610 | 6,190 | 6,839 | 13,679 | 14,920 | 14,606 | 16,908 |

## 33 FINANCE RESULT

| | Parent company | | | | Consolidated | | | |
|---|---|---|---|---|---|---|---|---|
| | 12/31/2011 | | 12/31/2010 | | 12/31/2011 | | 12/31/2010 | |
| | Quarter | Nine months | Quarter | Nine months | Quarter | Nine months | Quarter | Nine months |
| **Finance income** | | | | | | | | |
| Interest income | 7,886 | 19,715 | 2,969 | 5,192 | 10,053 | 26,936 | 7,071 | 14,002 |
| Gains on derivatives | 7,071 | 29,560 | 2,781 | 4,035 | 7,675 | 30,164 | 3,485 | 4,857 |
| Other income | 335 | 1,261 | 79 | 131 | 438 | 1,519 | 474 | 3,558 |
| | 15,292 | 50,536 | 5,829 | 9,358 | 18,166 | 58,619 | 11,030 | 22,417 |
| **Finance costs** | | | | | | | | |
| Interest expense | (15,475) | (38,838) | (5,326) | (10,569) | (16,531) | (55,404) | (16,271) | (46,749) |
| Losses on derivatives | (3,317) | (26,637) | (8,721) | (10,821) | (3,768) | (27,088) | (9,240) | (25,435) |
| Other expenses | (1,457) | (2,552) | (175) | (715) | (1,681) | (3,105) | (509) | (4,641) |
| | (20,249) | (68,027) | (14,222) | (22,105) | (21,980) | (85,597) | (26,020) | (76,825) |
| **Monetary and foreign exchange variations** | | | | | | | | |
| Gains | 51,731 | 93,512 | 12,165 | 18,663 | 56,606 | 98,505 | 16,142 | 72,353 |
| Losses | (55,027) | (108,332) | (5,405) | (13,674) | (69,229) | (122,583) | (12,563) | (50,452) |
| | (3,296) | (14,820) | 6,760 | 4,989 | (12,623) | (24,078) | 3,579 | 21,901 |
| Financial result, net | (8,253) | (32,311) | (1,633) | (7,758) | (16,437) | (51,056) | (11,411) | (32,507) |

## 34 EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to stockholders of the Company by the weighted average number of common shares outstanding during the period, excluding the common shares purchased by the Company and held as treasury shares.

| | 12/31/2011 | | 12/31/2010 | |
|---|---|---|---|---|
| | Quarter | Nine months | Quarter | Nine months |
| Profit attributable to stockholders of the Company | 44,878 | 131,509 | 69,665 | 130,413 |
| Weighted average number of common shares - in thousands | 112,780 | 112,834 | 112,861 | 112,861 |
| Basic earnings per share - R$ | 0.40 | 1.17 | 0.62 | 1.16 |

### (b) Diluted

Basic and diluted earnings per share are the same since the Company does not have any instrument with a dilution effect on earnings per share.

All amounts in thousands of reais unless otherwise stated

## 35 INSURANCE

The Company and its subsidiaries maintain a standard safety, training and quality program in their units, which aims to, among other things, reduce the risk of accidents. In addition, they have insurance contracts with cover determined according to the advice of experts, taking into account the nature and degree of risk, at amounts considered sufficient to cover possible significant losses on assets and/or liabilities. The amounts insured by the current insurance policies at December 31, 2011 were as follows:

| | Maximum cover (*) | |
|---|---|---|
| **Risks covered** | **Parent company** | **Consolidated** |
| Civil liability | 1,206,660 | 1,459,960 |
| Fire, lightning and explosion of any nature | 212,500 | 319,789 |
| Theft or larceny | 49,120 | 98,498 |
| Other coverage | 98,040 | 116,458 |
| Electrical damages | 16,738 | 21,569 |
| Natural phenomena, impact of vehicles or aircrafts, etc. | 8,500 | 11,638 |

(*) Corresponds to the maximum cover for the various assets and localities insured.

The vehicle cover, mainly civil liability, is also included above, except for property damage, which has as reference, on average, 100% of the Economic Research Institute (FIPE) table.

## 36 ACQUISITION OF EQUITY INTERESTS

As mentioned in Note 1.4, on November 21, 2011, the Company acquired 32.18% of the share capital of SC and 17.97% of the share capital of ABV, for the amounts, adjusted to present value, of R$ 102,764 and R$ 65,308, respectively. The stockholders entered into an agreement establishing the shared control of these investees.

SC is headquartered in the city of Américo Brasiliense, approximately 45 kilometers from the Company's largest plan, its processing capacity is 4 million metric tons of sugar cane and its flexibility of sugar production and ethanol is 60% and 40%, respectively. ABV has lands that are leased for SC to grow sugar cane.

As a result of this acquisition, it is expected that the Company will obtain strong synergy from SC and ABV in the following strategic areas:

i. Agricultural area - starting from the next crop, there will be the implementation of operations for the maximization of Cutting, Loading and Transportation (CCT), planting and crop treatments for sugar cane; and

ii. Gains of scale - (a) purchases of agricultural and industrial inputs and services in conjunction; (b) consistency and standardization of equipment and spare parts; (c) streamlining the maintenance of agricultural and industrial equipment; (d) reduction of the logistics costs in the transportation of sugar and ethanol; (e) synergies in the administrative structure and sale of production in conjunction.

Management contracted independent appraisers to measure the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed, and for the determination of the purchase price allocation (PPA). The work of the independent appraisers is in progress and, for the base date December 31, 2011, management utilized the carrying amounts of the jointly-controlled subsidiaries for the estimation of the goodwill paid in this transaction. The changes arising from the measurement of the fair values of investments acquired and PPA will be adjustments of the measurement period recorded retrospectively, with the corresponding adjustments in the preliminarily recorded goodwill. The adjustments of the measurement period correspond to adjustments resulting from the additional information obtained during this period, which cannot exceed one year as from the acquisition date, related to facts and circumstances existing at the acquisition date. The Company target is to finish this work and record the required adjustments until the end of year, March 31, 2012.

**All amounts in thousands of reais unless otherwise stated**

The tables below present the corresponding entries of the acquisition for each holding acquired, as well as the preliminarily recorded goodwill.

### (a) Santa Cruz S.A. Açúcar e Álcool

| | **Formation of purchase price** |
|---|---|
| Considered purchase price | |
| Amount paid on November 21, 2011 | 36,081 |
| Present value of the installment payable in Nov 12 | 34,029 |
| Present value of the installment payable in Nov 13 | 32,654 |
| Total consideration | 102,764 |

| | **Carrying values** |
|---|---|
| Fair value of the identifiable assets acquired and liabilities assumed | |
| Cash and cash equivalents | 41,143 |
| Trade receivables | 12,775 |
| Inventories | 134,222 |
| Deferred income tax and social contribution | 38,475 |
| Investments | 114,838 |
| Biological assets | 151,942 |
| Property, plant and equipment | 457,724 |
| Intangible assets | 23,019 |
| Other assets | 19,491 |
| Borrowings | (566,046) |
| Trade payables | (46,035) |
| Payables to Copersucar | (43,547) |
| Deferred income tax and social contribution | (74,864) |
| Other liabilities | (55,460) |
| Total value of the assets acquired and liabilities assumed | 207,677 |
| Holding acquired | 32.19% |
| ( - ) Investment - proportion of the value of assets acquired and liabilities assumed | 66,858 |
| ( = ) Goodwill | 35,906 |

All amounts in thousands of reais unless otherwise stated

### (b) Agro Pecuária Boa Vista S.A.

| | Formation of purchase price |
|---|---|
| Considered purchase price | |
| Amount paid on November 21, 2011 | 22,929 |
| Present value of the installment payable in Nov 12 | 21,626 |
| Present value of the installment payable in Nov 13 | 20,753 |
| Total consideration | 65,308 |

| | Carrying values |
|---|---|
| ( - ) Fair value of the identifiable assets acquired and liabilities assumed | |
| Cash and cash equivalents | 144 |
| Trade receivables | 5,241 |
| Taxes recoverable | 13,162 |
| Deferred income tax and social contribution | 27,911 |
| Property, plant and equipment | 316,027 |
| Intangible assets | 1,832 |
| Other assets | 4,032 |
| Borrowings | (17,089) |
| Taxes payable in installments | (22,160) |
| Deferred income tax and social contribution | (81,155) |
| Other liabilities | (4,666) |
| Total value of the assets acquired and liabilities assumed | 243,279 |
| Holding acquired | 17.97% |
| ( - ) Investment - proportion of the value of assets acquired and liabilities assumed | 43,708 |
| ( = ) Goodwill | 21,600 |

The total goodwill generated on the acquisition of SC and ABV was R$ 57,506. It is expected that the goodwill will generate future tax benefits.

The costs related with the transaction are represented by commissions, expenses with lawyers and intermediaries, and totaled R$ 1,684, recorded in the result of the quarter ended December 31, 2011.

All amounts in thousands of reais unless otherwise stated

## 36.1 Trade payables - Acquisition of equity interest

As mentioned in Note 1.4, the payment for the acquisition of ownership interests in SC and ABV will be made in three installments, and the balance payable recorded arising from the acquisition is comprised as presented below:

| | SC | ABV | Total |
|---|---|---|---|
| Present value of the total consideration | 102,764 | 65,308 | 168,072 |
| Payment realized on November 21, 2011 | (36,081) | (22,929) | (59,010) |
| Appropriation of adjustment to present value | 841 | 534 | 1,375 |
| Balance at December 31, 2011 | 67,524 | 42,913 | 110,437 |
| Current liabilities | (34,458) | (21,898) | (56,356) |
| Non-current liabilities | 33,066 | 21,015 | 54,081 |

* * *



## São Martinho Reports Net Income of R$ 131.5 million in 9M12

**São Paulo, February 14, 2012** – SÃO MARTINHO S.A. (BM&FBovespa: SMTO3; Reuters SMTO3.SA and Bloomberg SMTO3 BZ), one of Brazil's largest sugar and ethanol producers, announces today its results for the third quarter of 2012 (3Q12).

## 3Q12 HIGHLIGHTS

- **Net income in 9M12 was R$ 131.5 million, up to 1% from the same period in the previous harvest.** Net income was R$ 44.9 million in 3Q12, down 35.6% from 3Q11, reflecting (i) the lower Adjusted EBITDA in the period due to the lower sales volume and (ii) the higher financial expenses from currency translation losses (non-cash)due to the devaluation of the Brazilian real against the U.S. dollar in the period;

- The São Martinho Group recorded Adjusted EBITDA of R$ 154.2 million (adjusted EBITDA margin of 40.5%), for a decline of 19.5% from 3Q11. **In the year to date (9M12), Adjusted EBITDA was R$ 464.4 million, down 3.6% from 9M11 (adjusted EBITDA margin of 41.9%).** The main reason for the reduction in EBITDA in 3Q12 and 9M12 was the lower production volume and subsequent drop in sugar and ethanol sales volumes in the 2011/12 crop year. The drop in production was due to the shortfall in the sugarcane harvest in the entire Center-South region of Brazil, and consequently at the mills of the São Martinho Group;

- With the end of crushing activities by the São Martinho Group for the 2011/12 crop year, output came to 10.6 million tons (already adjusted proportionally for our interest in Nova Fronteira). **Ethanol production volume totaled 377,000 m³ (of which 50% was anhydrous ethanol) while sugar production volume came to 774,000 tons;**

- Based on analyses made to date of the development of the sugarcane in our fields, **in the next crop year we expect our ethanol and sugar volume (measured in TRS equivalent) to be at least 10% higher than in the current crop year;**

- The increases in sugar and ethanol production costs in 3Q12 versus 3Q11 and in 9M12 versus 9M11 were due to: (i) the increase in the Consecana price of around 35% in the periods, which impacted costs with suppliers and leasing and (ii) the increase in unit production costs caused by the lower capacity utilization, since the quality and volume of crushed sugarcane were lower than previous harvest;

- On December 31, 2011, we had sugar prices fixed for the **2012/13 crop year for 295,000 tons at an average price of USD 24.68 cents/pound**. This volume corresponds to around **42% of the potential volume of sugar exports in the next crop year**. On the same date, over 83% of the inventory available for sale in 4Q12 was **hedged at USD 25.30 cents/pound**.

# FINANCIAL HIGHLIGHTS

| FINANCIAL HIGHLIGHTS (R$ Thousand) | 3Q12 | 3Q11 | Chg. (%) | 9M12 | 9M11 | Chg. (%) |
|---|---|---|---|---|---|---|
| **São Martinho - Consolidated** | | | | | | |
| Gross Revenue | 402,356 | 417,645 | -3.7% | 1,167,566 | 1,079,163 | 8.2% |
| Net Revenue | 380,448 | 390,285 | -2.5% | 1,107,518 | 1,014,488 | 9.2% |
| Adjusted EBITDA | 154,203 | 191,522 | -19.5% | 464,371 | 481,926 | -3.6% |
| EBITDA Margin | 40.5% | 49.1% | -8.5 p.p. | 41.9% | 47.5% | -5.6 p.p. |
| **Consolidated Balance Sheet Indicators** | | | | | | |
| Total Assets | 4,834,415 | 3,941,658 | 22.6% | 4,834,415 | 3,941,658 | 22.6% |
| Shareholders' Equity | 2,056,686 | 1,953,486 | 5.3% | 2,056,686 | 1,953,486 | 5.3% |
| EBITDA (LTM) | 595,026 | 622,317 | -4.4% | 595,026 | 622,317 | -4.4% |
| Net Debt | 912,814 | 486,626 | 87.6% | 912,814 | 486,626 | 87.6% |
| Net Debt / EBITDA (LTM) | 1.53 x | 0.78 x | | 1.53 x | 0.78 x | |
| Net Debt / Shareholders' Equity | 44% | 25% | | 44% | 25% | |

| OPERATING DATA | 9M12 | 9M11 | Chg.(%) |
|---|---|---|---|
| **São Martinho - Consolidated** | | | |
| Crushed Sugarcane ('000 tons) | 11,412 | 13,067 | -12.7% |
| Own | 7,461 | 8,511 | -12.3% |
| Third Parties | 3,951 | 4,556 | -13.3% |
| Mechanized Harvest | 85.7% | 85.3% | 0.4 p.p |
| **Production** | | | |
| Sugar ('000 tons) | 774 | 873 | -11.3% |
| Anhydrous Ethanol ('000 $m^3$) | 222 | 258 | -13.9% |
| Hydrous Ethanol ('000 $m^3$) | 226 | 307 | -26.5% |
| Ribonucleic Acid (RNA) Sodium Salt ('000 Kg) | 215 | 218 | -1.3% |
| Energy ('000 MWh) | 213 | 163 | 30.5% |

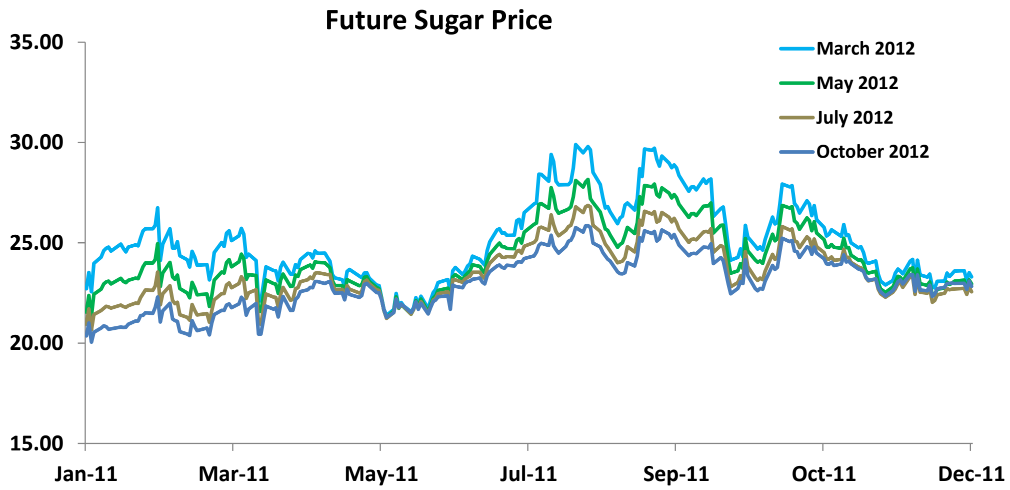
To date in this crop year (9M12), crushing by the São Martinho Group declined by 12.7%, reflecting the shortfall in the sugarcane harvest in the entire Center-South region of Brazil, and consequently at the mills of the São Martinho Group.

The production data for the São Martinho Group (see the above table) includes 100.0% of the company's production, not considering partnerships. Given our interest of 50.95% in the production of Nova Fronteira Bioenergia S.A., these figures do not consolidate 32,300 $m^3$ of anhydrous ethanol and 38,900 $m^3$ of hydrous ethanol.

| CONSOLIDATED FINANCIAL HIGHLIGHTS - 3Q12 | SMTO | SANTA CRUZ + AGROPECUARIA BOA VISTA | CONSOLIDATED |
|---|---|---|---|
| R$ Thousand | | | |
| Net Revenues | 371,064 | 9,384 | 380,448 |
| COGS (Cash) | 183,072 | 3,812 | 186,884 |
| Selling Expenses | 13,710 | 409 | 14,119 |
| G&A Expenses (Cash) | 26,155 | 603 | 26,758 |
| **Adjusted EBITDA** | **150,106** | **4,097** | **154,203** |
| Adjusted EBITDA Margin | 40.4% | 0.1% | 40.5% |
| Net Financial Result | (11,060) | (5,377) | (16,437) |
| **Net Income** | **48,620** | **(3,742)** | **44,878** |

As shown in the table above, it follows the disclosure of the 3Q12 results of São Martinho and Santa Cruz separately. It is important to note that the consolidation of 32.18% of Santa Cruz S.A. (Santa Cruz) and Agropecuaria Boa Vista (ABV) reflects only one month of operation (dec/11), since the acquisition occurred in mid November 2011.

## INDUSTRY OVERVIEW - SUGAR




As a result of the start of the crop year in the northern hemisphere, which includes production from countries such as India, Thailand and Russia, expectations are calling for a world sugar surplus in the 2011/12 crop year of approximately 8 million tons. Despite the higher production in these countries, we expect prices to remain above USD 22.00 cents/pound, given the low level of world sugar stocks.

During 3Q12, sugar prices registered a downward trend through mid-November, after which prices remained practically stable (at between USD 22.00 and 24.00 cents/pound).

In Brazil, according to the Sugarcane Industry Association (UNICA), sugar production in the Center-South region in the 2011/12 crop year was 31.2 million tons, contracting by 6.9% from the previous crop year. Meanwhile, ethanol production came to 20.6 billion liters, or 18.7% less than in the 2010/11 crop year. This crop year, the sugar and ethanol production units that enjoy flexibility in terms of controlling their production mix will opt to direct their production to sugar, given the higher prices for this product.

Based on the current scenario, the São Martinho Group formed its sugar hedge positions for the 2012/13 crop year. In December 2011, our hedge positions already covered 294,300 tons of sugar at a price of USD 24.68 cents/pound. This volume represents approximately 42% of our sugar exports in the next fiscal year and approximately 60% of our exposure from sugar produced on an integrated basis, i.e., in our own fields.

## INDUSTRY OVERVIEW - ETHANOL

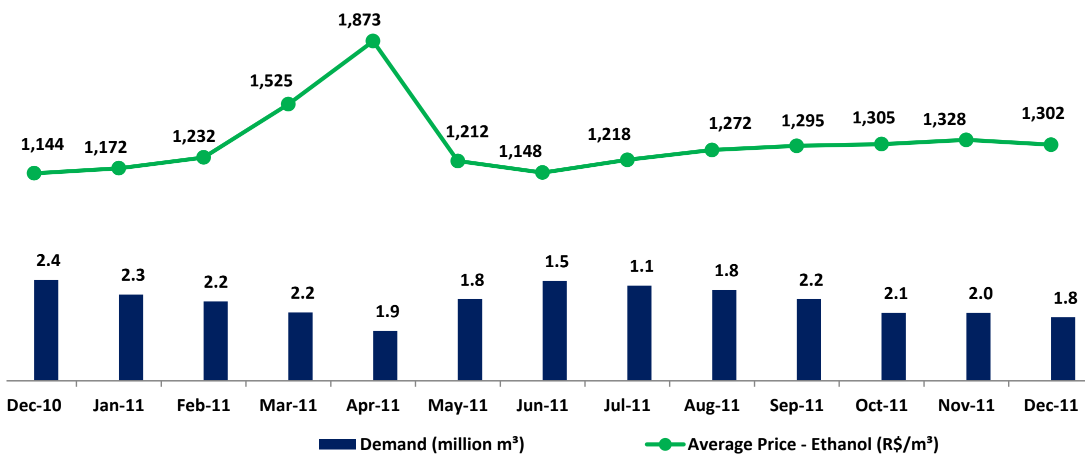
| AVERAGE PRICES - ETHANOL | 3Q12 | 3Q11 | Chg. (%) | 9M12 | 9M11 | Chg. (%) |
|---|---|---|---|---|---|---|
| Market Prices | | | | | | |
| Anhydrous ESALQ, Net DM - R$ / $m^3$ | 1,370.53 | 1,190.93 | 15.1% | 1,470.58 | 1,011.53 | 45.4% |
| Hydrous ESALQ, Net DM - R$ / $m^3$ | 1,251.62 | 1,021.71 | 22.5% | 1,204.71 | 872.21 | 38.1% |

Ethanol prices moved higher during 3Q12, in line with the increases observed during the entire 2011/12 crop year in the Center-South region of Brazil. Hydrous ethanol price rose by 22.5%, while anhydrous ethanol price increased by 15.1%. The higher prices reflected the lower supply of ethanol as a result of the crop shortfall.

Regarding the brazilian harvest, according to the latest figures from UNICA, hydrous ethanol production in the quarter contracted sharply by 29.3% in relation to the same period of the previous crop year. However, anhydrous ethanol production expanded by 6.3% in relation to the same period of the previous crop year. Bear in mind that even with the growth in anhydrous ethanol production, there was a shortage of ethanol during the 2011/12 crop year, which pressured ethanol prices over the entire period and forced some producers to import the product.

The ethanol imports were made primarily during 3Q12 in order to (i) supply domestic demand for the product and (ii) stabilize ethanol prices.

As for the international scenario for ethanol, with the expiration and failure to renew of import tariff on ethanol and of subsidies for U.S. producers, brazilian producers are envisaging a very promising scenario for the near future. We believe that with oil prices hovering around USD 100/barrel and the USD/BRL exchange rate above R$ 1.80, Brazil's ethanol exports become competitive.



## FINANCIAL PERFORMANCE

| NET REVENUE BREAKDOWN | 3Q12 | 3Q11 | Chg. (%) | 9M12 | 9M11 | Chg. (%) |
|---|---|---|---|---|---|---|
| R$ Thousand | | | | | | |
| **Domestic Market** | **172,933** | **182,806** | **-5.4%** | **436,783** | **403,605** | **8.2%** |
| Sugar | 19,946 | 13,687 | 45.7% | 44,363 | 33,050 | 34.2% |
| Hydrous Ethanol | 55,192 | 80,762 | -31.7% | 145,177 | 172,596 | -15.9% |
| Anhydrous Ethanol | 78,980 | 73,124 | 8.0% | 179,543 | 141,724 | 26.7% |
| Energy | 8,722 | 6,916 | 26.1% | 22,967 | 23,182 | -0.9% |
| Other | 10,094 | 8,317 | 21.4% | 44,733 | 33,055 | 35.3% |
| **Export Market** | **207,515** | **207,479** | **0.0%** | **670,734** | **610,882** | **9.8%** |
| Sugar | 170,779 | 183,216 | -6.8% | 616,379 | 554,639 | 11.1% |
| Hydrous Ethanol | 21,503 | 10,611 | 102.7% | 30,181 | 20,944 | 44.1% |
| Anhydrous Ethanol | 10,454 | 8,456 | 23.6% | 10,454 | 25,361 | -58.8% |
| RNA | 4,780 | 5,197 | -8.0% | 13,720 | 9,937 | 38.1% |
| **Net Revenue** | **380,448** | **390,285** | **-2.5%** | **1,107,518** | **1,014,488** | **9.2%** |
| Sugar | 190,724 | 196,902 | -3.1% | 660,742 | 587,689 | 12.4% |
| Hydrous Ethanol | 76,695 | 91,373 | -16.1% | 175,358 | 193,539 | -9.4% |
| Anhydrous Ethanol | 89,434 | 81,580 | 9.6% | 189,997 | 167,085 | 13.7% |
| Energy | 8,722 | 6,916 | 26.1% | 22,967 | 23,182 | -0.9% |
| Other | 14,874 | 13,514 | 10.1% | 58,454 | 42,992 | 36.0% |

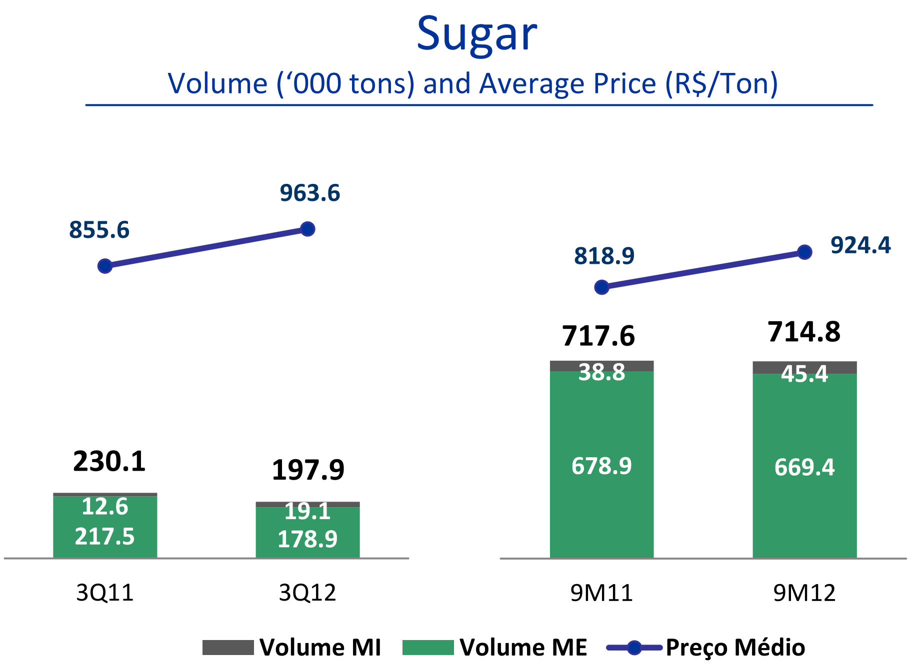
### *Net Revenue*

The Net Revenue of the São Martinho Group in the quarter declined by 2.5% in relation to 3Q11, reflecting the reduction of 33.7% in hydrous ethanol sales volume in the period, despite the increase of 26.5% in the product's average sales price.

In the year to date in relation to 9M11, Net Revenue grew by 9.2%, driven by higher sugar and ethanol prices, which offset the 12.8% drop in sales volume in the period (based on TRS volume sold).

It is important to note that the composition of Net Revenue includes the consolidated data for the São Martinho Group. The partial consolidation of Santa Cruz increased by R$ 9.0 million the Net Revenue result for 3Q12 and consequently also for the year-to-date period (9M12).

## *Sugar*

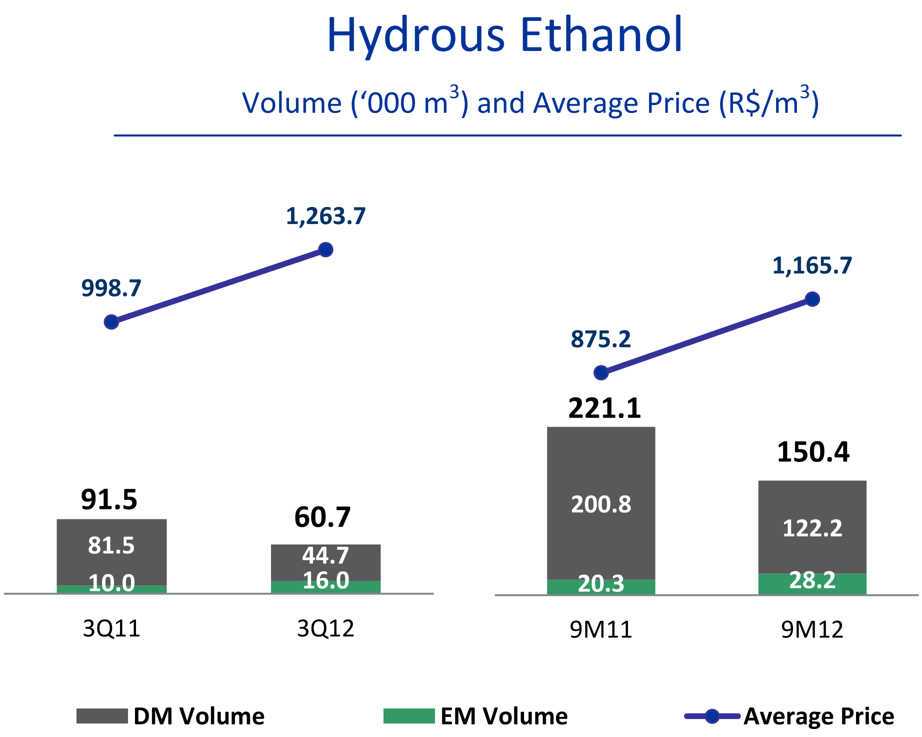



Net Revenue from sugar sales came to R$ 190.7 million in 3Q12, for a reduction of 3.1% from the same period of the previous crop year. This result is basically explained by the reduction of 14.0% in sugar sales volume in the period, despite the increase of 12.6% in the average sugar sales price.

The average price of the sugar exported stood at 24.07 cents/pound in the quarter, which represents an increase of 6.8% from the sales price of USD 22.53 cents/pound in 3Q11. The lower sales volume was directly linked to the lower production as a result of the crop shortfall.

In 9M12, net revenue from sugar sales came to R$ 660.7 million, up 12.4% in relation to the same period of the previous crop year, reflecting the increase of 12.9% in the sugar sales price.

### *Ethanol*



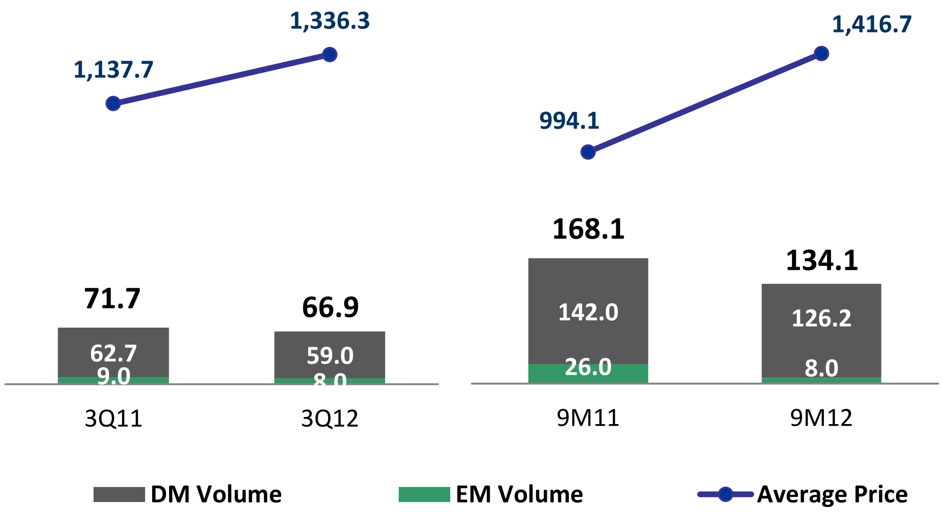

Net Revenue from hydrous ethanol sales came to R$ 76.7 million in 3Q12, down 16.1% from the same period of the previous crop year. The main impact came from the 33.7% drop in sales volume to 60,700 m³, which was not offset by the increase in the average sales price of 26.5% to R$ 1,263.7/m³.

The lower volume of hydrous ethanol sales in 3Q12 is related to the lower production this crop year (as described earlier). In addition, with the conclusion of the operation with Petrobrás Biocombustível S.A., we began to consolidate 50.95% of the revenue from Usina Boa Vista S.A. (Usina Boa Vista), which represented a proportional drop of 15,600 m³ in the reported volume of hydrous ethanol sales in 3Q12.

To date in the crop year (9M12), net revenue from hydrous ethanol sales came to R$ 175.4 million in 3Q12, or 9.4% lower than in the same period of the previous crop year. This reduction was due to the 32.0% drop in sales volume, which was partially offset by the increase of 33.2% in the average sales price in the period to R$ 1,165.7/m³.

## Anhydrous Ethanol

Volume ('000 $m^3$) and Average Price (R$/$m^3$)




Net revenue from anhydrous ethanol sales in 3Q12 increased by 9.6% to R$ 89.4 million. In spite of the reduction of 6.7% in sales volume in the quarter to R$ 66.9 million, the average sales price in the period increased by 17.5% to R$ 1,336.3.

The lower anhydrous ethanol sales were due to the same reasons described in the "Hydrous Ethanol" section.

In addition, due to the partial consolidation of 50.95% of the revenue from Usina Boa Vista, the volume of anhydrous ethanol sales reported in 3Q12 registered a proportional drop of 12,400 $m^3$.

In 9M12, net revenue from anhydrous ethanol sales totaled R$ 190.0 million, for a reduction of 13.7% from 9M11. Despite the drop of 20.2% in anhydrous ethanol sales volume in 9M12, the average sales price registered a sharp increase of 42.5% to R$ 1,416.7 in the period.

### Electricity

Net revenue from electricity sales increased by 26.1% (R$ 8.7 million) in 3Q12 in relation to the year-ago period. Even though the average sales price decreased by 20.1% in the quarter, electricity sales volume grew by 57.8% in the quarter to 78,900 MWh, which more than offset the lower price. The growth in the volume of cogen exports was basically due to the cogeneration at Usina Boa Vista, in line with the plant's expansion project detailed earlier.

In 9M12, net revenue from power sales was R$ 23.0 million in 3Q12, for a reduction of 0.9% from the same period of the previous crop year. Despite the reduction of 9.9% in the average electricity sales price (R$ 118.0/MWh) in 9M12, sales volume grew by 9.9% to 194,700 MWh.

### Other Products and Services

Net revenue from the "Other Products and Services" line totaled R$ 14.9 million in 3Q12, increasing by 10.1% from the year-ago period. Although RNA sales volume contracted by 14.4% in 3Q12, the product's average sales price increased by 7.5%.

## INVENTORIES

| INVENTORIES | 3Q12 | 3Q11 | Chg. (%) |
|---|---|---|---|
| Sugar (tons) | 134,419 | 177,515 | -24.3% |
| Hydrous ($m^3$) | 57,546 | 84,998 | -32.3% |
| Anhydrous ($m^3$) | 89,025 | 91,989 | -3.2% |

Sugar and ethanol inventories declined in the quarter, reflecting the lower volume of sugarcane processed and the subsequent drop in production. As mentioned earlier, this reduction is explained by the crop shortfall in Brazil's Center-South region, which was caused by atypical weather factors.

In the case of ethanol, the reduction was sharper in the level of hydrous inventories, given the strategy of the São Martinho Group of prioritizing sugar and anhydrous ethanol in its production mix, which are products with higher profit margins.

In addition, due to the consolidation of 50.95% of Usina Boa Vista in the results, hydrous and anhydrous inventories were reduced in the period by 14,000 $m^3$ and 19,100 $m^3$, respectively.

With the partial consolidation of Santa Cruz (32.18%), our inventories increased by 16,300 tons of sugar, 3,400 $m^3$ of hydrous ethanol and 8,200 $m^3$ of anhydrous ethanol.

## EBITDA AND EBITDA COST BY PRODUCT

| EBITDA BY PRODUCT - 3Q12 | SUGAR | ETHANOL | OTHER | TOTAL |
|---|---|---|---|---|
| R$ Thousand | | | | |
| Net Revenues | 190,724 | 166,128 | 23,596 | 380,448 |
| COGS (Cash) | (74,041) | (96,680) | (16,160) | (186,884) |
| Gross Profit (Cash) | 116,683 | 69,448 | 7,436 | 193,567 |
| Gross Margin (Cash) | 61.2% | 41.8% | 31.5% | 50.9% |
| Sales Expenses | (10,641) | (2,504) | (974) | (14,119) |
| G&A Expenses (Cash) | (11,674) | (12,408) | (2,676) | (26,758) |
| Other Revenues (Expenses) | - | - | 1,514 | 1,514 |
| **Adjusted EBITDA** | **94,367** | **54,536** | **5,300** | **154,203** |
| **Adjusted EBITDA Margin** | **49.5%** | **32.8%** | **22.5%** | **40.5%** |
| **EBITDA Cost (*)** | **486.8** | **874.4** | **-** | **-** |

*(*) Sugar in R$/Ton*
*Ethanol in R$/m* $^3$

| EBITDA BY PRODUCT - 3Q11 | SUGAR | ETHANOL | OTHER | TOTAL |
|---|---|---|---|---|
| R$ Thousand | | | | |
| Net Revenues | 196,902 | 172,954 | 20,429 | 390,285 |
| COGS (Cash) | (72,419) | (71,762) | (13,806) | (157,986) |
| Gross Profit (Cash) | 124,483 | 101,192 | 6,623 | 232,299 |
| Gross Margin (Cash) | 63.2% | 58.5% | 32.4% | 59.5% |
| Sales Expenses | (14,920) | (3,149) | (3) | (18,072) |
| G&A Expenses (Cash) | (9,795) | (11,408) | (2,356) | (23,558) |
| Other Revenues (Expenses) | - | - | 853 | 853 |
| **Adjusted EBITDA** | **99,769** | **86,635** | **5,118** | **191,522** |
| **Adjusted EBITDA Margin** | **50.7%** | **50.1%** | **25.1%** | **49.1%** |
| **EBITDA Cost (*)** | **422.1** | **528.9** | **-** | **-** |

*(*) Sugar in R$/Ton*
*Ethanol in R$/m* $^3$

| EBITDA BY PRODUCT - 9M12 | SUGAR | ETHANOL | OTHER | TOTAL |
|---|---|---|---|---|
| R$ Thousand | | | | |
| Net Revenues | 660,742 | 365,355 | 81,421 | 1,107,518 |
| COGS (Cash) | (275,028) | (188,402) | (60,038) | (523,467) |
| Gross Profit (Cash) | 385,714 | 176,953 | 21,383 | 584,051 |
| Gross Margin (Cash) | 58.4% | 48.4% | 26.3% | 52.7% |
| Sales Expenses | (39,185) | (4,836) | (2,215) | (46,236) |
| G&A Expenses (Cash) | (44,583) | (29,190) | (8,197) | (81,970) |
| Other Revenues (Expenses) | - | - | 8,526 | 8,526 |
| **Adjusted EBITDA** | **301,946** | **142,927** | **19,497** | **464,371** |
| **Adjusted EBITDA Margin** | **45.7%** | **39.1%** | **23.9%** | **41.9%** |
| **EBITDA Cost (*)** | **502.0** | **781.7** | **-** | **-** |

*(*) Sugar in R$/Ton*
*Ethanol in R$/m* $^3$

| EBITDA BY PRODUCT - 9M11 | SUGAR | ETHANOL | OTHER | TOTAL |
|---|---|---|---|---|
| R$ Thousand | | | | |
| Net Revenues | 587,689 | 360,624 | 66,175 | 1,014,488 |
| COGS (Cash) | (207,795) | (157,132) | (43,323) | (408,250) |
| Gross Profit (Cash) | 379,894 | 203,492 | 22,852 | 606,238 |
| Gross Margin (Cash) | 64.6% | 56.4% | 34.5% | 59.8% |
| Sales Expenses | (41,826) | (8,894) | (107) | (50,826) |
| G&A Expenses (Cash) | (36,106) | (32,152) | (7,584) | (75,842) |
| Other Revenues (Expenses) | - | - | 2,355 | 2,355 |
| **Adjusted EBITDA** | **301,962** | **162,446** | **17,517** | **481,926** |
| **Adjusted EBITDA Margin** | **51.4%** | **45.0%** | **26.5%** | **47.5%** |
| **EBITDA Cost (*)** | **398.1** | **509.2** | **-** | **-** |

*(*) Sugar in R$/Ton*
*Ethanol in R$/m³*

In 3Q12, sugar accounted for 61.2% of the São Martinho Group's consolidated EBITDA, while ethanol and other products accounted for 35.4% and 3.4%, respectively. Sugar EBITDA margin stood at 49.5% in the quarter, compressing 1.2 percentage points from 3Q11, which is explained by the increase of 15.3% in sugar EBITDA costs as a result of the lower utilization of crushing capacity and the consequent lower dilution of fixed costs.

In the case of ethanol, the EBITDA cost was R$ 874.4/m³ in 3Q12, or 65.3% higher than in 3Q11, due to the drop of 21% in ethanol production, which adversely affected the dilution of the product's fixed costs (the same effect described above regarding the variation in sugar cost).

In 9M12, sugar accounted for 65.0% of the São Martinho Group's consolidated EBITDA, while ethanol and other products accounted for 30.8% and 4.2%, respectively. Sugar EBITDA margin compressed by 5.7 p.p. in relation to 9M11, due to the 26.1% increase in the sugar EBITDA cost.

In the case of ethanol, the EBITDA cost was R$ 781.7/m³ in 9M12, or 53.5% higher than in 9M11.

In 9M11, the increases in the EBITDA costs of both sugar and ethanol were due to (i) the increase of some 33.8% in the Consecana price, which impacted costs with suppliers and leasing; and (ii) the higher unit production costs caused by the lower capacity utilization, since the volume and quality of the sugarcane processed was 12.7% lower than in the previous harvest.

Note that the São Martinho Group's EBITDA cost already excludes the depreciation (COGS/G&A) and adjustments to biological assets in the period.

## COST OF GOODS SOLD

| BREAKDOWN OF COGS - CASH | 3Q12 | 3Q11 | Chg. (%) | 9M12 | 9M11 | Chg. (%) |
|---|---|---|---|---|---|---|
| R$ '000 | | | | | | |
| Agricultural Costs | 126,280 | 129,562 | -2.5% | 383,876 | 325,348 | 18.0% |
| Suppliers | 63,273 | 69,860 | -9.4% | 206,077 | 178,675 | 15.3% |
| Partnerships | 18,239 | 19,705 | -7.4% | 54,360 | 44,776 | 21.4% |
| Own Sugarcane | 44,768 | 39,997 | 11.9% | 123,440 | 101,897 | 21.1% |
| Industrial | 24,843 | 17,462 | 42.3% | 61,494 | 47,106 | 30.5% |
| Other Products | 35,761 | 10,962 | 226.2% | 78,097 | 35,796 | 118.2% |
| **Total COGS** | **186,884** | **157,986** | **18.3%** | **523,467** | **408,250** | **28.2%** |
| TRS Sold ('000 Tons) | 429 | 523 | -18.0% | 1,241 | 1,424 | -12.8% |
| Unit Cost (Sugar and Ethanol Cash COGS / TRS Sold) | 353 | 281 | 25.4% | 359 | 262 | 37.2% |

In 3Q12, Cash COGS was R$ 186.9 million, for growth of 18.3% in relation to 3Q11.

Despite the increase of approximately 23.8% in the Consecana price in 3Q12, our costs with "Suppliers" and "Partners" declined, given the lower volume of sugarcane processed and consequently the lower amounts of sugar and ethanol available for sale in the period in relation to 3Q11. The lower exposure to the Consecana price offset the lower dilution of costs in the quarter.

On the other hand, our industrial costs increased by 42.3%, due to the lower dilution of costs in the quarter as a result of the factors cited above. As for the line "Other Products", the sharp increase of 226.2% in these costs were driven by the imports of anhydrous ethanol in the quarter.

In 9M12, Cash COGS increased by 28.2% in relation to 9M11, to R$ 523.5 million. The main reason for the higher costs were (i) the increase in the Consecana price of 33.8% in the period in relation to 9M11 (ii) the lower volume of sugar and ethanol sales, which led to the lower dilution of costs and (iii) the imports of anhydrous ethanol in 3Q12.

The partial consolidation of Santa Cruz led to an increase of R$ 3.8 million in COGS in 3Q12 and consequently in the year-to-date period (9M12) as well.

## SELLING EXPENSES

| SELLING EXPENSES | 3Q12 | 3Q11 | Chg. (%) | 9M12 | 9M11 | Chg. (%) |
|---|---|---|---|---|---|---|
| R$ '000 | | | | | | |
| Port Costs | 1,841 | 2,915 | -36.8% | 5,874 | 5,756 | 2.1% |
| Freight | 10,695 | 15,001 | -28.7% | 37,385 | 43,437 | -13.9% |
| Sales Commission | 652 | 156 | 316.9% | 845 | 1,386 | -39.0% |
| Other | 931 | - | n.m. | 2,131 | 247 | 761.6% |
| **Selling Expenses** | **14,119** | **18,072** | **-21.9%** | **46,236** | **50,826** | **-9.0%** |
| TRS Sold ('000 Tons) | 429 | 523 | -18.0% | 1,241 | 1,424 | -12.8% |
| % of Net Revenues | 3.7% | 4.6% | -0.9 p.p. | 4.2% | 5.0% | -0.8 p.p. |

In 3Q12, selling expenses came to R$ 14.1 million, or 21.9% lower than in 3Q11. This reduction in expenses was driven by (i) the 36.8% drop in port costs due to the lower volume of sugar exports, and (ii) the 28.7% decline in expenses related with freight due to the lower volume of sugar and ethanol sales in the period.

In 9M12, selling expenses totaled R$ 46.2 million, for a reduction of 9.0% in the period, impacted primarily by the reduction of 13.9% in freight expenses due to the lower sales volume in relation to 9M11.

The partial consolidation of Santa Cruz led to an increase of R$ 409,000 in selling expenses in 3Q12 and consequently in 9M12 as well.

## GENERAL AND ADMINISTRATIVE EXPENSES

| G&A EXPENSES (CASH) | 3Q12 | 3Q11 | Chg. (%) | 9M12 | 9M11 | Chg. (%) |
|---|---|---|---|---|---|---|
| R$ '000 | | | | | | |
| Personnel | 8,749 | 10,428 | -16.1% | 28,784 | 27,321 | 5.4% |
| Taxes, Fees and Contributions | 2,139 | 4,433 | -51.7% | 8,132 | 10,186 | -20.2% |
| Provisions for Contingencies | 4,349 | (1,312) | n.m. | 14,299 | 7,912 | 80.7% |
| General Expenses and Third-Party Services | 9,080 | 5,886 | 54.3% | 19,057 | 16,183 | 17.8% |
| Management Fee | 2,440 | 4,122 | -40.8% | 8,375 | 8,341 | 0.4% |
| **Total Recurring General and Administrative Expenses** | **26,758** | **23,558** | **13.6%** | **78,648** | **69,942** | **12.4%** |
| Non-recurring Items | - | - | n.m. | 3,322 | 5,900 | -43.7% |
| **Total General and Administrative Expenses** | **26,758** | **23,558** | **13.6%** | **81,970** | **75,842** | **8.1%** |

G&A expenses totaled R$ 26.8 million in the quarter, for an increase of 13.6% in relation to 3Q11. The higher G&A expenses were due to (i) the increase in the line expenses with "Provisions for Contingencies", due to the higher volume of labor lawsuits; and (ii) the increase of 54.3% in the line "General Expenses and Third-Party Services".

In 9M12, G&A expenses totaled R$ 78.6 million, representing an increase of 12.4% in relation to 9M11. The increase was due to the same reasons cited above.

In addition, in 9M12, G&A expenses suffered impacts from non-recurring items of some R$ 3.3 million related to the provision for labor contingencies due to the winding up of Usina Santa Luiza (which was acquired by the São Martinho Group in 2007). Since the company's operations are now terminated, we expect these labor claims to diminish considerably in the coming quarters.

In 9M11, G&A expenses were impacted by non-recurring expenses of approximately R$ 5.9 million related to the disposal of a portion of Usina Boa Vista to Petrobrás Biocombustível S.A.

The consolidation of Santa Cruz led to an increase of R$ 603,000 in G&A expenses in 3Q12 and consequently in 9M12 as well.

# EBITDA

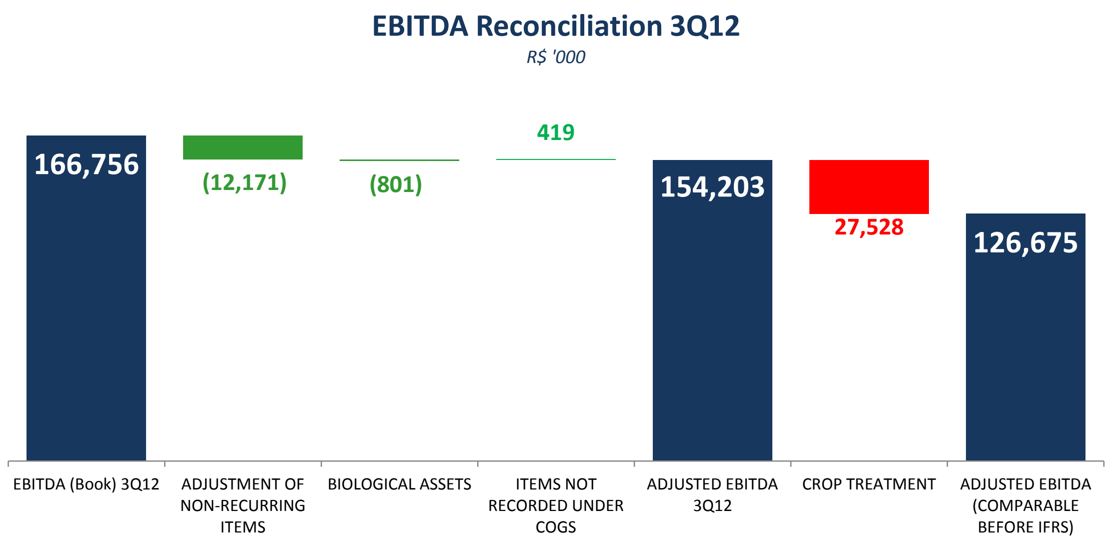
| EBITDA RECONCILIATION | 3Q12 | 3Q11 | Chg. (%) | 9M12 | 9M11 | Chg. (%) |
|---|---|---|---|---|---|---|
| R$ Thousand | | | | | | |
| **Adjusted EBITDA** | **154,203** | **191,522** | **-19.5%** | **464,371** | **481,926** | **-3.6%** |
| Adjusted EBITDA Margin | 40.5% | 49.1% | -8.5 p.p. | 41.9% | 47.5% | -5.6 p.p. |
| Non Recurring Operating Revenues (Expenses) | (12,171) | (13,552) | -10.2% | (10,217) | (14,374) | -28.9% |
| Biological Assets | (801) | 10,248 | n.m. | (28,232) | 27,352 | n.m. |
| Non Cash Items Launched in the COGS | 419 | 1,009 | -58.5% | 419 | 2,201 | -81.0% |
| **EBITDA** | **166,756** | **193,817** | **-14.0%** | **502,402** | **466,748** | **7.6%** |
| EBITDA Margin | 43.8% | 49.7% | -5.8 p.p. | 45.4% | 46.0% | -0.6 p.p. |
| (-) Depreciation and Amortization | (96,820) | (97,027) | -0.2% | (270,934) | (258,776) | 4.7% |
| (-) Financial Revenue (Expense), net | (16,437) | (11,411) | 44.0% | (51,056) | (32,507) | 57.1% |
| (-) Equity Income | 2,365 | - | n.m. | (418) | - | n.m. |
| (=) Operating Income | 55,864 | 85,379 | -34.6% | 179,994 | 175,466 | 2.6% |

## Adjusted EBITDA

The São Martinho Group recorded Adjusted EBITDA of R$ 154.2 million (adjusted EBITDA margin of 40.5%), down 19.5% from 3Q11. In the year to date (9M12), Adjusted EBITDA was R$ 464.4 million, down 3.6% from 9M11 (adjusted EBITDA margin of 41.9%). The main reason for the reduction in EBITDA in 3Q12 and 9M12 was the lower production volume and subsequent drop in sugar and ethanol sales volumes in the 2011/12 crop year. The drop in production was due to the shortfall in the sugarcane harvest in the entire Center-South region of Brazil, and consequently at the mills of the São Martinho Group.

## Reconciliation of EBITDA to Adjusted EBITDA

**Composition of Adjustments in 3Q12**



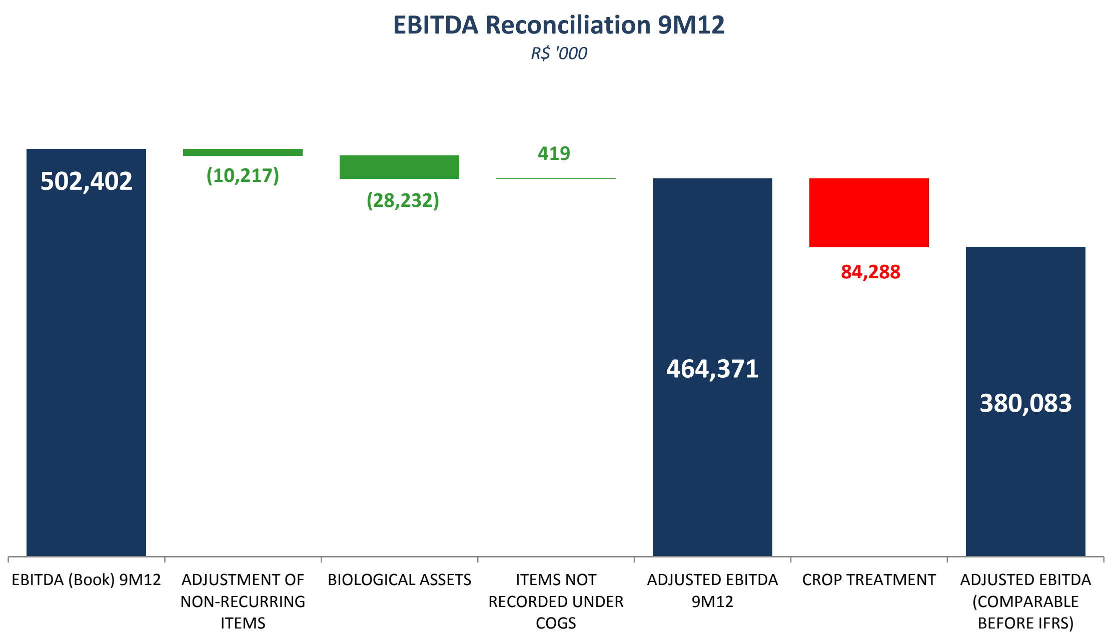

The main adjustments impacting the EBITDA calculation in 3Q12 are detailed below:

1) **Adjustments for non-recurring items (- R$ 12.2 million):** The main impact is related to the gain from the change in the percentage of the controlling interest in Usina Boa Vista, which was due to the fact that with the second

injection made in November 11 by Petrobras Biocombustível (Pbio) at Nova Fronteira, the issue price of the shares exceeded their book value on December 31, 2011.

2) **Adjustments to Biological Assets (- R$ 801,000):** The company's biological assets are now measured at fair value using the discounted cash flow method. Considering that this is an accounting adjustment and therefore does not impact our cash flow, we opted to exclude it to provide a better measure of our adjusted EBITDA. Despite the better sugar and ethanol prices in the period, ethanol and sugar production costs were higher than in 3Q11, which resulted in a negative impact of R$ 801,000 on our net income.

**Composition of Adjustments in 9M12**



## HEDGING

### U.S. Dollar

On December 31, 2011, the São Martinho Group held a short position in USD currency futures through non-deliverable forwards (NDFs) with maturities through the 2015/16 crop year, as follows:

| Maturity | US$ thousand | Average price (R$/USD) |
|---|---|---|
| **US Dollar** | | |
| 2011/2012 Crop Year | 75,325 | 1.7061 |
| 2012/2013 Crop Year | 150,881 | 1.8501 |
| 2013/2014 Crop Year | 14,880 | 2.0296 |
| 2014/2015 Crop Year | 14,880 | 2.1608 |
| 2015/2016 Crop Year | 14,880 | 2.2955 |
| | **270,846** | **1.8615** |

### Sugar

On December 31, 2011, the São Martinho Group held positions in derivatives and prices fixed with clients and in the futures market in the following amounts:

| Maturity | Volume (Tons) | Average Price (R$/USD) |
|---|---|---|
| **Sugar** | | |
| 2011/2012 Harvest | 97,900 | 25.30 |
| 2012/2013 Harvest | 294,300 | 24.68 |
| | **392,200** | **24.83** |

The volume of sugar with prices hedged related to the 2011/2012 crop year corresponds to approximately 83.0% of the sugar available for sale in the crop year (118,000 tons).

The volume hedged related to the 2012/13 crop year corresponds to approximately 42.0% of the potential volume of sugar exports in that crop year.

**Hedge Accounting** – In March 2010, inclusive, the Company began adopting hedge accounting for derivatives designated as hedge instruments, with their potential results recorded in equity ("Adjustments to book value"), net of deferred income tax and social contribution tax (potential loss of R$ 18.4 million in December 2011).

## NET FINANCIAL RESULT

| FINANCIAL RESULT | 3Q12 | 3Q11 | Chg. (%) | 9M12 | 9M11 | Chg. (%) |
|---|---|---|---|---|---|---|
| R$ Thousand | | | | | | |
| Financial Revenues | 7,988 | 7,005 | 14.0% | 33,913 | 15,002 | 126.1% |
| Financial Expenses | (12,317) | (15,354) | -19.8% | (45,485) | (53,884) | -15.6% |
| Hedge Result | 1,327 | (5,097) | -126.0% | (7,216) | (11,023) | -34.5% |
| Exchange Variation | (5,268) | 3,532 | n.m. | (17,911) | 21,686 | n.m. |
| Copersucar Monetary Variation | (2,791) | (1,496) | 86.6% | (8,982) | (4,288) | 109.5% |
| **Net Financial Result - SMTO** | **(11,060)** | **(11,411)** | **-3.1%** | **(45,680)** | **(32,507)** | **40.5%** |
| Financial Result - Santa Cruz | (5,376) | - | n.m. | (5,376) | - | n.m. |
| **Net Financial Result - CONSOLIDATED** | **(16,437)** | **(11,411)** | **44.0%** | **(51,056)** | **(32,507)** | **57.1%** |

The São Martinho Group registered a net financial expense of R$ 16.4 million in 3Q12, which represents an increase of 44.0% from 3Q11.

The main negative impact came from the partial consolidation of Santa Cruz due to increases in currency translation losses and financial expenses, which led to an increase in expenses of R$ 5.4 million in the consolidated net financial result.

Note that we began consolidating the balance sheet of Santa Cruz in December 2011 (a month in which the BRL devalued by 8% against the USD). As a result, the negative variation arising from our foreign-denominated debt was recorded in our results. Considering the current parity of the USD/BRL, we expect to reverse a portion of this variation in the coming quarter. It is important to note that Santa Cruz doesn´t adopt hedge accounting.

In the year to date (9M12), our net financial expense increased by 57.1% to R$ 51.1 million. The main impact in the period came from the currency translation line, which was impacted by the devaluation of the BRL against the USD and by the consolidation of Santa Cruz, as described in the impacts in 3Q12.

## OPERATING WORKING CAPITAL

| OPERATING WORKING CAPITAL | 3Q11 | 2Q12 | 3Q12 | 3Q12 x 2Q12 | 3Q12 x 3Q11 |
|---|---|---|---|---|---|
| R$ Thousand | | | | | |
| **ASSETS** | **577,831** | **547,542** | **486,200** | **61,342** | **91,631** |
| Accounts Receivable | 77,082 | 62,490 | 63,686 | (1,196) | 13,396 |
| Inventories | 456,434 | 443,851 | 384,006 | 59,845 | 72,428 |
| Tax receivable | 44,315 | 41,201 | 38,508 | 2,693 | 5,807 |
| **LIABILITIES** | **188,987** | **237,227** | **177,612** | **(59,615)** | **(11,375)** |
| Suppliers | 131,681 | 168,054 | 122,309 | (45,745) | (9,372) |
| Payroll and social contribution | 37,654 | 53,698 | 41,228 | (12,470) | 3,574 |
| Tax payable | 19,652 | 15,475 | 14,075 | (1,400) | (5,577) |
| **WORKING CAPITAL** | **388,844** | **310,315** | **308,588** | **1,727** | **80,256** |

In 3Q12, the São Martinho Group invested working capital of R$ 308.6 million in its operations, which represents a reduction of approximately R$ 80.3 million from 3Q11, which is basically due to the lower inventories of finished products in the period.

## NET INCOME

In 3Q12, net income was R$ 44.9 million, which represents a decrease of 35.6% from the same quarter of the previous crop year. The main reason was the lower production volume and resulting drop in sugar and ethanol sales volumes in 3Q12. The drop in production was due to the shortfall in the sugarcane harvest in the entire Center-South region of Brazil, and consequently at the mills of the São Martinho Group.

In 9M12, net income was R$ 131.5 million, which represents an increase of 0.8% from 9M11. Despite the lower sales volume in the period due to the crop shortfall, the sharp increase in the average sales prices of both sugar and ethanol made a positive contribution to our results.

## DEBT WITH COPERSUCAR

On December 31, 2011, the São Martinho Group recognized on its balance sheet debt of R$ 226.7 million with Copersucar. In view of the terms negotiated in the process to terminate the membership at Copersucar, we will continue to book under "Obligations - Copersucar" all liabilities related to the contingencies currently being resolved judicially that were filed by legal counsel at Copersucar. These obligations continue to be secured by suretyships in the amount of R$ 187.5 million on a consolidated basis.

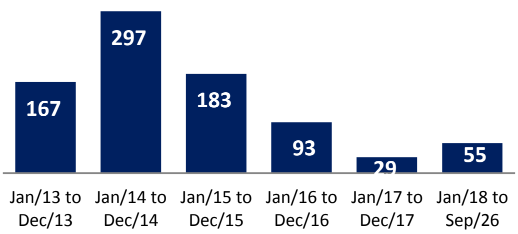
## INDEBTEDNESS

| DEBT | Dec-11 | Mar-11 | Chg. (%) |
|---|---|---|---|
| R$ Thousand | | | |
| PESA | 71,008 | 76,438 | -7.1% |
| Rural Credit | 23,049 | 25,721 | -10.4% |
| BNDES / FINAME | 347,693 | 358,540 | -3.0% |
| Working Capital | 106,792 | - | n.m. |
| ACC (Advances on Foreign Exchange Contracts) | 56,484 | 4,983 | 1033.5% |
| PPE (Export prepayment) | 471,817 | 245,527 | 92.2% |
| Others | 314 | 484 | -35.1% |
| Obligations from Santa Cruz | 110,437 | | |
| **Gross Debt** | **1,187,594** | **711,693** | **66.9%** |
| Cash and Cash Equivalents | 454,536 | 225,067 | 102.0% |
| **Net Debt** | **733,058** | **486,626** | **50.6%** |
| (+) Proportional Net Debt at Santa Cruz | 179,756 | | |
| **Consolidated Net Debt** | **912,814** | | |
| Net Debt / Acum. EBITDA | 1.5 x | 0.8 x | |

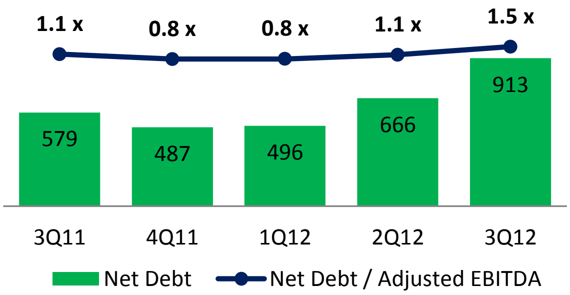
The São Martinho Group's debt stood at R$ 912.8 million in December 2011, which represents an increase of 87.6% (R$ 486.6 million) from March 2011. The main factor contributing to the increase in the group's debt in the period was the partial acquisition (32.18% interest) of Santa Cruz S.A. In addition to the R$ 170.0 million used for the partial acquisition of Santa Cruz, we assumed our interest of the debt held by Santa Cruz, whose net debt totaled R$179.8 million.

Furthermore, as announced in the previous quarter, on Nov. 11, 2011, Petrobrás Biocombustível S.A. effected the second portion of its injection at Nova Fronteira Bioenergia S.A. in the amount of R$ 163 million plus the inflation accrued in the last 12 months. As a result, this quarter the consolidated financial statements of São Martinho S.A. already consolidate 50.95% of Nova Fronteira Bioenergia S.A. (62.89% in October 2011 and 50.95% in November 2011 and December 2011).

**Amortization Schedule**
R$ million




**Net Debt / EBITDA LTM**




## CAPEX

| SÃO MARTINHO - CONSOLIDATED | 3Q12 | 3Q11 | Chg. (%) | 9M12 | 9M11 | Chg. (%) |
|---|---|---|---|---|---|---|
| Capex (maintenance) | | | | | | |
| Sugarcane Planting | 24,747 | 19,447 | 27.3% | 56,615 | 48,354 | 17.1% |
| Industrial / Agricultural | 31,998 | 28,738 | 11.3% | 52,319 | 44,221 | 18.3% |
| Crop Tretament | 50,641 | 30,626 | 65.4% | 123,906 | 89,523 | 38.4% |
| **Sub Total** | **107,385** | **78,811** | **36.3%** | **232,840** | **182,098** | **27.9%** |
| Upgrading, Mechanization and Expansion | | | | | | |
| Industrial / Agricultural | 49,465 | 12,909 | 283.2% | 121,797 | 22,945 | 430.8% |
| Other | - | - | n.m. | - | 387 | n.m. |
| **Sub Total** | **49,465** | **12,909** | **283.2%** | **121,797** | **23,332** | **422.0%** |
| Boa Vista Mill (Greenfield) | | | | | | |
| Sugarcane Planting | 13,819 | 13,693 | 0.9% | 43,172 | 40,470 | 6.7% |
| Industrial / Agricultural | 6,388 | 29,208 | -78.1% | 18,663 | 61,934 | -69.9% |
| **Sub Total** | **20,208** | **42,901** | **-52.9%** | **61,835** | **102,403** | **-39.6%** |
| **Total** | **177,058** | **134,622** | **31.5%** | **416,472** | **307,833** | **35.3%** |

In 3Q12, investments grew by 31.5% in relation to 3Q11, mainly due to the increase of R$ 49.5 million in investments in modernization. This increase reflects the investments in

(i) the cogeneration project at the São Martinho Mill and (ii) expansion of the sugar distribution terminal at the São Martinho Mill (Rumo Agreement).

In addition, investments in crop treatment increased 65.4% in the quarter to R$ 50.6 million, due to (i) the expansion of planted areas and (ii) the higher prices of the agricultural products used for crop treatment.

The partial consolidation of Santa Cruz led to an increase of R$ 7.5 million in our capex in 3Q12 and consequently in 9M12 as well.

## DISCLAIMER

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

## ABOUT SÃO MARTINHO GROUP

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

# INCOME STATEMENT

| SÃO MARTINHO S.A. - CONSOLIDATED | 3Q12 | 3Q11 | Chg. (%) | 9M12 | 9M10 | Chg. (%) |
|---|---|---|---|---|---|---|
| R$ Thousand | | | | | | |
| Gross Revenue | 402,356 | 417,645 | -3.7% | 1,167,566 | 1,079,163 | 8.2% |
| Deductions from Gross Revenue | (21,908) | (27,360) | -19.9% | (60,048) | (64,675) | -7.2% |
| **Net Revenue** | **380,448** | **390,285** | **-2.5%** | **1,107,518** | **1,014,488** | **9.2%** |
| Cost of Goods Sold (COGS) | (281,794) | (264,580) | 6.5% | (758,453) | (691,389) | 9.7% |
| **Gross Profit** | **98,654** | **125,705** | **-21.5%** | **349,065** | **323,099** | **8.0%** |
| Gross Margin (%) | *25.9%* | *32.2%* | -6.3 p.p | *31.5%* | *31.8%* | -0.3 p.p |
| | | | | | | |
| **Operating Expenses** | **(26,353)** | **(28,915)** | **-8.9%** | **(118,015)** | **(115,126)** | **2.5%** |
| Selling Expenses | (14,119) | (18,072) | -21.9% | (46,236) | (50,826) | -9.0% |
| General and Administrative Expenses | (28,278) | (25,449) | 11.1% | (86,281) | (81,208) | 6.2% |
| Equity Income | 2,365 | - | n.m. | (418) | - | n.m. |
| Other Operating Expenses, Net | 13,679 | 14,606 | -6.3% | 14,920 | 16,908 | -11.8% |
| | | | | | | |
| **Operating Profit, Before Financial Effects** | **72,301** | **96,790** | **-25.3%** | **231,050** | **207,973** | **11.1%** |
| | | | | | | |
| **Financial Result, Net** | **(16,437)** | **(11,411)** | **44.0%** | **(51,056)** | **(32,507)** | **57.1%** |
| Financial Revenues | 18,166 | 11,030 | 64.7% | 58,619 | 22,417 | 161.5% |
| Financial Expenses | (21,980) | (26,020) | -15.5% | (85,597) | (76,825) | 11.4% |
| Monetary and Exchange Variations - Net | (12,623) | 3,579 | n.m. | (24,078) | 21,901 | n.m. |
| | | | | | | |
| **Income (Loss) Before Income and Social Contribution Taxes** | **55,864** | **85,379** | **-34.6%** | **179,994** | **175,466** | **2.6%** |
| Income Tax and Social Contribution - Current | 626 | (18,211) | -103.4% | (16,192) | (51,986) | -68.9% |
| Income Tax and Social Contribution - Deferred | (11,612) | 2,497 | n.m. | (32,293) | 6,933 | n.m. |
| | | | | | | |
| **Net Income (Loss) Before Minority Interest** | **44,878** | **69,665** | **-35.6%** | **131,509** | **130,413** | **0.8%** |
| | | | | | | |
| Minority Interest | - | - | n.m. | - | - | n.m. |
| | | | | | | |
| **Net Income** | **44,878** | **69,665** | **-35.6%** | **131,509** | **130,413** | **0.8%** |
| Net Margin (%) | *11.8%* | *17.8%* | -6.1 p.p | *11.9%* | *12.9%* | -1.0 p.p |

## BALANCE SHEET (ASSETS)

| SÃO MARTINHO S.A. CONSOLIDATED - ASSETS | | |
|---|---|---|
| R$ Thousand | | |
| **ASSETS** | **Dec-11** | **Mar-11** |
| **SHORT-TERM ASSETS** | | |
| Cash and Cash Equivalents | 464,102 | 225,067 |
| Accounts Receivable | 63,686 | 59,673 |
| Derivatives Financial Instruments | 31,444 | 5,967 |
| Inventories | 384,006 | 139,106 |
| Recoverable Taxes | 38,508 | 33,520 |
| Income Tax and Social Contribution | 18,833 | 5,037 |
| Other Assets | 12,993 | 5,692 |
| **TOTAL SHORT-TERM ASSETS** | **1,013,572** | **474,062** |
| **LONG-TERM ASSETS** | | |
| **Long-term Receivables** | | |
| Related Parties | 2,539 | 33 |
| Deferred Income Tax and Social Contribution | 35,105 | 43,917 |
| Accounts Receivable - Copersucar | 8,154 | 9,939 |
| Recoverable Taxes | 38,744 | 37,220 |
| Judicial Deposits | 42,954 | 32,367 |
| Other Assets | 5,236 | 7,101 |
| | **132,732** | **130,577** |
| **Investments** | 2,873 | - |
| **Biological Assets** | 548,623 | 435,532 |
| **Fixed Assets** | 3,052,817 | 2,864,761 |
| **Intangible** | 83,798 | 36,726 |
| **TOTAL LONG-TERM ASSETS** | **3,820,843** | **3,467,596** |
| **TOTAL ASSETS** | **4,834,415** | **3,941,658** |

# BALANCE SHEET (LIABILITIES)

| SÃO MARTINHO S.A. CONSOLIDATED- LIABILITIES | | |
|---|---|---|
| R$ Thousand | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | Dec-11 | Mar-11 |
| **SHORT-TERM LIABILITIES** | | |
| Loans and Financing | 308,460 | 140,982 |
| Derivatives Financial Instruments | 32,730 | 25,910 |
| Suppliers | 122,309 | 61,096 |
| Accounts Payable - Copersucar | 2,420 | 2,203 |
| Payroll and Social Contribution | 41,228 | 44,000 |
| Tax Payable | 14,075 | 20,343 |
| Income Tax and Social Contribution | 636 | 829 |
| Related Companies | 20,078 | 705 |
| Dividends Payable | - | 9,180 |
| Advances from Customers | 11,050 | 14,475 |
| Aquisition of Interest | 56,356 | - |
| Other Liabilities | 18,549 | 21,137 |
| **TOTAL SHORT-TERM LIABILITIES** | **627,891** | **340,860** |
| **LONG-TERM LIABILITIES** | | |
| Loans and Financing | 958,019 | 570,711 |
| Accounts Payable - Copersucar | 224,241 | 207,645 |
| Tax Installments | 63,061 | 55,833 |
| Deferred Income Tax and Social Contribution | 768,452 | 728,368 |
| Provision for Contingencies | 74,644 | 74,284 |
| Aquisition of Interest | 54,081 | - |
| Other Liabilities | 7,340 | 10,471 |
| **TOTAL LONG-TERM LIABILITIES** | **2,149,838** | **1,647,312** |
| **SHAREHOLDERS' EQUITY** | | |
| Capital Stock | 455,900 | 455,900 |
| Adjustments to Book Value | 1,271,437 | 1,304,969 |
| Capital Budget Reserve | 173,454 | 194,516 |
| Treasury Shares | (6,088) | (1,899) |
| Accumlated Profit | 161,983 | - |
| **TOTAL SHAREHOLDERS' EQUITY** | **2,056,686** | **1,953,486** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **4,834,415** | **3,941,658** |

## CONSOLIDATED CASH FLOW

| SÃO MARTINHO S.A. | 9M12 | 9M11 |
|---|---|---|
| R$ Thousand | | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| **Net Income in the period** | **131,509** | **130,413** |
| **Adjustments** | | |
| Depreciation and amortization | 138,919 | 112,570 |
| Biological assets harvested (depreciation) | 132,015 | 146,205 |
| Variation in fair value of biological assets | (28,232) | 27,352 |
| Residual cost of investment and property, plant and equipment disposals | 418 | - |
| Capital gain from the change in equity interest | (13,720) | (24,666) |
| Residual cost of fixed assets - write off | 1,432 | 4,390 |
| Interest, monetary and foreign exchange variations, net | 101,313 | 50,096 |
| Constitution of provision for contingencies, net | 7,165 | 1,511 |
| Deferred income tax and social contribution on net income | 32,293 | (6,933) |
| Constitution (reversal) of provision for inventory losses | (3,137) | 2,201 |
| Adjustments to present value and others | 875 | (1,238) |
| | **500,850** | **441,901** |
| **Changes in assets and liabilities** | | |
| Trade accounts receivable | (5,168) | (42,483) |
| Inventories | (146,324) | (196,871) |
| Taxes recoverable | (15,294) | 26,429 |
| Related parties | 283 | (688) |
| Other assets | (8,437) | (6,717) |
| Suppliers | 39,311 | 57,596 |
| Salaries and social charges | (6,266) | 502 |
| Taxes payable | 3,030 | 14,010 |
| Taxes payable in installments | (4,348) | 1,740 |
| Provision for contingencies | (14,297) | (14,554) |
| Other liabilities | (12,709) | 11,831 |
| **Cash provided by (used in) operations** | **330,631** | **292,696** |
| Interest paid | (26,305) | (39,528) |
| Income tax and social contribution on net income paid | (12,893) | (14,859) |
| **Net cash provided by (used in) operating activities** | **291,433** | **238,309** |
| **CASH FLOW FROM INVESTMENT ACTIVITIES** | | |
| Investments | (59,010) | 410 |
| Additions to property, plant and equipments, intangible assets and deferred charges | (184,848) | (130,180) |
| Additions to biological assets (planting and treatment) | (223,693) | (171,583) |
| Increase in cash and cash equivalents to decrease in holding - NF | 99,963 | 143,165 |
| Advance on future capital increase | (4,340) | - |
| **Net cash used in investing activities** | **(371,928)** | **(158,188)** |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Derivatives Financial Instruments | 1,099 | (42,206) |
| Financing - third parties | 569,521 | 565,492 |
| Repayment of financing - Copersucar | (3,708) | (4,287) |
| Repayment of financing - third parties | (230,430) | (445,579) |
| Reception (payment) of funds from (to) related parties – intercompany loans | 17,480 | (103) |
| Advance on future capital increase | - | 448 |
| Acquisition of treasury stock | (4,189) | - |
| Payment of dividends and interest on own equity | (30,243) | (34,865) |
| **Net cash provided by (used in) financing activities** | **319,530** | **38,900** |
| **Increase (decrease) in cash and cash equivalents** | **239,035** | **119,021** |
| **Cash and cash equivalents at the beginning of the period** | **225,067** | **130,634** |
| **Cash and cash equivalents at the end of the period** | **464,102** | **249,655** |