(A free translation of the original in Portuguese)

São Martinho S.A.

Quarterly Information (ITR) at June 30, 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 June 30, 2011, comprising the balance sheet and the statements of income, comprehensive income, changes in equity and cash flows, for the quarter 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 Reviews 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 quarter ended June 30, 2011, which are required to be presented in accordance with 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 have been 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 prepared, in all material respects, in relation to the parent company and consolidated interim accounting information taken as a whole.

Ribeirão Preto, August 15, 2011

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)

Assets	Note	Parent company June 30, 2011	Parent company March 31, 2011	Consolidated June 30, 2011	Consolidated March 31, 2011
Current assets					
Cash and cash equivalents	6	242,204	116,461	323,884	225,067
Trade receivables	7	47,340	50,439	55,309	59,673
Derivative financial instruments	28	15,191	5,967	15,191	5,967
Inventories	8	172,031	116,042	216,392	139,106
Taxes recoverable	9	18,901	12,650	30,525	33,520
Income tax and social contribution	24	4,299	1,023	5,710	5,037
Other assets	11	14,073	4,958	16,870	5,692
		514,039	307,540	663,881	474,062
Non-current assets					
Long-term receivables					
Related parties	10	3,184	4,833	777	33
Deferred income tax and social contribution	24	75,412	86,068	121,405	132,676
Trade receivables - Copersucar		5,956	9,749	6,056	9,939
Taxes recoverable	9	16,283	14,354	37,859	37,220
Judicial deposits	27	31,907	30,564	33,531	32,367
Other assets	11	6,215	5,619	7,686	7,101
		138,957	151,187	207,314	219,336
Investments	12	1,161,655	1,179,411		
Biological assets	13	337,945	342,152	445,066	435,532
Property, plant and equipment	14	1,333,401	1,328,183	2,858,492	2,864,761
Intangible assets	15	35,737	35,846	36,547	36,726
		3,007,695	3,036,779	3,547,419	3,556,355
Total assets		3,521,734	3,344,319	4,211,300	4,030,417

Liabilities and equity	Note	Parent company June 30, 2011	Parent company March 31, 2011	Consolidated June 30, 2011	Consolidated March 31, 2011
Current liabilities					
Borrowings	16	92,771	80,291	153,826	140,982
Derivative financial instruments	28	15,467	25,910	15,467	25,910
Trade payables	17	96,073	46,642	104,130	61,096
Payables to Copersucar	18	2,040	2,040	2,203	2,203
Salaires and social charges		54,385	37,015	63,086	44,000
Taxes payable		9,969	18,294	12,544	20,343
Income tax and social contribution	24	1,404	829	1,672	829
Related parties	10		33	1,594	705
Dividends payable		9,180	9,180	9,180	9,180
Advances from customers		2,592	14,455	5,269	14,475
Other liabilities	20	15,278	21,398	15,024	21,137
		299,159	256,087	383,995	340,860
Non-current liabilities					
Borrowings	16	424,476	335,790	666,282	570,711
Payables to Copersucar	18	199,506	201,650	205,294	207,645
Taxes payable in installments	19	55,666	54,910	55,666	55,833
Deferred income tax and social contribution	24	461,474	461,942	814,816	817,127
Provision for contingencies	27	67,186	70,043	70,919	74,284
Other liabilities	20	9,509	10,411	9,570	10,471
		1,217,817	1,134,746	1,822,547	1,736,071
Equity	21				
Share capital		455,900	455,900	455,900	455,900
Carrying value adjustments		1,307,822	1,304,969	1,307,822	1,304,969
Revenue reserves		194,516	194,516	194,516	194,516
Treasury shares		(1,899)	(1,899)	(1,899)	(1,899)
Retained earnings		48,419		48,419	
		2,004,758	1,953,486	2,004,758	1,953,486
Total liabilities and equity		3,521,734	3,344,319	4,211,300	4,030,417

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

São Martinho S.A.

Statements of Income
Quarters Ended June 30
All amounts in thousands of reais unless otherwise stated (A free translation of the original in Portuguese)

		Parent company		Consolidated	
	Note	**6/30/2011**	**6/30/2010**	**6/30/2011**	**6/30/2010**
Revenue	**30**	298,446	80,432	328,948	285,451
Cost of sales	**31**	(211,838)	(57,633)	(232,009)	(206,017)
Gross profit		86,608	22,799	96,939	79,434
Operating income (expenses)					
Selling expenses	**31**	(12,531)	(3,136)	(13,406)	(14,308)
General and administrative expenses	**31**	(20,260)	(4,638)	(23,581)	(21,425)
Equity in the earnings of subsidiaries	**12**	5,328	8,560		
Other income (expenses), net	**32**	1,064	2,549	888	2,527
		(26,399)	3,335	(36,099)	(33,206)
Operating profit		60,209	26,134	60,840	46,228
Finance result	**33**				
Finance income		10,383	1,122	13,350	3,672
Finance costs		(20,364)	(3,744)	(24,064)	(19,842)
Monetary and foreign exchange variations, net		1,504	(496)	1,574	(2,787)
		(8,477)	(3,118)	(9,140)	(18,957)
Profit before taxation		51,732	23,016	51,700	27,271
Income tax and social contribution	**24(b)**				
Current		(11,963)	(4,211)	(11,972)	(12,574)
Deferred		(1,805)	267	(1,764)	4,375
Profit for the quarter		37,964	19,072	37,964	19,072
Basic and diluted earnings per share - R$	**34**	0.34	0.17		

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

São Martinho S.A.

Statements of Comprehensive Income
Quarters Ended June 30
All amounts in thousands of reais unless otherwise stated (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2011	**2010**	**2011**	**2010**
Profit for the quarter	37,964	19,072	37,964	19,072
Other comprehensive income				
Gains (losses) on derivative transactions - *hedge accounting*	13,308	(2,885)	13,308	(2,885)
Total comprehensive income for the quarter	51,272	16,187	51,272	16,187

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

All amounts in thousands of reais unless otherwise stated (A free translation of the original in Portuguese)

			Carrying value adjustments									
			Deemed cost		Results of derivative transactions - hedge accounting		Revenue reserves					
	Note	Share capital	Own	Subsidiaries	Own	Subsidiaries	Legal	Capital budget	Additional dividends	Treasury shares	Retained earnings (accumulated deficit)	Total
At March 30, 2010		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 surplus	21(c)		(3,288)	(6,328)							9,616	
Gains (losses) on derivative transactions - hedge	21(c)				(2,288)	(597)						(2,885)
Profit for the quarter											19,072	19,072
At June 30, 2010		360,000	420,141	928,090	23,170	19,766	9,731	200,062	8,838	(1,899)	(42,321)	1,925,578
At March 30, 2011		455,900	645,687	674,582	(15,300)		15,199	158,255	21,062	(1,899)		1,953,486
Realization of the demeed cost surplus	21(c)		(10,308)	(147)							10,455	
Merger of the deemed cost of OMTEK	1.7		3,374	(3,374)								
Gains (losses) on derivative transactions - hedge	21(c)				13,308							13,308
Profit for the quarter											37,964	37,964
At June 30, 2011		455,900	638,753	671,061	(1,992)		15,199	158,255	21,062	(1,899)	48,419	2,004,758

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

São Martinho S.A.

Statements of Cash Flows
Quarters Ended June 30
All amounts in thousands of reais (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	6/30/2011	**6/30/2010**	**6/30/2011**	**6/30/2010**
Cash flows from operating activities				
Profit for the period	37,964	19,072	37,964	19,072
Adjustments				
Depreciation and amortization	33,080	7,500	39,018	8,009
Harvested biological assets (depreciation)	44,534	18,298	47,251	73,203
Changes in the fair value of biological assets	(3,353)	1,066	795	7,972
Equity in the earnings of subsidiaries	(5,328)	(8,560)		
Residual cost of investment and property, plant and equipment disposals	503	120	664	715
Interest, monetary and foreign exchange variations, net	3,782	3,917	7,821	24,369
Recording (reversal) of provision for contingencies, net	2,360	558	2,232	2,249
Deferred income tax and social contribution	1,805	(267)	1,764	(4,375)
Provision for inventory losses	(377)		(3,804)	6,043
Adjustments to present value and others	482	(1,119)	98	(474)
	115,452	40,585	133,803	136,783
Changes in assets and liabilities				
Trade receivables	6,050	(7,443)	(1,179)	(17,870)
Inventories	(34,029)	(12,403)	(49,463)	(88,456)
Taxes recoverable	4,883	(49)	4,562	6,088
Related parties		(2,275)	971	(301)
Other assets	(9,351)	(884)	(12,576)	(5,524)
Trade payables	38,745	1,975	36,738	2,322
Salaries and social charges	16,905	2,603	19,087	12,687
Taxes payable	1,514	2,369	2,181	(235)
Taxes payable in installments	(645)	(476)	(829)	(717)
Provision for contingencies	(7,302)	(976)	(7,435)	(4,215)
Other liabilities	(18,047)	1,045	(12,304)	(12)
Cash from operations	114,175	24,071	113,556	40,550
Interest paid	(3,305)	(3,566)	(8,715)	(14,783)
Income tax and social contribution paid	(10,967)		(10,967)	(1,985)
Net cash provided by operating activities	99,903	20,505	93,874	23,782
Cash flows from investing activities				
Financial resources used in investments	(1,584)			
Additions to property, plant and equipment and intangible assets	(35,993)	(4,140)	(45,472)	(3,821)
Additions to biological assets (crop planting and treatment)	(40,900)	(10,520)	(62,206)	(48,845)
Receipt of loans to related parties		3		
Cash and cash equivalents of merged subsidiary - Omtek	1,320			
Advances for future capital increase	(1,600)		(846)	
Net cash used in investing activities	(78,757)	(14,657)	(108,524)	(52,666)
Cash flows from financing activities				
Derivative financial instruments	(2,823)	10,188	(2,823)	17,392
Borrowings received - third parties	133,250	34,651	157,444	234,268
Repayment of borrowings - Copersucar	(1,141)	(464)	(1,136)	(1,478)
Repayment of borrowings - third parties	(24,689)	(38,989)	(40,018)	(141,234)
Borrowings received (repaid) - related parties				(3)
Advances for future capital increase				28
Net cash provided by financing activities	104,597	5,386	113,467	108,973
Increase in cash and cash equivalents	125,743	11,234	98,817	80,089
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	242,204	35,434	323,884	210,723

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

São Martinho S.A.

Statements of Value Added
Quarters Ended June 30
All amounts in thousands of reais (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2011	**2010**	**2011**	**2010**
Revenue				
Gross sales of products and goods	314,047	83,359	348,442	304,119
Revenue from the construction of own assets	49,466	11,712	73,022	55,800
Other income	1,144	793	1,172	1,448
	364,657	95,864	422,636	361,367
Inputs acquired from third parties				
Cost of products and goods sold	(93,911)	(17,855)	(94,014)	(70,361)
Materials, energy, outsourced servcies and others	(71,739)	(20,259)	(102,686)	(93,498)
Recovery (impairment) of assets	377		3,804	(5,447)
	(165,273)	(38,114)	(192,896)	(169,306)
Gross value added	199,384	57,750	229,740	192,061
Depreciation and amortization	(33,080)	(7,500)	(39,018)	(8,009)
Harvested biological assets (depreciation)	(44,534)	(18,298)	(47,251)	(73,203)
Net value added generated by the entity	121,770	31,952	143,471	110,849
Value added received through transfer				
Equity in the earnings of subsidiaries	5,328	8,560		
Finance income	26,549	4,696	29,634	24,778
Other	(41)	1,797	(237)	1,152
Total value added to distribute	153,606	47,005	172,868	136,779
Distribution of value added				
Personnel and payroll charges				
Direct remuneration	42,787	9,583	52,026	40,081
Benefits	10,463	2,480	12,831	9,757
Government Severance Indemnity Fund for Employees (FGTS)	3,732	839	4,423	3,880
Management fees	1,912	1,004	2,220	1,807
Taxes and contributions				
Federal	19,474	5,111	20,019	13,867
State	1,584	222	4,552	2,588
Municipal	139	31	141	151
Less: state tax incentives			(1,176)	(1,287)
Creditors				
Interest	10,655	3,363	14,705	18,768
Rentals	138	52	161	128
Foreign exchange differences	14,662	4,070	14,710	23,893
Other	10,096	1,178	10,292	4,074
Profits retained for the period	37,964	19,072	37,964	19,072
Value added distributed	153,606	47,005	172,868	136,779

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 that 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, the period during which sugar and ethanol are also produced.

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

As part of its strategic objectives, the Company maintains investments in the following subsidiaries and jointly-controlled subsidiaries - Notes 2.2 and 12.1:

- 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"); and
- São Martinho Energia S.A. ("SME");
- Omtek Indústria e Comércio Ltda. (Omtek) - investment merged into the Company on May 30, 2011.

The Company is a listed corporation headquartered in Pradópolis, State of São Paulo, and registered in the São Paulo Futures, Commodities and Stock Exchange - BM&FBovespa S.A. ("BM&FBovespa"). The Company's main stockholders are the following family holding companies, which are presented together with the related voting capital: João Ometto Participações S.A. (25.23%); Luiz Ometto Participações S.A. (25.23%) and Nelson Ometto Participações S.A. (10.76%). However, they have not signed a formal stockholders' agreement.

The issue of these financial statements was approved by the Company's Board of Directors on August 15, 2011.

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

On April 14, 2010, USM announced an agreement with Amyris Biotechnologies and its Brazilian subsidiary Amyris Brasil to form a joint venture to manufacture chemicals and biofuels from sugar cane as from 2012 using Amyris technology. SMA was formed to carry out these operations. The construction of the chemical plant began on March 31, 2011 and is in progress.

1.3 Capital increase and holding in UBV

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

As a result of this change, the Company reduced its holding in UBV from 28.30% to 26.71%. However, this holding remained unaltered in the consolidated balance.

1.4 Formation and capital increase in NF

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

The agreement established the formation of a new company, NF, which comprised the assets of the subsidiaries UBV and SMBJ. The objective is to increase the processing of UBV and to implement the greenfield project in SMBJ. PBio will have the right of preference, regarding market terms and conditions, for the purchase of up to 49% of the production of ethanol and the excess electricity of the new Company.

In connection with this agreement, the Extraordinary General Meeting of stockholders held on September 17, 2010 approved the increase in the capital of NF through the subscription of 427,039,541 new common shares, which resulted in the subsidiary's capital amounting to R$ 427,040. The payment was made through the transfer of all the common shares of UBV and SMBJ, R$ 111,355 by the Company and R$ 315,684 by the subsidiary USM (currently Vale do Mogi).

Additionally, the Extraordinary General Meeting held on November 1, 2010 approved a new increase in the capital of NF of R$ 420,874 through the subscription of 410,293,373 new common shares at the unit issue price of R$ 1.025788, which resulted in the subsidiary's capital amounting to R$ 847,914. As required by the Brazilian Securities Commission - CVM, the Company granted to its minority stockholders the right of preference in the increase of capital and these stockholders subscribed 405,308 shares in the amount of R$ 416. The remaining 409,888,065 shares issued, of R$ 420,458, were subscribed by PBio, of which R$ 257,423 was paid up to December 31, 2010 and R$ 163,035 will be paid up to December 31, 2011.

Since the minority stockholders exercised their right in the subscription of the shares of NF, on December 21, 2010 the Company sold to PBio 405,308 common shares for R$ 416, in compliance with an agreement signed between the Company and PBio, which established that PBio should hold 49% of the capital of NF. After this transaction, the Company held a 50.95% interest in NF, PBio 49% and the minority stockholders 0.05%.

All amounts in thousands of reais unless otherwise stated

As a result of the decrease in the Company's holding in NF, the consolidated balance which, at October 31, 2010 considered an investment of 100%, decreased at March 31, 2011 to 62.89%, calculated based on paid-up capital. This payment by PBio and the sale of shares to minority stockholders generated a net capital gain to the Company and USM, in the amounts of R$ 8,533 and R$ 24,666, respectively, which were recorded in the statement of income for the year within "Other income, net", as they were characterized as a gain on the partial loss of control in the formation of a joint venture with asset contributions, in accordance with the interpretation of the international standard SIC 13 - "Jointly controlled entities - non-monetary contributions by venturers", of a commercial nature.

1.5 Total spin-off of Mogi Agrícola S.A. ("Mogi")

At the Extraordinary General Meeting held on November 1, 2010, the stockholders approved the total spin-off of the assets and liabilities of Mogi Agrícola S.A., based on an appraisal report at book value as of September 30, 2010, conducted by independent appraisers, with the net assets spun-off being merged by its stockholders, USM (currently Vale do Mogi) and ARDR - Agro São José Ltda. ("ARDR"). The spun-off net assets, as well as the portion merged by USM, including equity variations up to October 31, 2010, were as follows:

Assets	Assets spun off by Mogi	Assets merged by USM (currently Vale do Mogi)	Liabilities	Liabilities spun off by Mogi	Liabilities merged by USM (currently Vale do Mogi)
Current assets			Current liabilities		
Cash and cash equivalents	1	1	Trade payables	2	2
Taxes recoverable	7	7	Taxes payable	3	3
	8	8		5	5
Non-current assets					
Long-term receivables					
Related parties	334	33			
Property, plant and equipment	57,139	26,416			
Total assets	57,481	26,457	**Total liabilities**	5	5
Total net assets merged by USM (currently Vale do Mogi)					**26,452**

1.6 Partial spin-off of USM and merger of the spun-off net assets into the Company

At the Extraordinary General Meeting held on December 1, 2010, the stockholders approved the partial spin-off of the assets and liabilities of USM, based on an appraisal report at book value as of October 31, 2010, conducted by independent appraisers, with the net assets spun-off being merged by the Company. The objective of this transaction was to reorganize the operating activities of the companies, centralizing in the Company the operating activities of processing, production and sale of sugar, ethanol and its by-products, as well as the cogeneration of electricity, and the properties (land) were concentrated in USM. This transaction will improve the operational efficiency, especially in the financial and tax areas, and optimize the access to capital, aiming at higher levels of competitiveness and productivity. After the partial spin-off of its assets and liabilities, USM changed its corporate name to Vale do Mogi Empreendimentos Imobiliários S.A.

All amounts in thousands of reais unless otherwise stated

The net assets spun off by USM and merged by the Company, including the equity variations up to November 30, 2010, 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	65,004	Borrowings	101,506
Trade receivables	26,592	Derivative financial instruments	15,856
Inventories	269,797	Trade payables	120,878
Taxes recoverable	10,480	Payables to Copersucar	1,450
Other assets	3,960	Salaries and social charges	30,775
		Taxes payable	10,164
	375,833	Other liabilities	32,669
Non-current assets			
Long-term receivables			313,298
Related parties	2,597		
Deferred income tax and social co	49,864	Non-current liabilities	
Taxes recoverable	8,944	Borrowings	330,146
Other assets	3,195	Payables to Copersucar	137,313
		Taxes payable in installments	35,806
	64,600	Deferred taxes	204,226
		Provision for contingencies	20,541
		Other liabilities	820
Investments	303,759		
Biological assets	214,376		728,852
Property, plant and equipment	492,510		
Intangible assets	35,157		
	1,045,802		
Total assets	1,486,235	**Total liabilities**	1,042,150
		Total net assets spun-off and merged	**444,085**

1.7 Merger of Omtek Indústria e Comércio Ltda. ("Omtek")

At the Extraordinary General 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:

All amounts in thousands of reais unless otherwise stated

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 co	259	Deferred income tax and social contrib	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**

2 Summary of Significant Accounting Policies

2.1 Basis of preparation

The principal accounting policies applied in the preparation of this parent company and consolidated quarterly information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of quarterly information requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the quarterly information are disclosed in Note 3.

Consolidated and parent company quarterly information

The consolidated and parent company quarterly information has been prepared and is being presented in accordance with accounting practices adopted in Brazil, in compliance with the provisions of the Brazilian Corporation Law, and incorporates the changes introduced by Laws 11638/07 and 11941/09, complemented by the new pronouncements, interpretations and guidance of the Brazilian Accounting Pronouncements Committee (CPC), approved by resolutions of the Federal Accounting Council (CFC) and standards of the Brazilian Securities Commission (CVM) during the year ended March 31, 2010, with application as from the year ended March 31, 2011. The quarterly information includes the

disclosure requirements established by CPC 21 – Interim Financial Reporting, issued by the CPC, as well as other information considered significant.
The consolidated quarterly information has also been prepared and is being presented in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board.

2.2 Consolidation

(a) Consolidated interim information

The following accounting policies are applied in the preparation of the consolidated interim information.

(i) Subsidiaries and jointly-controlled subsidiaries

Subsidiaries are all entities over which the Company has the power to determine the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of subsidiaries and jointly-controlled subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

The Company also has investments in jointly-controlled subsidiaries. In these cases, the power to determine, jointly with other partners, the financial and operating policies is derived from voting rights, and, also, from policies established in the corresponding bylaws and stockholder agreements signed between the parties. Investments in jointly-controlled subsidiaries are recorded based on the proportional consolidation method, in which the Company recognizes in the consolidated financial statements its share of the assets, liabilities and income and expenses of the jointly-controlled subsidiary.

The consolidated quarterly information includes the quarterly information of the parent company and its subsidiaries and jointly-controlled subsidiaries, considering the percentage of ownership interest and the applicable proportional consolidation criteria. The consolidated balances include those of the following subsidiaries and jointly-controlled subsidiaries:

All amounts in thousands of reais unless otherwise stated

Company	Main activities
Vale do Mogi (former USM) - 100% holding.	Agricultural activity: sugar cane processing from own production and production purchased from third parties; production and sale of sugar, ethanol and their byproducts; cogeneration of electricity; agricultural production and investments in other companies. After the spin-off described in Note 1.6, the company is engaged in leasing land and conducting agricultural partnerships.
Omtek - 100% holding up to the merger on May 31, 2011	Sodium salt processing and sale in the foreign market. The operating cycle is the same as that of the parent company, which is responsible for supplying (under specific conditions) sugar cane molasses, steam and electricity, which are the inputs necessary for the company's production.
SME - Company's wholly-owned subsidiary	Activity: cogeneration and sale of electricity derived from sugar cane by-products and investments in other companies (in preoperating stage).
SMA - 50% holding in capital.	Production and sale of high-performance renewable chemicals, as well as other related products (in preoperating stage).
USL - 41.67% holding in capital.	Rendering of warehousing services.
NF - 62.89% holding in capital, based on paid-up capital.	Investments in other Brazilian or foreign companies, as well as management and trading of its own assets.
UBV - wholly-owned subsidiary of NF. At June 30, 2010, the Company held 28.30% (100% including the holding of USM).	Agricultural activity: sugar cane processing from own production and production purchased from third parties; production and sale of ethanol and by-products; cogeneration of electricity and agricultural production.
SMBJ - wholly-owned subsidiary of NF and wholly-owned subsidiary of USM at June 30, 2010.	Agricultural activity: sugar cane processing from own production and production purchased from third parties; production and sale of sugar, ethanol and their byproducts; cogeneration of electricity; and agribusiness production (in preoperating stage).

All amounts in thousands of reais unless otherwise stated

The summarized information of the companies proportionally consolidated (jointly-controlled subsidiaries):

- USL – 41.67% holding in capital (proportional consolidation). The main account groups of this jointly-controlled subsidiary presented the following balances:

	6/30/2011	**3/31/2011**
Current assets	4,465	4,424
Non-current assets:		
Long-term receivables	3,799	4,503
Investments, property, plant and equipment and intangible assets	6,609	6,743
Total assets	14,873	15,670
Current liabilities	2,703	1,761
Non-current liabilities	23,156	24,850
Advance for future capital increase	1,200	3,800
Net capital deficiency	(12,186)	(14,741)
Total liabilities and net capital deficiency	14,873	15,670

	6/30/2011	**6/30/2010**
Net sales revenue	165	162
Operating costs and expenses	(1,319)	(2,142)
Loss for the quarter	(1,259)	(1,946)

- NF – 62.89% holding in capital (proportional consolidation). The main account groups of this jointly-controlled subsidiary presented the following balances:

	6/30/2011	**3/31/2011**
Current assets	231,589	227,279
Non-current assets:		
Long-term receivables	110,002	108,649
Investments, property, plant and equipment and intangible assets	817,298	801,400
Total assets	1,158,889	1,137,328
Current liabilities	151,221	138,172
Non-current liabilities	386,175	375,304
Equity	621,493	623,852
Total liabilities and equity	1,158,889	1,137,328

	6/30/2011
Net sales revenue	42,363
Operating costs and expenses	(45,351)
Loss for the quarter	(2,359)

- SMA - 50% holding in capital (proportional consolidation). Immaterial balances.

(ii) Transactions and non-controlling interests

The Company treats transactions with non-controlling interests, when applicable, as transactions with equity owners of the Company. For purchases from non-controlling interests, the difference between any consideration paid and the proportion acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Company ceases to have control, any retained interest in the entity is remeasured at its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the interest held as an associate or jointly-controlled subsidiary. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This means that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(b) Parent company quarterly information

In the parent company quarterly information, subsidiaries and jointly-controlled subsidiaries are recorded on the equity method of accounting. The same adjustments are made in the parent company and consolidated quarterly information to reach the same profit or loss and equity attributable to the stockholders of the parent company. In the case of the Company, the accounting practices adopted in Brazil applicable to the individual quarterly information differ from IFRS applicable to the separate quarterly information only in relation to the evaluation of investments in subsidiaries and associates based on the equity method of accounting, instead of cost or fair value in accordance with IFRS.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal statements provided to the chief operating decision-makers. The chief operating decision-makers responsible for allocating resources and assessing performance of the operating segments are: the Executive Board, the Chief Operating Officer and the Board of Directors that make the Company's strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the quarterly information are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The quarterly information is presented in Brazilian reais (R$), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income, and presented as " Monetary and foreign exchange variations, net (Note 33)", except when deferred in equity as qualifying cash flow hedges.

2.5 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, which are readily convertible into known amounts of cash and are subject to immaterial risk of change in value.

2.6 Financial assets

2.6.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Company does not have held-to-maturity and available-for-sale financial assets.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for active and frequent trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables comprise “Trade receivables”, “Related parties”, “Judicial deposits”, “Other assets" and part of "Cash and cash equivalents" (cash and banks) and “Derivative financial instruments” (margin accounts).

2.6.2 Recognition and measurement

Normal purchases and sales of financial assets are recognized on the trade-date - the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of income. Financial assets are derecognized when the rights to receive cash flows have expired or substantially all risks and rewards of ownership have been transferred. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the statement of income within "Finance result" in the period in which they arise.

If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2.6.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.6.4 Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the event of loss, the carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of income.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

(i) significant financial difficulty of the issuer or obligor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

(iv) it becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(v) the disappearance of an active market for that financial asset because of financial difficulties; or

(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

. adverse changes in the payment status of borrowers in the portfolio; and

. national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Company first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the recognized impairment loss is recognized in the statement of income.

2.7 Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value, with the changes in fair value included in the statement of income, except when the derivative is designated as a hedge of cash flows.

As from March 2010, the Company and its subsidiaries opted to use hedge accounting to record their derivative financial instruments used for protection.

The Group's derivatives used for hedge accounting comprise only cash flows, with transactions described in Note 28.

Hedge accounting transactions follow the risk policy approved by the management of the Company and its subsidiaries and are subject to periodical effectiveness tests, on a retrospective and prospective basis. The potential gains or losses of the portion of the derivatives designated as hedges, aligned in term, amount and nature with the hedged item and proven to be effective, are recorded in a specific account in equity, "Carrying value adjustments", net of deferred income tax and social contribution.

The effects resulting from the settlement of these cash flow hedge accounting transactions are transferred to the statement of income, and recorded as "Net sales revenue", in order to minimize undesirable variations in the hedged item.

The fair value of derivative instruments is disclosed in Note 28.

2.8 Trade receivables

Trade receivables are initially stated at present value, less the provision for doubtful trade receivables, when applicable. The provision is established when there is objective evidence that the Company will not be able to realize the amounts due under the original terms of the accounts receivable. The amount of the provision is the difference between the carrying amount and the recoverable value.

Accounts receivable from export customers are adjusted based on the exchange variation at the balance sheet date.

2.9 Inventories

Inventories are stated at average purchase or production cost, adjusted by the provision for reduction to replacement and/or realizable values, when necessary. The cost of finished products comprises expenses incurred on purchase and general production expenses. Costs incurred in the maintenance of sugar cane crops (crop treatment) are appropriated to the harvests under development and recorded in "Biological assets" - - Note 13.

Upon harvest, sugar cane is considered an agricultural product and is carried at its fair value, less selling expenses, which is determined by the amounts harvested, valued at the accumulated amount established by the Council of Sugar cane, Sugar and Alcohol Producers of the State of São Paulo (CONSECANA) in that month. The fair value of the sugar cane harvested will be the cost of raw materials used in the production of sugar and ethanol.

2.10 Current and deferred income tax and social contribution

Deferred taxes are calculated on income tax and accumulated social contribution losses and the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The currently defined tax rates of 25% for income tax and 9% for social contribution are used to calculate deferred taxes and current liabilities (Note 25).

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available to offset temporary differences and/or tax losses, considering projections of future profitability based on internal assumptions and future economic scenarios, which may, therefore, suffer changes.

2.11 Judicial deposits

Judicial deposits are monetarily restated and presented in non-current assets. The related liabilities in dispute are described in Note 27.

2.12 Investments

Investments in subsidiaries and jointly-controlled subsidiaries are recorded on the equity method of accounting, based on financial statements prepared as of the same base date as the Company's financial statements, as stated in Note 12.

2.13 Biological assets

Biological assets comprise the plating and cultivation of sugar cane, which will be used as raw materials in the production of sugar and ethanol. These assets are carried at fair value less costs to sell.

The sugar cane productive cycle lasts, on average, five years after the first harvest, and therefore sugar cane is classified as a "permanent crop".

The significant assumptions used to determine the fair value of these biological assets are described in Note 13.

The fair value of biological assets is determined at initial recognition and on the reporting date. Gains or losses arising from changes in the fair value of biological assets, in each period, are determined by the difference between the fair value and costs incurred in the planting and crop treatment of the biological assets up to their valuation, net of possible accumulated variations in the fair value of prior periods, and are recorded in the sub account "Changes in the fair value of biological assets", under "Cost of sales".

In certain circumstances, the estimate of fair value less costs to sell approximates the corresponding formation cost, especially when little biological transformation has occurred since the initial planting or when the impact of this transformation on the price is believed to be insignificant. In such circumstances, the biological assets continue to be accounted for at cost.

2.14 Property, plant and equipment

Property, plant and equipment are recorded at purchase or construction cost, increased by the deemed cost surplus of land, machinery and industrial and agricultural equipment and vehicles, when applicable. Depreciation is calculated on the straight-line method at the average annual rates mentioned in Note 14. Land is not depreciated.

Maintenance costs that extend the useful lives of property, plant and equipment items are capitalized and items that suffer wear and tear during the crop are recorded as assets when replaced, and are depreciated during the subsequent crop period. Maintenance costs that do not extend the useful lives of the assets are recognized as expenses when incurred. The replaced items are written-off.

The costs of borrowings used to finance the construction of property, plant and equipment are capitalized during the period necessary to construct and prepare the asset for its intended use.

The Company opted to state certain of its property, plant and equipment items at deemed cost on the transition date to CPCs/IFRS (April 1, 2009). The effects of the adoption of the deemed cost increased property, plant and equipment in relation to equity, net of deferred taxes (Note 14 (a)).

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other income (expenses), net" in the statement of income.

2.15 Intangible assets

(i) Goodwill/Negative goodwill

Goodwill represents the excess of the cost of an acquisition over the net fair value of assets and liabilities of the acquired entity. Goodwill on acquisition of subsidiaries is included in "Intangible assets". If negative goodwill is determined, it is recorded as a gain in the statement of income for the period, on the date of acquisition. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Gains and losses on the disposal of an entity include the carrying amount of the goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

(ii) Computer programs (software)

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives.

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met:

. it is technically feasible to complete the software product so that it will be available for use;

. management intends to complete the software product and use or sell it;

. there is an ability to use or sell the software product;

. it can be shown that the software product will generate probable future economic benefits;

. adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and

. the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of applicable overheads. Costs also include finance costs related to the development of the software product.

2.16 Impairment of non-financial assets

Property, plant and equipment and other non-current assets, including goodwill and intangible assets, are reviewed annually to identify evidence of impairment, and also whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In this case, the recoverable value is calculated to verify if there is any loss. In the event of loss, it is recognized at the amount by which the carrying amount of the asset exceeds its recoverable value, which is the higher between the net sales price and the value in use of an asset. For evaluation purposes, assets are grouped at the lowest level for which there are separately identifiable cash flows.

2.17 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on the straight-line method over the period of the lease.

2.18 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can been reliably estimated. The provisions for contingencies are recorded at updated amounts for tax, civil and labor contingencies, based on the estimates of unfavorable outcomes established by the Company's legal advisors.

2.19 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the settlement value is recognized in the statement of income over the period of the borrowings using the effective interest method. Interest paid is classified as operating activities in the statement of cash flows.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.20 Other current and non-current assets and liabilities

Other assets are stated at cost or realizable values including, when applicable, income and monetary and foreign exchange variations. Other liabilities are stated at known or estimated amounts including, when applicable, interest, charges and monetary and foreign exchange variations.

2.21 Revenue recognition and determination of profit

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below.

(i) Sales of goods

Sales of goods are recognized whenever products are delivered to the customer. Delivery does not occur until: (i) the products have been shipped to the specified location; (ii) the risks of obsolescence and loss have been transferred to the customer (iii) the customer has accepted the products in accordance with the sales contract; and (iv) the acceptance provisions have lapsed or the Company has objective evidence that all criteria for acceptance have been satisfied.

(ii) Interest income

Interest income is recognized according to the elapsed term, using the effective interest method. When a loan and receivable instrument is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument. Subsequently, as time goes by, interest is incorporated into loans and receivables against interest income. This interest income is calculated at the same effective interest rate used to determine the recoverable amount, that is, the original rate of loans and receivables.

(iii) Other income and expenses/costs

Other income and expenses/costs are recognized in the statement of income on the accrual basis of accounting.

3 Critical Accounting Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

Based on assumptions, the Company and its subsidiaries make estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are addressed below.

(a) Provision for doubtful trade receivables

The provision is calculated through the individual analysis of accounts overdue or with perspectives of default, including the assessment of the nature of the receivable, the existence and sufficiency of guarantees, historical performance and other characteristics.

(b) Provision for reduction to replacement and/or realizable values

The provision for reduction to replacement and/or realizable values of inventories is calculated through the analysis of the average production cost of finished products in relation to their realizable values in the market, less selling expenses.

(c) Fair value of biological assets

The fair value of the biological assets of the Company and its subsidiaries represents the present value of estimated net cash flows relating to these biological assets, determined by application of assumptions established in discounted cash flow models, as mentioned in Note 13.

(d) Income tax, social contribution and other taxes

The Company and its subsidiaries recognize liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

(e) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company and its subsidiaries use their judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Also, certain asset and liability financial instruments are discounted to present value so that their recorded amounts are not significantly different from the corresponding fair value initially recognized. In this context, management uses estimated discount rates which are most appropriate in each circumstance and period.

(f) Provision for contingencies

The Company and its subsidiaries are parties to labor, civil and tax lawsuits at various levels. The provisions for contingencies to cover potentially unfavorable outcomes of litigation in progress are established and updated based on management's evaluation, as supported by external legal counsel, and require a high judgment level on the matters involved.

(g) Review of the useful lives of property, plant and equipment

The Company and its subsidiaries review and, if necessary, adjust the useful lives of their property, plant and equipment items, at least once a year. This review was carried out by a specialized company upon the adoption of the deemed cost.

4 Financial Risk Management

4.1 Financial risk factors

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

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

The Company and its subsidiaries actively manage the contracted positions so that adjustments may be made in response to market conditions, operating mainly in the futures and options market of the New York Intercontinental Exchange (ICE Futures US) and in the over-the-counter market with solid financial institutions.

4.2 Foreign exchange risk

The Company and its subsidiaries operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

Management has set up a policy to require companies controlled by the Company to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure following the advice of the Company's Treasury. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities controlled by the Company use currency forward contracts, Non-Deliverable Forward (NDF) contracts and options strategies. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Company's risk management policy is to hedge the greatest possible volume of anticipated cash flows, mainly export sales.

4.2.1 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 June 30, 2011:

All amounts in thousands of reais unless otherwise stated

Current assets	**R$**	**Thousands of US$ equivalents**
Cash and cash equivalents (banks - demand deposits)	40,462	25,932
Trade receivables	24,377	15,623
Derivative financial instruments	15,191	9,736
Total assets	80,030	51,291
Liabilities		
Current liabilities:		
Borrowings	25,908	16,596
Derivative financial instruments	15,467	9,908
Trade payables	11	7
Other liabilities	3,581	2,294
Non-current liabilities:		
Borrowings	252,395	161,678
Other liabilities	8,534	5,467
Total liabilities	305,896	195,950
Net exposure - liabilities	385,926	247,241

These assets and liabilities were adjusted and recorded in the financial statements at June 30, 2011 at the exchange rate in effect on that date, of R$ 1.5603 per US$ 1.00 for assets and R$ 1.5611 per US$ 1.00 for liabilities.

The balance of borrowings refers mainly to export prepayment loans, with maturities from August 2011 to June 2015, linked to export of products.

As the above agreements will be settled through product exports, the Company's management understands that these transactions represent a natural hedge and that, therefore, the foreign exchange variations will only have a timing effect on the statement of income, without a corresponding effect on the companies' cash flows.

4.3 Volatility risk of commodity price

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

At June 30, 2011, the prices of 257,108 metric tons of sugar were hedged by forecast sales contracts for future delivery for the period between October 2011 and March 2012, priced at an average of 23.88 ¢/lb (cents per pound weight) with the New York - ICE Futures US Exchange.

4.4 Cash flow and fair value interest rate risk

The Company and its subsidiaries obtain borrowings remunerated at floating rates. In relation to borrowings in local currency, the risk of fluctuation in interest rates is naturally mitigated, since the financial investments are all remunerated at floating rates, as established in the Company's policy. In the case of borrowings in foreign currency, the Company understands that interest reacts to changes in the economy, in such a way that, when it increases, generally the economy is booming, thus allowing the Company to stipulate sales prices above the historical average.

All amounts in thousands of reais unless otherwise stated

4.5 Credit risk

The Company's credit risk management policy is to contract only with leading financial institutions, which comply with the risk assessment criteria of the Company and its subsidiaries, through the Counterparty Risk Management Policy. The Company controls, on a monthly basis, its exposure in derivatives and financial investments, using the criterion of concentrating its funds in proportion to the rating of the financial institution.

In relation to customers default risk, the Company assesses annually the credit risk associated to each customer, and whenever a new customer is included, establishing an individual credit limit in proportion to the risk identified.

4.6 Liquidity risk

Cash flow forecasting is performed 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 it has sufficient cash to meet operating needs.

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 headroom as determined by the above-mentioned forecasts. At June 30, 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 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 June 30, 2011				
Borrowings	92,771	124,509	274,683	25,284
Derivative financial instruments	15,467			
Trade payables	96,073			
Other liabilities	15,278	6,664	2,845	
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	21,398	4,845	5,566	

All amounts in thousands of reais unless otherwise stated

				Consolidated
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At June 30, 2011				
Borrowings	153,826	187,354	424,946	53,982
Derivative financial instruments	15,467			
Trade payables	104,130			
Related parties	1,594			
Other liabilities	15,024	6,725	2,845	
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	

4.7 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 pricing and hedging against foreign exchange rate fluctuations and of other financial assets and liabilities in foreign currency at June 30, 2011, considered by management as the major risk to which the Company is exposed. This analysis considers management expectations with respect to the future scenario projected.

All amounts in thousands of reais unless otherwise stated

Parent company:

Transaction	Risk	Probable scenario: Average rate/price	Probable scenario: Effect on the statement of income and cash flows	Possible scenarios: Deterioration 25%	Possible scenarios: Deterioration 50%
Cash and banks	US$ devaluation	1.55	(288)	(10,331)	(20,375)
Trade receivables	US$ devaluation	1.55	(173)	(6,224)	(12,275)
Short and long-term borrowings	US$ appreciation	1.58	(3,514)	(63,395)	(123,276)
Forward contracts - foreign currency - NDF	US$ appreciation	1.55	22,482	(46,664)	(115,809)
Trade payables	US$ appreciation	1.58	(144)	(3,024)	(5,905)
Forward contracts - sugar - NDF	Increase in the commodity price	30.72	(4,874)	(13,401)	(21,928)
Futures market - sale - ethanol	Increase in the commodity price	1,224.38	(507)	(4,841)	(9,176)
Futures market - purchase - sugar	Decrease in the commmodity price	21.13	777	(580)	(97)
Futures market - sale - sugar	Increase in the commodity price	23.35	(8,331)	(23,634)	(38,936)
"Call" sale - sugar	Increase in the commodity price	25.21	(6,315)	(9,285)	(12,255)
"Put" sale - sugar	Increase in the commodity price	20.00	26	24	23
"Put" purchase - sugar	Decrease in the commodity price	22.44	(1,050)	(1,165)	(1,280)

All amounts in thousands of reais unless otherwise stated

Consolidated		Probable scenario		Possible scenarios	
Transaction	Risk	Average rate/price	Effect on the statement of income and cash flows	Deterioration 25%	Deterioration 50%
Cash and banks	US$ devaluation	1.55	(288)	(10,331)	(20,375)
Trade receivables	US$ devaluation	1.55	(173)	(6,224)	(12,275)
Short and long-term borrowings	US$ appreciation	1.59	(5,062)	(75,903)	(146,744)
Forward contracts - foreign currency - NDF	US$ appreciation	1.55	22,482	(46,664)	(115,809)
Trade payables	US$ appreciation	1.58	(144)	(3,024)	(5,905)
Forward contracts - sugar - NDF	Increase in the commodity price	30.72	(4,874)	(13,401)	(21,928)
Futures market - sale - ethanol	Increase in the commodity price	1,224.38	(507)	(4,841)	(9,176)
Futures market - purchase - sugar	Decrease in the commodity price	21.13	777	(580)	(97)
Futures market - sale - sugar	Increase in the commodity price	23.35	(8,331)	(23,634)	(38,936)
"Call" sale - sugar	Increase in the commodity price	25.21	(6,315)	(9,285)	(12,255)
"Put" sale - sugar	Increase in the commodity price	20.00	26	24	23
"Put" purchase - sugar	Decrease in the commodity price	22.44	(1,050)	(1,165)	(1,280)

4.8 Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to stockholders, return capital to stockholders or, also, issue new shares or sell assets to reduce, for example, debt.

Consistent with others in the industry, the Company monitors capital on the basis of the net debt/EBITDA ratio. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents. The EBITDA used is the one accumulated over the last twelve months.

The Company considers as ideal a ratio of up to 3.5, i.e., the net debt should correspond to 3.5 times the EBITDA. For the Company, it is acceptable that this ratio increases in years with low prices, due to the cyclical characteristics of the segment. However, if the ratio remains high for long periods, the measures above, among others, might be used.

This ratio is calculated and disclosed on a quarterly basis in the Company's management report.

4.9 Measurement of fair value

The fair value of the financial instruments contracted by the Company and its subsidiaries is 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 value up to the due date and discounting this to present value at future market rates. The use of different assumptions may cause estimated fair values to differ from realized amounts, since considerable judgment is required in interpreting market data.

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

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

The carrying values less impairment provision, or adjustment to present value, when applicable, of trade receivables, securities receivable, trade payables and securities 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; this 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).

All amounts in thousands of reais unless otherwise stated

			Parent company
As per balance sheet	**Level 1**	**Level 2**	**Total**
At June 30, 2011			
Assets - derivative financial instruments			
Ethanol futures	6		6
U.S. dollar options		1,018	1,018
Foreign exchange forward contracts		13,032	13,032
Liabilities - derivative financial instruments			
Sugar futures	(4,564)		(4,564)
Sugar options	(4,090)		(4,090)
Sugar forward contracts		(6,813)	(6,813)
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)

			Consolidated
As per balance sheet	**Level 1**	**Level 2**	**Total**
At June 30, 2011			
Assets - derivative financial instruments			
Ethanol futures	6		6
U.S. dollar options		1,018	1,018
Foreign exchange forward contracts		13,032	13,032
Liabilities - derivative financial instruments			
Sugar futures	(4,564)		(4,564)
Sugar options	(4,090)		(4,090)
Sugar forward contracts		(6,813)	(6,813)
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 June 30, 2011				
Cash and cash equivalents	43,037	199,167		242,204
Trade receivables	47,340			47,340
Derivative financial instruments	1,135		14,056	15,191
Judicial deposits	31,907			31,907
Other assets	20,288			20,288
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

				Parent company
Liabilities as per balance sheet	**Liabilities at fair value through profit or loss**	**Derivatives used for hedging**	**Other financial liabilities**	**Total**
At June 30, 2011				
Borrowings	73,322		443,925	517,247
Derivative financial instruments		15,467		15,467
Trade payables			96,073	96,073
Other liabilities			24,787	24,787
At March 31, 2011				
Borrowings	76,156		339,925	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

All amounts in thousands of reais unless otherwise stated

Consolidated

Assets as per balance sheet	Loans and receivables	Assets at fair value through profit or loss	Derivatives used for hedging	Total
At June 30, 2011				
Cash and cash equivalents	45,496	278,388		323,884
Trade receivables	55,309			55,309
Derivative financial instruments	1,135		14,056	15,191
Judicial deposits	33,531			33,531
Other assets	24,556			24,556
At June 30, 2010				
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

Consolidated

Liabilities as per balance sheet	Liabilities at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Total
At June 30, 2011				
Borrowings	73,410		746,698	820,108
Derivative financial instruments		15,467		15,467
Trade payables			104,130	104,130
Related parties			1,594	1,594
Other liabilities			24,594	24,594
At June 30, 2010				
Borrowings	76,367		635,326	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

All amounts in thousands of reais unless otherwise stated

6 Cash and Cash Equivalents

		Parent company	
	Remuneration	June 30, 2011	March 31, 2011
Cash and banks		43,037	18,791
Financial investments			
. Agribusiness Credit Note (LCA)	40% of the Interbank Deposit Certificate (CDI) interest rate - weighted average rate		3,008
. Bank Deposit Certificate (CDB)	100.71% (March - 100.71%) of the CDI interest rate - weighted average rate	72,725	17,103
. Debenture repurchase agreements	100.95% (March - 100.95%) of the CDI interest rate - weighted average rate	126,442	77,559
		242,204	116,461

		Consolidated	
	Remuneration	June 30, 2011	March 31, 2011
Cash and banks		45,496	20,937
Financial investments			
. Agribusiness Credit Note (LCA)	40% of the Intebank Deposit Certificate (CDI) interest rate - weighted average rate		3,008
. Bank Deposit Certificate (CDB)	100.66% (March - 100.75%) of the CDI interest rate - weighted average rate	91,764	82,494
. Debenture repurchase agreements	101.28% (March - 101.02%) of the CDI interest rate - weighted average rate	183,696	115,780
. Interest-bearing account SWEEP	U.S. dollar variation + variable rate from 1.45% to 2.25% p.a.		
. Funds - Financial Treasury Bills (LFT	100% of the Special System for Settlement and Custody (Selic) interest rate	2,928	2,848
		323,884	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. At June 30, 2011, the Company's cash balance includes amounts deposited in foreign curency equivalent to US$ 25,932 thousand (parent company and consolidated). Additionally, the significant increase of the consolidated balance refers to the release of the financing occurred in the quarter.

All amounts in thousands of reais unless otherwise stated

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

7 Trade Receivables

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

	Parent company		Consolidated	
	June 30, 2011	March 31, 2011	June 30, 2011	March 31, 2011
Local customers	22,963	36,303	30,932	44,111
Foreign customers	24,377	14,136	24,377	15,562
	47,340	50,439	55,309	59,673

At June 30, 2011 and March 31, 2011, management did not identify the need to record a provision for doubtful trade receivables.

As of June 30, 2011, trade receivables totaling R$ 17,400 (R$ 18,473 - consolidated) were past due but not impaired. These relate 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:	June 30, 2011	March 31, 2011	June 30, 2011	March 31, 2011
up to 30 days	17,162	14,593	17,018	16,027
from 31 to 60 days	106		471	
over 61 days	132	123	984	313
Falling due:				
up to 30 days	28,307	33,514	37,824	41,082
from 31 to 60 days	1,229	2,185	2,532	2,185
over 61 days	404	24	(3,520)	66
	47,340	50,439	55,309	59,673

The past due amounts mainly refer to export transactions which are billed for immediate payment and take on average 30 days to be collected. The average collection period for trade receivables was 13 days (16 days - consolidated).

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

All amounts in thousands of reais unless otherwise stated

8 Inventories

	Parent company	
	June 30, 2011	March 31, 2011
Finished products and work in process	99,755	66,674
Advances - purchases of sugar cane	40,460	19,931
Inputs, indirect, maintenance and other materials	31,816	29,437
	172,031	116,042

	Consolidated	
	June 30, 2011	March 31, 2011
Finished products and work in process	118,332	80,510
Advances - purchases of sugar cane	58,326	23,986
Inputs, indirect, maintenance and other materials	39,830	38,510
Provision for reduction of inventories to realizable value	(96)	(3,900)
	216,392	139,106

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 m^3 of fuel ethanol in favor of Copersucar.

9 Taxes Recoverable

The balance of taxes recoverable can be summarized as follows:

	Parent company	
	June 30, 2011	March 31, 2011
COFINS, including credits on purchases of property, plant and equipment	17,578	18,162
ICMS, including credits on purchases of property, plant and equipment	13,222	4,438
PIS, including credits on purchases of property, plant and equipment	3,846	3,950
Other	538	454
	35,184	27,004
Current assets	(18,901)	(12,650)
Non-current assets	16,283	14,354

All amounts in thousands of reais unless otherwise stated

	Consolidated	
	June 30, 2011	March 31, 2011
COFINS, including credits on purchases of property, plant and equipment	41,003	42,116
ICMS, including credits on purchases of property, plant and equipment	17,755	18,819
PIS, including credits on purchases of property, plant and equipment	8,977	9,236
Other	649	569
	68,384	70,740
Current assets	(30,525)	(33,520)
Non-current assets (mainly credits from purchases of property, plant and equipment)	37,859	37,220

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

The credits on purchases of property, plant and equipment are offset 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		
	June 30, 2011	March 31, 2011	
	Non-current assets	Non-current assets	Current liabilities
Subsidiaries and related parties:			
Vale do Mogi (formerly USM)		203	
Omtek		2,962	
UBV		80	33
USL	500	1,586	
Monte Sereno Agrícola Ltda.		2	
SME	2,684		
Subtotal	3,184	4,833	33
Stockholders, arising from purchases of sugar cane - trade payables			877
	3,184	4,833	910

	Consolidated			
	June 30, 2011		March 31, 2011	
	Non-current assets	Current liabilities	Non-current assets	Current liabilities
Jointly-controlled subsidiaries and related parties:				
SMA		1,594		693
SMBJ			30	12
Monte Sereno Agrícola Ltda.			2	
USL			1	
Uniduto	777			
Subtotal	777	1,594	33	705
Stockholders, arising from purchases of sugar cane - trade payables				4,541
	777	1,594	33	5,246

The asset balances with subsidiaries at June 30, 2011 refer to advances for future capital increase.

All amounts in thousands of reais unless otherwise stated

(b) Parent company transactions in the quarter:

	June 30, 2011			
	Finance costs and administrative expenses	Sales revenue	Expenses reimbursed by subsidiaries	Purchases of products and services
Omtek		47		
UBV		52	1,313	40
USL			133	
Vale do Mogi				13,319
Stockholders				
- rental of properties	46			
- rendering of services	317			
- purchases of sugar cane				5,554
	363	99	1,446	18,913

	June 30, 2010					
	Finance income	Finance costs and administrative expenses	Sales revenue	Expenses apportioned by subsidiary	Expenses reimbursed by subsidiaries	Purchases of products and services
USM			5	941	1,173	195
Omtek			1,716		26	12
UBV	11				511	
Stockholders						
- rental of properties		22				
- rendering of services		109				
- purchases of sugar cane						1,006
	11	131	1,721	941	1,710	1,213

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

The expenses apportioned by subsidiary refer to expenditures with the shared services center incurred by USM up to November 2010, and subsequently by 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:

	June 30, 2011	June 30, 2010
Stockholders		
- rental of properties	46	67
- rendering of services	338	383
- purchases of sugar cane	5,554	3,748
	5,938	4,198

(d) Key management compensation:

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

All amounts in thousands of reais unless otherwise stated

	Parent company		Consolidated	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Wages and salaries	414	133	522	133
Fees and bonuses	2,073	1,004	2,148	1,807
Social security contributions	460	216	485	377
Private pension plan	109	42	116	102
Profit sharing program	27	9	34	9
Other	45	10	47	23
	3,128	1,414	3,352	2,451

11 Other Assets

	Parent company		Consolidated	
	June 30, 2011	March 31, 2011	June 30, 2011	March 31, 2011
Prepaid expenses	3,377	2,191	4,300	2,767
Sundry advances	10,120	2,234	11,939	2,333
Other investments	6,105	5,347	6,167	5,418
Other receivables	686	805	2,150	2,275
	20,288	10,577	24,556	12,793
Current assets	(14,073)	(4,958)	(16,870)	(5,692)
Non-current assets	6,215	5,619	7,686	7,101

12 Investments

The Parent company's investments in subsidiaries and jointly-controlled subsidiaries are as follows:

All amounts in thousands of reais unless otherwise stated

12.1 Subsidiaries and jointly-controlled subsidiaries

	June 30, 2011						
	Vale do Mogi	Omtek	SME	NF	SMA	USL	Total
In subsidiaries:							
Shares/quotas held (thousands)	23,500		1,000	426,635	50	11,898	
Percentage holding	100.00%		100.00%	62.89%	50.00%	41.67%	
Capital	59,540		1,000	684,870	100	3,541	
Equity (net capital deficiency)	770,796		(1)	621,493	(93)	(12,186)	
Profit (loss) for the quarter	8,364		(2)	(2,359)	(136)	(1,259)	
Changes in investments:							
At March 31, 2011	762,432	24,614		392,344	21		1,179,411
Capital contribution and increase			1			1,583	1,584
Merger of spun-off net aseets - Note 1.7		(23,652)					(23,652)
Equity in the earnings of subsidiaries	8,364	(962)	(2)	(1,485)	(68)	(519)	5,328
Reclassification to current liabilities related to investment with net capital deficiency			1		47	(1,064)	(1,016)
At June 30, 2011	770,796			390,859			1,161,655

	June 30, 2010			
	USM	UBV	Omtek	Total
In subsidiaries:				
Shares/quotas held (thousands)	23,500	125,620	13,925	
Percentage holding	100.00%	26.71%	100.00%	
Capital	60,000	470,288	27,971	
Equity	1,274,107	360,491	18,914	
Profit (loss) for the quarter	10,829	(8,559)	8	
Changes in investments:				
At March 31, 2010	1,263,806	89,061	18,906	1,371,773
Capital increase		8,377		8,377
Gain (loss) on revaluation reserve of subsidiaries, due to increase (decrease) in holding	46	(46)		
Equity loss arising from carrying value adjustments	624	(23)		601
Capital gain (loss) due to decrease in participation in accumulated results up to March 31, 2010	(1,198)	1,198		
Equity in the earnings of subsidaries	10,829	(2,277)	8	8,560
At June 30, 2010	1,274,107	96,290	18,914	1,389,311

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

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

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

All amounts in thousands of reais unless otherwise stated

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

Due to these decisions, the allocation of the goodwill paid by EP on the acquisition of these subsidiaries, between the revaluation of assets and expected future profitability, was reviewed and the determinations of CVM Instructions 319, of December 3, 1999, and 349, of March 6, 2001, were applied in the consolidation process of USM.

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

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

The goodwill related to the assets held for sale will be amortized on the realization of these assets. The tax benefit arising from the goodwill related to future profitability is amortized according to its effective use in the tax calculations.

After the above-mentioned events and the amortization and write-off arising from the assets sold, the goodwill in the consolidated quarterly information is as follows:

			Net balance at:	
	Goodwill	**Accumulated amortization / write-off**	**June 30, 2011**	**March 31, 2011**
Expected future profitability - intangible assets	39,688	(5,673)	34,015	34,015
Revaluation surplus of assets held for sale	27,415	(27,369)	46	53
Tax benefit related to the portion of expected future profitability - deferred taxes	20,446	(14,204)	6,242	9,508
	87,549	(47,246)	40,303	43,576

All amounts in thousands of reais unless otherwise stated

13 Biological Assets

At June 30, 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, with an average cycle of five or six crops.

The Company's land in which crops are planted 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 crops is determined based on the discounted cash flow method, considering basically the following:

(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 sugar and ethanol future prices; and

(b) Cash outflow represented by estimates of (i) costs required for the biological transformation of the sugar cane (crop treatments) up to harvest; (ii) costs with the harvesting, loading and transportation; (iii) capital cost (land and machinery and equipment); (iv) costs with leases and agricultural partnership; and (v) taxes on the positive cash flows.

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

	Consolidated	
	6/30/2011	3/31/2011
Estimated harvest area (ha)	109,053	109,053
Expected productivity (t/ha)	79.99	84.64
Amount of ATR per metric ton of sugar cane (kg)	136.60	137.47
Estimated average price of ATR (R$)	0.4315	0.4323

Based on the estimates of revenue and costs, the Company determines 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 the best estimates made by management on the financial statement date and are reviewed on a quarterly basis and, if necessary, adjusted.

All amounts in thousands of reais unless otherwise stated

The change in the fair value of biological assets for the quarter is as follows:

	June 30, 2011	
	Parent company	Consolidated
Biological assets at the beginning of the quarter	342,152	435,532
Increases arising from crop planting and treatments	40,900	62,606
Change in fair value	(7,999)	(8,015)
Decreases resulting from harvest	(37,108)	(45,057)
Biological assets at the end of the quarter	337,945	445,066

(a) Operating lease 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 (including those under 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 the 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). At June 30, 2011, the total payments related to leases and purchase agreements are estimated as follows:

	Consolidated	
	June 30, 2011	March 31, 2011
Less than 1 year	61,488	92,233
Later than 1 year and no later than 5 years	273,905	273,905
Later than 5 years	121,136	121,136
	456,529	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	604,410	64,723	436,818	41,123	109,746	8,224	63,139	1,328,183
Total cost	604,410	89,723	691,278	80,820	169,218	32,495	63,139	1,731,083
Accumulated depreciation		(25,000)	(254,460)	(39,697)	(59,472)	(24,271)		(402,900)
Net book value	604,410	64,723	436,818	41,123	109,746	8,224	63,139	1,328,183
At March 31, 2011	604,410	64,723	436,818	41,123	109,746	8,224	63,139	1,328,183
Purchases			11,006		7	745	26,900	38,658
Disposals (residual)			(38)	(61)	(345)	(6)		(450)
Transfers			3,050	2,183	4,793	26	(10,052)	
Assets merged from OMTEK	1,260	1,543	6,325			70		9,198
Depreciation		(709)	(34,455)	(2,682)	(3,942)	(400)		(42,188)
At June 30, 2011	605,670	65,557	422,706	40,563	110,259	8,659	79,987	1,333,401
Total cost	605,670	70,616	471,247	44,046	116,313	33,503	79,987	1,421,382
Accumulated depreciation		(5,059)	(48,541)	(3,483)	(6,054)	(24,844)		(87,981)
Net book value	605,670	65,557	422,706	40,563	110,259	8,659	79,987	1,333,401
Net book value of:								
Historical cost	21,154	19,257	158,621	32,810	57,762	8,659	79,987	378,250
Surplus	584,516	46,300	264,085	7,753	52,497			955,151
	605,670	65,557	422,706	40,563	110,259	8,659	79,987	1,333,401
Average depreciation rates		4.67%	9.07%	23.13%	12.80%	11.72%		

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	1,732,306	162,291	630,459	63,054	141,105	20,926	11,246	103,374	2,864,761
Total cost	1,732,306	195,298	907,636	107,488	212,383	27,911	36,618	103,374	3,323,014
Accumulated depreciation		(33,007)	(277,177)	(44,434)	(71,278)	(6,985)	(25,372)		(458,253)
Net book value	1,732,306	162,291	630,459	63,054	141,105	20,926	11,246	103,374	2,864,761
At March 31, 2011	1,732,306	162,291	630,459	63,054	141,105	20,926	11,246	103,374	2,864,761
Purchases			13,787		7		802	33,856	48,452
Disposals (residual)			(71)	(188)	(345)		(6)		(610)
Transfers		58	3,207	2,188	5,688		38	(11,179)	
Depreciation		(1,478)	(41,916)	(3,248)	(5,162)	(1,812)	(495)		(54,111)
At June 30, 2011	1,732,306	160,871	605,466	61,806	141,293	19,114	11,585	126,051	2,858,492
Total cost	1,732,306	178,201	679,106	70,518	160,357	27,911	37,450	126,051	3,011,900
Accumulated depreciation		(17,330)	(73,640)	(8,712)	(19,064)	(8,797)	(25,865)		(153,408)
Net book value	1,732,306	160,871	605,466	61,806	141,293	19,114	11,585	126,051	2,858,492
Net book value of:									
Historical cost	116,536	107,372	341,381	53,966	88,644	19,114	11,585	126,051	864,649
Surplus	1,615,770	53,499	264,085	7,840	52,649				1,993,843
	1,732,306	160,871	605,466	61,806	141,293	19,114	11,585	126,051	2,858,492
Average depreciation rates		3.83%	7.85%	16.78%	11.39%	20.00%	12.46%		

The Parent Company balance of construction in progress at March 31, 2011 refers to the refurbishment of its two industrial facilities to increase sugar and ethanol production and other improvements to the plant. 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$ 630,103 at June 30, 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$ 1,012,918 was pledged as collateral for securitized rural credits, recorded in current and long-term liabilities.

At June 30, 2011, 6,136 ha. of the Company's land were pledged in guarantee for UBV transactions.

All amounts in thousands of reais unless otherwise stated

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

In the quarters ended June 30, 2011 and 2010, the Company and its subsidiaries capitalized finance charges of R$ 1,272 and R$ 3,272, respectively.

(a) Deemed cost

As permitted by Technical Interpretation - ICPC 10, the Company and certain subsidiaries opted for the adoption of the deemed cost in the application of the new accounting practices (IFRS / CPCs).

The revaluations made by the companies in 2007 were maintained in accordance with Law 11638. The revaluation previously recorded was considered as part of the new cost at April 1, 2009 and, for this reason, the existent revaluation reserve was reclassified to "Carrying value adjustments - deemed cost".

At June 30, 2011, the total residual surplus of property, plant and equipment (arising from previous revaluations and restated at the deemed cost), net of the related depreciation and disposals, as well as the reviewed average depreciation rates, by group/nature of assets, are presented in the table above.

15 Intangible Assets

	Parent company		Consolidated	
	June 30, 2011	March 31, 2011	June 30, 2011	March 31, 2011
Goodwill - expected future profitability	38,826	38,826	38,826	38,826
Accumulated amortization	(4,811)	(4,811)	(4,811)	(4,811)
Software	5,183	5,148	6,858	6,858
Accumulated amortization	(3,461)	(3,317)	(4,326)	(4,147)
	35,737	35,846	36,547	36,726

The goodwill attributed to the expected future profitability, derived from the spin-off of USL's net assets, which were merged by the Company, is no longer being amortized as from the fiscal year beginning April 1, 2009, as mentioned in Note 12.2.

All amounts in thousands of reais unless otherwise stated

16 Borrowings

Type	Charges	Guarantees	Maturity	Parent company June 30, 2011	Parent company 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 2018 and Jul 2020	73,322	76,154
Rural credit	Weighted average fixed interest rate of 11.25% p.a. paid on final maturity of the contracts	(b)	Single installment with maturities between Jul 2011 and Oct 2011	6,696	11,721
Rural credit	Fixed interest rate of 6.75% p.a. paid on final maturity of the contract	(b)	Monthly installments with maturities in Aug 11, Oct 11 and Dec 11	16,161	3,469
Finame / BNDES Automatic loans	Quarterly Long-term Interest Rate (TJLP) + weighted average interest of 2.71% p.a. paid monthly	(c)	Monthly installments with maturities between Jul 2011 and Apr 2015	28,507	33,415
Finame / BNDES Automatic loans	Weighted average fixed rate of 5.15% p.a. paid monthly	(d)	Monthly installments with maturities between Jul 2011 and Aug 2015	41,340	40,266
Other securitized credits	Fixed interest rate of 3% p.a. paid annually	(e)	Annual installments with final maturity in Oct 2025	71	71
Working capital	Variation of 99 % CDI OVER CETIP (average rate for interbank loans for one day registered with CETIP) paid on final maturities of the contracts	(g)	Single installments with maturities in May 2012, May 2013 and May 2014	101,031	
Leases	Fixed rate of 7.51% p.a. paid monthly	(f)	Monthly installments with maturities between Jul 11 and Apr 13	409	460
FINEM DIRECT	Quarterly Long-term Interest Rate (TJLP) + weighted average interest of 3.71% p.a. paid monthly	(c)	Monthly installments with maturities between Jul 11 and Apr 23	3,806	
FINEM DIRECT	Fixed rate of 5.50% p.a. paid monthly	(c)	Monthly installments with maturities betwee Jul 11 and Apr 21	9,895	
In foreign currency:					
ACC (Advances on foreign exchange contracts)	Fixed rate of 2.20% p.a. + US$ variation paid on final maturity of the contracts	(l)	Single installment with final maturity in Apr 2011		4,983
Export prepayment - PPE	6-month Libor + fixed rate of 2% = 2.4390% p.a. + US$ variation paid on final maturity of the contracts	(h)	Semiannual installments with maturities between Aug 11 and Jun 15	235,427	245,527

All amounts in thousands of reais unless otherwise stated

Type	Charges	Guarantees	Maturity	Parent company June 30, 2011	Parent company March 31, 2011
Finame / BNDES Automatic loans	Currency basket (U.S. dollar, Euro and Yen) + fixed rate of 6.8752% p.a. paid monthly	(k)	Monthly installments with maturities between Jul 11 and Mar 12	11	15
FINEM DIRECT	Currency basket (U.S. dollar, Euro and Yen) + fixed rate of 6.9752% p.a. paid monthly	(c)	Monthly installments with maturities between Jul 11 and Apr 23	572	
Total				517,247	416,081
Current liabilities				(92,771)	(80,291)
Non-current liabilities				424,476	335,790

Type	Charges	Guarantees	Maturity	Consolidated June 30, 2011	Consolidated March 31, 2011
In local currency:					
Securtized rural credits	General Market Price Index (IGP-M) + weighted average interest of 4.61% p.a., paid annually	(a)	Annual installments with maturities between Sep 2018 and Jul 2020	73,510	76,367
Rural credit	Weighted average fixed interest rate of 11.25% p.a. paid on final maturity of the contracts	(b)	Monthly installments with maturities between Jul 11 and Jan 12	14,065	22,252
Rural credit	Weighted average fixed interest rate of 6.75% p.a. paid on final maturity of the contracts	(m)	Monthly installments with maturities in Aug 11, Oct 11 and Dec 11	16,161	3,469
Finame / BNDES Automatic loans	Quarterly Long-term Interest Rate (TJLP) + weighted average interest of 2.92% p.a. paid monthly	(c) e (i)	Monthly installments with maturities between Jul 11 and Apr 15	36,395	42,174
FINEM - DIRECT	Quarterly Long-term Interest Rate (TJLP) + weighted average interest of 2.23% p.a. paid monthly	(c) e (i)	Monthly installments with maturities between Jul 11 and Apr 23	191,002	184,828
FINEM - DIRECT	Weighted average fixed interest rate of 4.72% p.a. paid monthly	(c) e (i)	Monthly installments with maturities between Jul 11 and Apr 21	60,853	38,819
Finame / BNDES Automatic loans	Weighted average fixed interest rate of 5.31% p.a. paid monthly	(d) e (j)	Monthly installments with maturities between Jul 11 and Oct 15	42,360	41,588
Finame (FCO)	Weighted average fixed interest rate of 11.5% p.a. paid monthly	(j)	Monthly installments with maturities between Jul 11 and Nov 19	5,926	6,104
Other securitized credits	Fixed interest rate of 3% p.a. paid annually	(e)	Annual installments with final maturity in Oct 2025	71	71

All amounts in thousands of reais unless otherwise stated

				Consolidated	
Type	Charges	Guarantees	Maturity	June 30, 2011	March 31, 2011
Working capital	Variation of 99% CDI OVER CETIP (average rate for interbank loans for one day registered with CETIP) paid on final maturities of the contracts	(g)	Single installments with maturities in May 2012, May 2013 and May 2014	101,031	
Leases	Weighted average fixed rate of 7.49% p.a. paid monthly	(f)	with final maturities between Jul 11 and May 13	431	484
In foreign currency:					
Finame / BNDES Automatic loans	Currency basket (U.S. dollar, Euro and Yen) + fixed rate of 6.8752% p.a. paid monthly	(k)	Monthly installments with maturities between Jul 11 and Mar 12	11	15
FINEM - DIRECT	Currency basket (US Dollar, Euro and Yen) + weighted average fixed rate of 6.33% p.a. paid monthly	(c) and (k)	Monthly installments with maturities between Jul 11 and Apr 23	42,865	45,012
ACC (Advances on foreign exchange contracts)	Weighted average interest of 2.2% p.a. + US$ variation paid on final maturities	(l)	Single installment with final maturity in Apr 2011		4,983
Export prepayment - PPE	Six-month Libor + fixed rate of 2% = 2.4390% p.a. + US$ variation paid on final	(h)	Semiannual installments with maturities between Aug	235,427	245,527
Total				820,108	711,693
Current liabilities				(153,826)	(140,982)
Non-current liabilities				666,282	570,711

BNDES - National Bank for Economic and Social Development
FINAME - Fund for Financing the Acquisition of Industrial Machinery and Equipment
TJLP - Long-term Interest Rate

At June 30, 2011, all the borrowings were guaranteed by stockholders' sureties and by the following additional guarantees (related to the tables above):

All amounts in thousands of reais unless otherwise stated

Description of the guarantees offered for borowings at June 30, 2011		Carrying or contractual
(a)	Mortgagae - 15,276.09 ha of land	531,807
(b)	Promissory note	48,113
(c)	Statutory lien of industrial equipment	23,526
	Statutory lien of agricultural equipment	63,915
	Promissory note	31,112
(d)	Statutory lien of industrial equipment	31,761
	Statutory lien of agricultural equipment	38,665
	Promissory note	
(e)	Mortgage - 78.53 ha of land	4,779
(f)	Promissory note	178
(g)	Promissory note	100,000
(h)	Consolidated financial covenants: maintenance of a principal minimum percentage with a projected flow of receivables and minimum ratio between the net debt and the Earnings before interest, tax, depreciation and amortization (EBITDA). At June 30 and March 31, 2011, the Company was in compliance with all the covenants of financing agreements.	
(i)	Mortgage -11,712 ha of land	399,269
	Statutory lien of industrial equipment	304,535
	Statutory lien of agricultural equipment	17,747
	Statutory lien of social-environmental equipment	
	Promissory note	7,105
(j)	Mortgage - 199.2025 ha of land	6,158
	Statutory lien of industrial equipment	141,313
	Statutory lien of agricultural equipment	3,771
	Promissory note	3,313
(k)	Mortgage - 2,080 ha of land	70,905
	Statutory lien of industrial equipment	4,871
	Statutory lien of agricultural equipment	
	Promissory note	
(l)	Promissory note	
(m)	Company surety	

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:

	June 30, 2011	
	Parent company	Consolidated
From 7/1/12 to 6/30/13	124,509	187,354
From 7/1/13 to 6/30/14	170,704	232,661
From 7/1/14 to 6/30/15	84,034	137,457
From 7/1/15 to 6/30/16	10,605	28,752
From 7/1/16 to 6/30/17	9,340	26,076
From 7/1/17 to 6/30/26	25,284	53,982
	424,476	666,282

The carrying amounts and fair value of borrowings are similar.

Based on Brazilian Central Bank Resolution 2471/98 and other existing 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 on the redemption of the CTNs, which are under the custody of the creditor financial institutions. These certificates are not negotiable and are exclusively intended for paying this debt. The companies' disbursements during the 20 years in which this securitization is effective is limited to the annual payment of amounts equivalent to the application of variable percentages of between 3.9% and 4.96% per annum on the securitized amount, monetarily adjusted based on the General Market Price Index (IGP-M), limited to 9.5% per annum up to the annual payment date. This obligation was recorded in the financial statements at June 30, 2011 and March 31, 2011, based on the amount of future disbursements adjusted to present value.

17 Trade Payables

	Parent company		Consolidated	
	June 30, 2011	March 31, 2011	June 30, 2011	March 31, 2011
Sugar cane	66,698	26,448	68,762	31,794
Materials, services and other	29,375	20,194	35,368	29,302
	96,073	46,642	104,130	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 (Cooperative)

Copersucar provided funds to companies during their period as cooperative members through bills of exchange, for the purpose of financing their operations. The funds were obtained by the Cooperative in the market and transferred to the cooperative members for short-term settlement, and from temporary cash surpluses arising from injunctions in lawsuits claiming the suspension of liabilities. These cash surpluses relate to provisions for contingencies recorded by the Cooperative in long-term liabilities. However, in the event of unfavorable outcomes in lawsuits in which the Cooperative obtained an injunction, the Company may be required to reimburse, within 120 days, the amount that was transferred to it. The main amounts included in these liabilities arise from Excise Tax (IPI), whose constitutionality and legality has been challenged in court by the Cooperative, totaling R$ 66,976 and R$ 65,962 as of June 30 and March 31, 2011, respectively (R$ 69,490 and R$ 68,495, respectively, in the consolidated) and from tax liabilities included in the Tax Recovery Program (REFIS) Copersucar, as shown below.

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

	Parent company	
	June 30, 2011	**March 31, 2011**
Bill of Exchange - Updated based on the SELIC	66,976	70,096
REFIS - Copersucar - Updated based on the SELIC	87,641	86,051
Bill of Exchange - Onlending of resources not subject to charges	44,272	44,272
Bill of Exchange - Updated based on the US$ variation + interest of 4.53% p.a.	2,657	3,271
Total	201,546	203,690
Current liabilities	(2,040)	(2,040)
Non-current liabilities	199,506	201,650

	Consolidated	
	June 30, 2011	**March 31, 2011**
Bill of Exchange - Updated based on the SELIC	71,416	75,001
REFIS - Copersucar - Updated based on the SELIC	87,641	86,051
Bill of Exchange - Onlending of resources not subject to charges	45,225	45,225
Bill of Exchange - Updated based on the TJLP	394	110
Bill of Exchange - Updated based on the US$ variation + interest of 4.53% p.a.	2,821	3,461
Total	207,497	209,848
Current liabilities	(2,203)	(2,203)
Non-current liabilities	205,294	207,645

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

All amounts in thousands of reais unless otherwise stated

Copersucar enrolled in the installment payment benefits of Law the 11941/09 and the debt amounts were consolidated by the Federal Revenue Secretariat. The amount included in the installment payment 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 USL will remain liable for the liabilities 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 are under judicial dispute handled by the Cooperative's legal counsel are finally and definitively judged by the courts. Such liabilities continue to be collateralized by bank guarantees in the amount of R$ 162,698 (R$ 175,152 - consolidated).

19 Taxes Payable in Installments

	Parent company		Consolidated	
	June 30, 2011	March 31, 2011	June 30, 2011	March 31, 2011
Valued-added Tax on Sales and Services (ICMS)	8,648	8,848	8,648	8,848
REFIS installment program - Law 11941	52,312	50,815	52,931	52,075
	60,960	59,663	61,579	60,923
Current liabilities (taxes payable)	(5,294)	(4,753)	(5,913)	(5,090)
Non-current liabilities	55,666	54,910	55,666	55,833

In October and November 2009, the Company and its subsidiaries Omtek and USL applied for the Tax Recovery Program (REFIS), established by Law 11941, of May 27, 2009, with benefits of reduction of interest, fines and legal charges. Most of the lawsuits included in the installment payment program were being challenged in court and, according to the legal advisors' judgment, had a related provision for contingencies. 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 are based, subject to immediate rescission of the installment program and, consequently, loss of the benefits (discounts and payment terms).

In the current quarter, the Company made further inclusions in the REFIS, basically social security debts, which were charged to "Other income (expenses), net".

	Parent company	Consolidated
Total debts included in the installment payment program	2,239	2,625
Total debts excluded from the installment payment program	(1,262)	(1,262)
Discounts obtained in the program	(553)	(745)
Total impact in the statement of income for June 2011	424	618

In June 2011 due to the enrollment in the installment payment program, the debt amounts were consolidated by the Federal Revenue Secretariat.

All amounts in thousands of reais unless otherwise stated

20 Other Liabilities

	Parent company		Consolidated	
	June 30, 2011	March 31, 2011	June 30, 2011	March 31, 2011
Sales to be billed	980	7,187	5,532	10,663
Revenues to be appropriated	1,979	1,458	1,979	2,913
Taxes payable in installments	279	728	279	728
Net capital deficiency of subsidiary	5,125	6,142		
Mitsubishi Corporation	8,534	11,748	8,534	11,748
Other debts	7,890	4,546	8,270	5,556
	24,787	31,809	24,594	31,608
Current liabilities	(15,278)	(21,398)	(15,024)	(21,137)
Non-current liabilities	9,509	10,411	9,570	10,471

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

21 Equity

(a) Share capital

At June 30 and March 31, 2011, the capital was divided into 113,000,000 common shares, without par value.

(b) Treasury shares

On September 22, 2008, the Board of Directors approved the common share repurchase program, with the shares to be held in treasury for subsequent sale or cancellation, without reducing capital, pursuant to the Company's bylaws, CVM Instructions 10/80 and 268/97 and other statutory provisions. The share repurchases were carried out up to January 5, 2009 on the BM&FBovespa, at market prices, with the intermediation of brokerage firms.

The Company repurchased 139,000 common shares for R$ 1,899, at a minimum price per share of R$ 9.30 and a maximum price of R$ 19.20, resulting in an average price of R$ 13.65. At June 30, 2011, the market value of these shares was R$ 3,550 (R$ 3,557 at March 31, 2010).

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

(c) Carrying value adjustments

- **Deemed cost**

This corresponds to the deemed cost surplus of land, buildings and premises, industrial equipment and facilities, vehicles and agricultural machinery and implements, as described in Note 14(a). The amounts are recorded net of tax effects and their realization is based on the depreciation, write-off or sale of the related assets, and the realized amounts are transferred to "Retained earnings".

- **Hedge accounting fair value**

This refers to the results of outstanding derivative financial instruments, designated as hedges for accounting purposes. This balance is reversed over time from equity to the results of operations, as the related transactions mature/are shipped.

(d) Legal and capital budget reserves

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

The capital budget reserve refers to the retention of part of the profit with the objective of covering the Company's investments, based on a budget approved at the General Meeting of stockholders. On July 29, 2011, Management approved the appropriation of additional R$ 54,091 to the capital budget reserve.

(e) Dividends and interest on capital

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

The Annual General Meeting of stockholders held on July 29, 2011 approved an additional dividend distribution of R$ 21,062 (R$ 0.1866 per share), totaling a dividend distribution of R$ 30,242 (R$ 0.2680 per share), corresponding to 21% of the profit for the previous year after appropriation of the legal reserve.

(f) Stock Option Plan

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

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

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

22 Employee and Management Benefits Plan

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

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

The contributions for the quarters ended June 30, 2011 and 2010, recorded as operating costs or expenses in the consolidated statement of income, amounted to R$ 432 and R$ 396, respectively.

23 Profit Sharing Program

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

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

The amounts of profit sharing for the quarters ended June 30, 2011 and 2010, recorded as operating costs or expenses in the consolidated statement of income, amounted to R$ 2,663 and R$ 2,522, respectively.

All amounts in thousands of reais unless otherwise stated

24 Income Tax and Social Contribution

(a) Income tax and social contribution are as follows:

	Parent company		Consolidated	
Tax credits	**June 30, 2011**	**March 31, 2011**	**June 30, 2011**	**March 31, 2011**
In current assets - prepayments				
. Income tax and social contribution to be offset	4,299	1,023	5,710	5,037
In non-current assets - deferred credits				
. Income tax on tax losses	10,453	14,296	29,906	33,442
. Social contribution on tax losses	3,837	5,220	10,840	12,113
Taxes on temporary differences of:				
. Provision for contingencies	16,516	17,127	16,610	17,363
. Biological assets (changes in fair value)	14,966	16,718	26,572	27,750
. Tax benefit of merged goodwill	8,489	9,509	8,489	9,509
. Pre-operating expenses (deferred, written off)	8		7,778	7,982
. Derivative financial instruments	12,912	13,784	12,912	13,784
. Other	8,231	9,414	8,298	10,733
	75,412	86,068	121,405	132,676
Tax liabilities				
In current liabilities - current liabilities				
. Income tax and social contribution payable	1,404	829	1,672	829
In non-current liabilities - deferred liabilities				
Taxes on temporary differences of:				
. Surplus of property, plant and equipment (deemed cost	(326,229)	(329,797)	(679,385)	(684,793)
. Accelerated tax-incentive depreciation	(105,754)	(107,366)	(105,755)	(107,366)
. Securitized financing	(12,897)	(12,574)	(13,062)	(12,740)
. Adjustments to present value	(7,918)	(8,371)	(7,938)	(8,393)
. Derivative financial instruments	(8,676)	(3,834)	(8,676)	(3,835)
	(461,474)	(461,942)	(814,816)	(817,127)

All amounts in thousands of reais unless otherwise stated

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

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	37,203	37,203
2013	9,849	9,849
2014	7,189	7,189
2015	6,684	8,450
2016	6,013	15,003
2017 and thereafter	8,474	43,711
	75,412	121,405

The deferred income tax and social contribution liabilities are realized principally through the depreciation and disposal of the property, plant and equipment items that gave rise to them. The realization of this liability is estimated at the average rate of 15% per year, according to the depreciation rates of the respective property, plant and equipment items. In addition, the period for settlement of securitized loans, which mature through 2021, impacts the period for recovery of the deferred income and social contribution tax assets.

(b) Reconciliation of income tax and social contribution

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

	June 30, 2011		June 30, 2010	
Parent company:	**Income tax**	**social contribution**	**Income tax**	**Social contribution**
Profit before taxation	51,732	51,732	23,016	23,016
Standard rates of tax - %	25%	9%	25%	9%
	(12,933)	(4,656)	(5,754)	(2,071)
Reconciliation to the effective rate:				
Permanent differences				
Equity in the earnings of subsidiaries	1,332	480	2,140	770
Tax benefits - REFIS installment payment program - Law 11941	176	64		
Other permanent differences	1,112	434	658	238
PAT and donations with incentives	223		75	
Income tax and social contribution	(10,090)	(3,678)	(2,881)	(1,063)
Income tax and social contribution	(13,768)		(3,944)	

All amounts in thousands of reais unless otherwise stated

	June 30, 2011		June 30, 2010	
Consolidated:	**Income tax**	**Social contribution**	**Income tax**	**Social contribution**
Profit before taxation	51,700	51,700	27,271	27,271
Standard rates of tax - %	25%	9%	25%	9%
	(12,925)	(4,653)	(6,818)	(2,454)
Reconciliation to the effective rate:				
Permanent differences				
Tax incentives - non-taxable ICMS	271	97	240	86
Deferred taxes, not recorded	(999)	(359)	(207)	(74)
Tax benefits - REFIS installment program - Law 11941	176	63		
Other permanent differences	3,163	1,206	560	201
PAT and donations with incentives	224		267	
Income tax and social contribution	(10,090)	(3,646)	(5,958)	(2,241)
Income tax and social contribution	(13,736)		(8,199)	

25 Investment Subsidies

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

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

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

The incentive amounts credited to operations for the quarters ended June 30, 2011 and 2010 were R$ 1,724 and R$ 961, respectively.

26 Commitments

The Company and its subsidiaries undertake several commitments in the ordinary course of their business. The following are the main commitments in this financial information:

26.1 Riparian forests and land for legal reserve

The Company and its subsidiaries have uncultivated areas covered by preserved native vegetation or in process of regeneration or reforestation intended to ensure the ecological balance of the environment. Such areas, under current environmental law, correspond to riparian forests and areas destined to the so called "legal reserve".

The riparian forests, hillsides, remaining original vegetation and areas registered as legal reserve are strictly observed and preserved upon sugar cane plantation. The Company and its subsidiaries do not interfere at all with these areas.

The Company - except for UBV, which has already acquired areas for agribusiness and forest conservation in the proportion established by the law - do not have legal reserve areas registered at the minimum percentage prescribed in current law, but have areas which are ready for proportional registration in the next 30 years (10% in each 3-year period), under the terms of the legislation of the State of São Paulo. However, as the obligation to abandon areas which are historically cultivated and assign them to the legal reserve is still being discussed at the political and judicial levels, the Company is attentively accompanying the development of events and is evaluating different alternatives for complying with the legal requirements. In the case of the merged operations of the former USM, the Company has also been discussing this obligation in court and an unfavorable outcome is considered possible; in parallel, it is evaluating the possibility of signing a Conduct Adjustment Agreement with the Public Attorney's Office of Ribeirão Preto to regularize the legal reserve of some of its rural properties.

The amounts to be invested to comply with these obligations, the manner in which they will be carried out and the time required for their realization are not currently measurable. Investments in preservation areas, when made, are recorded in property, plant and equipment.

26.2 Ethanol supply agreement

Under a sale and purchase agreement, the Company agreed to supply industrial ethanol to Mitsubishi Corporation for 30 years, beginning in the 2008/2009 crop, in a proportion of 30% of all UBV's ethanol production, under market conditions. The agreement has a clause that prescribes that it is automatically renewable for 10 years.

26.3 Grating of right of preference for the purchase of ethanol

The Company and its subsidiary NF granted to PBio the right of preference, regarding market terms and conditions, for the purchase of up to 49% of the production of ethanol and the excess electricity of UBV and SMBJ.

26.4 Sureties

The Company is the guarantor of the borrowings contracted by UBV in the amount of R$ 474,578.

27 Provision for Contingencies

27.1 Probable losses

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

All amounts in thousands of reais unless otherwise stated

Parent company

	March 31, 2011	Merged balance OMTEK	Additions	Reversals	Utilizations	Monetary restatement	June 30, 2011
Tax	8,727	3				73	8,803
Civil and environment	14,498		1,064	(295)		271	15,538
Labor	46,818	353	2,386	(789)	(7,302)	1,379	42,845
	70,043	356	3,450	(1,084)	(7,302)	1,723	67,186
(-) Judicial deposits	(30,564)	(253)	(2,358)		1,632	(364)	(31,907)
	39,479	103	1,092	(1,084)	(5,670)	1,359	35,279

Consolidated

	March 31, 2011	Additions	Reversals	Utilizations	Monetary restatement	June 30, 2011
Tax	9,470		(10)		91	9,551
Civil and environmental	15,124	1,064	(297)		285	16,176
Labor	49,690	2,486	(1,008)	(7,435)	1,459	45,192
	74,284	3,550	(1,315)	(7,435)	1,835	70,919
(-) Judicial deposits	(32,367)	(2,425)		1,632	(371)	(33,531)
	41,917	1,125	(1,315)	(5,803)	1,464	37,388

On May 30, 2011, the Company merged all the assets of Omtek, assuming the lawsuits in which it was involved.

On June 30, 2011, the nature of the main lawsuits that were included in the provisions is as follows (parent company and consolidated):

Tax lawsuits:

The lawsuits 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 lawsuits:

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

Labor lawsuits:

Labor lawsuits 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 cases involving tax, environmental and civil matters that were assessed by the Company's legal counsel as possible losses. The nature and the amount of these lawsuits are as follows:

All amounts in thousands of reais unless otherwise stated

Tax lawsuits:

Consolidated						Stage		
Subject		Number of lawsuits	Adminis-trative	Trial court	Appeals court	Lower court	Higher court	Total
(i)	Social security contributions	24	102,547		12,380			114,927
(ii)	Calculation of IRPJ/CSLL	2	48,662					48,662
	Negative balance of IRPJ	3		92		215	1,469	1,776
	Offset of credits - PIS	2	3,641			1,697		5,338
	Offset of federal taxes	2	213			1,427		1,640
	Other tax cases	47	10,665	1,242		1,588		13,495
		80	165,728	1,334	12,380	4,927	1,469	185,838

In addition, in accordance with the terms negotiated for the withdrawal from Copersucar, the Company and USL are liable for the payment of any obligations, proportionate to their interest in Copersucar in previous harvests, which result from tax assessments that may arise and that relate to periods in which the Company and its subsidiaries were cooperative members. The State Finance authorities have issued tax assessments against Copersucar with respect to Value-added Tax on Sales and Services (ICMS) on fuel and industrial ethanol sales made by Copersucar up to December 31, 2008, as principal taxpayer or substitute taxpayer of the distribution companies. The adjusted amount, calculated proportionately to the interest of the Company and its subsidiaries in the Cooperative, amounts to R$ 132,465. 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.

Civil and environmental lawsuits:

Consolidated					Stage	
Subject	Number of lawsuits	Adminis-trative	Trial court	Lower court	Higher court	Total
Environmental	45	1,706	848	1,229	4,745	8,528
Civil						
Indemnities	32		2,699	166	25	2,890
Review of contracts	11			24		24
Rectification of area and land registration	4		9			9
Permits for obtaining research license	7					
Regulatory	1	65				65
	100	1,771	3,556	1,419	4,770	11,516

The Management of the Company and its subsidiaries, based on the opinion of its legal counsel, understands that there are no other significant contingent risks not covered by sufficient provisions in its financial statements or that may result in significant impact on future results.

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

All amounts in thousands of reais unless otherwise stated

As from March 1, 2010, the Company and its subsidiaries opted for the utilization of hedge accounting to record a part of their derivative financial instruments. The instruments elected were sugar, ethanol and foreign currency (U.S. dollar) derivatives, which cover the sales of the 2011/2012 crop, and were classified as a hedge of cash flows of highly probable expected transactions (future sales).

Derivatives designated for hedge accounting are recorded at their fair value in the balance sheet. The effective variations in the fair value of the designated derivatives, 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", when the revenue of the related hedged sale is recognized, which occurs in the month the sold 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 for hedge 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 are carried out by contracting Non-Deliverable Forwards (NDFs) and options strategies with leading financial institutions.

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

The balances of assets and liabilities at June 30, 2011 and March 31, 2011 relating to transactions involving derivative financial instruments were as follows:

	Parent company		**Consolidated**	
	June 30, 2011	**March 31, 2011**	**June 30, 2011**	**March 31, 2011**
Margin deposits	1,135	1,709	1,135	1,709
Potential results - futures - sugar	(4,564)	(2,634)	(4,564)	(2,634)
Potential results - futures - ethanol	6	14	6	14
Potential results - options - sugar	(4,090)	129	(4,090)	129
Potential results - options - U.S. dollar	1,018	221	1,018	221
Potential results - forward contracts - foreign exchange	13,032	3,894	13,032	3,894
Potential results - forward contracts - sugar	(6,813)	(23,276)	(6,813)	(23,276)
	(276)	(19,943)	(276)	(19,943)
In current assets	15,191	5,967	15,191	5,967
In current liabilities	(15,467)	(25,910)	(15,467)	(25,910)
	(276)	(19,943)	(276)	(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.

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 types.

All amounts in thousands of reais unless otherwise stated

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 Statement of fair value of the derivative financial instruments

At June 30, 2011 and March 31, 2011, the analysis of the fair values of the assets and liabilities related to transactions involving derivative financial instruments is as follows:

(a) Futures and options contracts:

	June 30, 2011				
Parent company	**Volume (Metric ton)**	**Average price (¢/lb)**	**Notional amount - R$**	**Fair value - R$**	**Payable / receivable - R$**
Products - Sugar #11					
Futures contracts					
Sales commitment	58,928	23.35	47,364	(5,484)	(5,484)
Purchase commitment	5,131	21.13	3,731	920	920
					(4,564)
Options Contracts					
Purchased position - sale	57,912	22.44	44,733	1,510	1,510
Written position - sale	5,080	20.00	3,497	(33)	(33)
Written position - purchase	57,912	25.21	50,253	(5,567)	(5,567)
					(4,090)
Products - ETH BMF					
Futures Contracts					
Sales commitment	14,160	1,041.70	492	6	6
					6
Currency - US$					
Options Contracts					
Principal position - sale	9,000	1.72	15,480	1,116	1,116
Written position - purchase	9,000	1.87	16,830	(98)	(98)
					1,018

All amounts in thousands of reais unless otherwise stated

					March 31, 2011
Parent company	**Volume (Metric ton)**	**Average price (¢/lb)**	**Notional amount - R$**	**Fair value - R$**	**Payable / receivable - R$**
Products - Sugar #11					
Futures Contracts					
Sales commitment	141,580	24.76	125,873	(1,081)	(1,081)
Purchase commitment	83,922	25.69	77,417	(1,553)	(1,553)
					(2,634)
Options Contracts					
Purchased position - sale	64,872	23.92	55,712	3,201	3,201
Purchased position - purchase	10,160	26.50	9,668	540	540
Written position - sale	14,224	21.22	10,836	(240)	(240)
Written position - purchase	75,032	27.59	74,348	(3,372)	(3,372)
					129
Products - ETH BMF					
Futures Contracts					
Sales commitment	11,190	1,062.09	396	14	14
					14
Curency - US$					
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

All amounts in thousands of reais unless otherwise stated

					June 30, 2011
Consolidated	**Volume (Metric ton)**	**Average price (¢/lb)**	**Notional amount - R$**	**Fair value - R$**	**Payable / receivable - R$**
Products - Sugar #11					
Futures Contracts					
Sales commitment	58,928	23.35	47,364	(5,484)	(5,484)
Purchase commitment	5,131	21.13	3,731	920	920
					(4,564)
Options Contracts					
Purchased position - sale	57,912	22.44	44,733	1,510	1,510
Purchased position - purchase	5,080	20.00	3,497	(33)	(33)
Written position - purchase	57,912	25.21	50,253	(5,567)	(5,567)
					(4,090)
Products - ETH BMF					
Futures contracts					
Sales commitment	14,160	1,041.70	492	6	6
					6
Currency - US$					
Options Contracts					
Principal position - sale	9,000	1.72	15,480	1,116	1,116
Written position - purchase	9,000	1.87	16,830	(98)	(98)
					1,018

All amounts in thousands of reais unless otherwise stated

					March 31, 2011
Consolidated	**Volume (Metric ton)**	**Average price (¢/lb)**	**Notional amount- R$**	**Fair value - R$**	**Payable / receivable - R$**
Products - Sugar #11					
Futures Contracts					
Sale commitment	141,580	24.76	125,873	(1,081)	(1,081)
Purchase commitment	83,922	25.69	77,417	(1,553)	(1,553)
					(2,634)
Options Contracts					
Purchased position - sale	64,872	23.92	55,712	3,201	3,201
Purchased position - purchase	10,160	-	-	540	540
Written position - sale	14,224	21.22	10,836	(240)	(240)
Written position - purchase	75,032	27.59	74,348	(3,372)	(3,372)
					129
Products - ETH BMF					
Futures Contracts					
Sale commitment	11,190	1,062.09	396	14	14
					14
Currency - US$					
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 options contracts listed above is effected based on the following terminology:

(a) Purchased position - sale: purchase of put options that grant the Company the right, but not the obligation, to sell at a previously established price.
(b) Purchased position - purchase: purchase of call options that grant the Company the right, but not the obligation, to purchase at a previously established price.
(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 and consolidated -	6/30/2011
Maturity	Position	US$ thousand	Average fixed rate - R$/US$ 1	Notional amount - R$	Fair value - R$	Receivable - R$
Jul-11	Sold	14,280	1.6850	24,065	1,768	1,768
Aug-11	Sold	23,780	1.6140	38,385	1,011	1,011
Sep-11	Sold	23,780	1.6258	38,666	999	999
Oct-11	Sold	30,000	1.6981	50,947	3,084	3,084
Nov-11	Sold	21,000	1.6628	34,923	1,210	1,210
Dec-11	Sold	20,840	1.6993	35,419	1,709	1,709
Jan-12	Sold	23,420	1.6963	39,729	1,567	1,567
Feb-12	Sold	9,840	1.7187	16,913	733	733
Mar-12	Sold	7,000	1.7367	12,158	580	580
Apr-12	Sold	3,000	1.7641	5,293	298	298
May-12	Sold	1,500	1.7301	2,595	73	73
		178,440				13,032

					Parent company and consolidated -	3/31/2011
Maturity	Position	US$ thousand	Average fixed rate - R$/US$ 1	Notional amount - 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 foreign currency forward contracts are the financial institutions: Citibank, Rabobank, Bradesco, Santander, HSBC and Itaú BBA.

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

					Parent company and consolidated -	6/30/2011
Maturity	**Position**	**Lots**	**Average fixed rate (¢/lb)**	**Notional amount - R$**	**Fair value - R$**	**Payable - R$**
Oct-11	Sold	625	20.10	19,617	(6,753)	(6,753)
Mar-12	Sold	10	22.29	348	(60)	(60)
		635				(6,813)

					Parent company and consolidated -	3/31/2011
Maturity	**Position**	**Lots**	**Average fixed rate (¢/lb)**	**Notional amount - R$**	**Fair value - R$**	**Receivable - 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 contracts "sugar 11" are the financial institutions: Citibank, Rabobank, Itaú BBA and Macquarie.

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

Consolidated (in thousands of reais)		**Maturity by month**	
	Oct-11	**Mar-12**	**Total**
PRODUCTS			
Derivatives designated as hedge			
Fair value of futures purchased - sugar	920		920
Fair value of futures sold - sugar	(3,297)	(2,187)	(5,484)
Fair value of NDFs sold - sugar	(6,753)	(60)	(6,813)
	(9,130)	(2,247)	(11,377)
Sugar options			
Fair value of purchased position - sale	1,104	406	1,510
Fair value of written position - sale	(33)		(33)
Fair value of written position - purchase	(4,326)	(1,241)	(5,567)
	(3,255)	(835)	(4,090)
	(12,385)	(3,082)	(15,467)

Consolidated (in thousands of reais)					Maturity by period
	2Q11	3Q11	4Q11	1Q12	Total
PRODUCTS					
Derivatives designated as hedge					
Fair value of futures sold - ethanol	6				6
FOREIGN CURRENCY					
Derivatives designated as hedge					
Fair value of NDFs sold - foreign exchange	3,778	6,003	2,880	371	13,032
U.S. dollar options					
Fair value of purchased position - sale	261	375	362	118	1,116
Fair value of written position - purchase	(5)	(27)	(46)	(20)	(98)
	256	348	316	98	1,018
	4,040	6,351	3,196	469	14,056

The results of transactions involving derivative financial instruments that affected the results of operations in the quarters ended June 30, 2011 and 2010 were:

	June 30, 2011		June 30, 2010	
Contracts linked to products:	Parent company	Consolidated	Parent company	Consolidated
Futures contracts	(11,480)	(11,480)	7,997	12,893
Options	(3,385)	(3,385)	55	3
Forward contracts				
Commissions and brokerage fees	(179)	(179)	(92)	(171)
Foreign exchange variations	(146)	(146)	102	179
	(15,190)	(15,190)	8,062	12,904
Contracts linked to currency:				
Forward contracts	1,351	1,351	170	238
Options	(92)	(92)		
	1,259	1,259	170	238
Contracts linked to debt:				
Swap				(321)
Net effect	(13,931)	(13,931)	8,232	12,821
Effect on the statement of income captions:				
Gross revenue	(9,898)	(9,898)	8,159	13,106
Finance income	5,450	5,450	714	771
Finance costs	(9,336)	(9,336)	(743)	(1,235)
Foreign exchange and monetary variation gains	(147)	(147)	102	179
	(13,931)	(13,931)	8,232	12,821

All amounts in thousands of reais unless otherwise stated

28.2 Margin deposits given in guarantee

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

	Parent company		Consolidated	
Brokers	June 30, 2011	March 31, 2011	June 30, 2011	March 31, 2011
Natixis	(180)		(180)	
New Edge	1,449	507	1,449	507
Prudential	(4)	1,202	(4)	1,202
Santander	(130)		(130)	
	1,135	1,709	1,135	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 decision-making, reviewed by the main decision-makers, namely: the Executive Board, the CEO and the Board of Directors.

The analyses are made 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), which is produced by the subsidiary Omtek, and other products or byproducts of less importance.

The analyses of operating segment performance are carried out 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, used by the main decision-makers, is as follows:

All amounts in thousands of reais unless otherwise stated

(a) Consolidated result per segment

Quarter ended June 30, 2011

	Sugar	Ethanol	Other products	Non-segmented	Total
Net revenue	197,244	110,726	20,978		328,948
Cost of sales	(131,808)	(76,668)	(23,533)		(232,009)
Gross profit	65,436	34,058	(2,555)		96,939
Gross margin	33.2%	30.8%	-12.2%		29.5%
Selling expenses	(12,076)	(836)	(494)		(13,406)
Other operating expenses				(22,693)	(22,693)
Operating profit	53,360	33,222	(3,049)	(22,693)	60,840
Finance income (costs)				(10,714)	(10,714)
Foreign exchange variations, net				1,574	1,574
Profit before taxation	53,360	33,222	(3,049)	(31,833)	51,700
Income tax and social contribution				(13,736)	(13,736)
Profit for the quarter	53,360	33,222	(3,049)	(45,569)	37,964

Quarter ended June 30, 2010

	Sugar	Ethanol	Other products	Non-segmented	Total
Net revenue	177,446	87,980	20,025		285,451
Cost of sales	(103,388)	(86,646)	(15,983)		(206,017)
Gross profit	74,058	1,334	4,042		79,434
Gross margin	41.7%	1.5%	20.2%		27.8%
Selling expenses	(11,446)	(2,781)	(81)		(14,308)
Other operating expenses				(18,898)	(18,898)
Operating profit	62,612	(1,447)	3,961	(18,898)	46,228
Finance income (costs)				(16,170)	(16,170)
Foreign exchange variations, net				(2,787)	(2,787)
Profit before taxation	62,612	(1,447)	3,961	(37,855)	27,271
Income tax and social contribution				(8,199)	(8,199)
Profit for the quarter	62,612	(1,447)	3,961	(46,054)	19,072

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 included and/or the apportionment criterion that takes into consideration the production of each product in relation to total production; therefore, this allocation may vary from one year to the next.

At June 30, 2011

	Sugar	Ethanol	Other products	Total
Trade receivables	23,022	32,165	122	55,309
Inventories	82,407	133,537	448	216,392
Biological assets	165,813	279,253		445,066
Property, plant and equipment	1,202,970	1,619,060	36,462	2,858,492
Intangible assets	17,534	18,953	60	36,547
Total	1,491,746	2,082,968	37,092	3,611,806

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 main decision-makers analyze liabilities on a consolidated basis, these financial statements do not include segment information relating to liabilities.

30 Revenue

	Parent company		Consolidated	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Gross sales revenue				
Domestic market	124,702	20,404	155,231	121,651
Foreign market	189,374	62,986	193,240	182,513
	314,076	83,390	348,471	304,164
Taxes, contributions and deductions on sales	(15,630)	(2,958)	(19,523)	(18,713)
	298,446	80,432	328,948	285,451

All amounts in thousands of reais unless otherwise stated

31 Expenses by Nature

	Parent company		Consolidated	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Manure, fertilizers, pesticides, inputs	12,197	2,684	17,590	17,091
Sugar cane from third parties	85,906	13,566	88,478	71,769
Fuel, lubricants, tires	14,641	4,340	17,796	21,208
Port costs	1,413	31	1,413	787
Depreciation and amortization (includes harvested biological assets)	58,911	26,057	67,158	102,318
Taxes and contributions	594	3	767	833
Labor, charges, benefits	64,745	17,410	78,552	74,267
Other expenses	12,339	2,286	14,764	11,771
Parts/maintenance services	17,423	4,544	20,136	17,499
Outsourced services	9,336	4,286	16,823	12,324
Expenditures with third-party transportation	18,346	6,284	19,774	25,694
Materials for resale	3,355	2,377	6,658	7,613
	299,206	83,869	349,909	363,173
Gain (loss) on biological assets	(3,353)		794	
Biological assets, investment in crop planting and treatment	(10,403)	(2,029)	(24,772)	(12,553)
Property, plant and equipment, environmental investments and relevant maintenance	(10,698)	(1,796)	(13,506)	(6,253)
Changes in inventories of finished products	(30,123)	(14,637)	(43,429)	(102,618)
Total cost of sales, selling, general and administrative expenses	244,629	65,407	268,996	241,750

32 Other Income (Expenses), Net

	Parent company		Consolidated	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Profit on the sale of property, plant and	373	253	359	733
REFIS installment program - Law 11941	424		618	
Capital gain (loss) on investments		745		
Other	267	1,551	(89)	1,794
	1,064	2,549	888	2,527

33 Finance Result

	Parent company		Consolidated	
Finance income	**June 30, 2011**	**June 30, 2010**	**June 30, 2011**	**June 30, 2010**
Interest income	4,794	369	7,740	2,436
Gains on derivatives	5,450	714	5,450	771
Other income	139	39	160	465
	10,383	1,122	13,350	3,672
Finance costs				
Interest expense	(10,220)	(2,637)	(13,739)	(15,496)
Losses on derivatives	(9,336)	(743)	(9,336)	(1,235)
Other expenses	(808)	(364)	(989)	(3,111)
	(20,364)	(3,744)	(24,064)	(19,842)
Monetary and foreign exchange variations				
Gains	16,166	3,574	16,284	21,106
Losses	(14,662)	(4,070)	(14,710)	(23,893)
	1,504	(496)	1,574	(2,787)
Finance costs, net	(8,477)	(3,118)	(9,140)	(18,957)

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 in the market during the period, excluding the common shares purchased by the Company and held as treasury shares.

	June 30, 2011	June 30, 2010
Numerator		
Profit attributable to stockholders of the Company	37,964	19,072
Denominator		
Weighted average number of common shares - in thousands	112,861	112,861
Basic earnings per share		
Basic and diluted earnings per share - R$	0.34	0.17

All amounts in thousands of reais unless otherwise stated

(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.

35 INSURANCE

The Company and its subsidiaries maintain a standard safety, training and quality program in its 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, in amounts considered sufficient to cover possible significant losses on its assets and/or liabilities. The amounts insured by the current insurance policies at June 30, 2011 are as follows:

	Maximum cover (*)	
Risks covered	**Parent company**	**Consolidated**
Civil liability	498,480	649,477
Fire, lightning and explosion of any nature	212,500	275,289
Theft or larceny	97,464	136,986
Natural phenomena, impact of vehicles or aircrafts, etc.	8,500	10,387
Electrical damages	14,728	19,431
Other coverage	16,101	23,066

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

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

36 EVENTS AFTER THE REPORTING PERIOD

(i) Corporate restructuring

On August 2, 2011, according to the communication to the market in the form of a "Significant Event Notice", the family holdings described in Note 1.1 paid up their respective investments in the Company so as to establish a new holding named LJN Participações S.A., a privately held company, which started to hold 56.12% of the voting capital of the Company and became its controlling shareholder.

(ii) Dissolution of the "ALLICOM" consortium

On August 8, 2011, the Company announced the dissolution of the "ALLICOM" consortium mentioned in Note 1.1. The parties resolved that the consortium liquidation process will be conducted by USJ Açúcar e Álcool S.A.

São Martinho, Santa Cruz and Nova Fronteira groups, in connection with the strategic alignment of their product portfolio - large scale ethanol production units and significant production of sugar for the foreign market - will form a partnership for joint sales of sugar and ethanol. This new partnership will adopt a more efficient corporate structure to achieve their business objectives.

* * *

São Martinho

1Q12

Results

2011/2012 Harvest Year

SÃO MARTINHO POSTS NET INCOME GROWTH OF 99.1% IN THE FIRST QUARTER

São Paulo, August 15, 2011 – SÃO MARTINHO S.A. (BM&FBovespa: SMTO3; Reuters SMTO3.SA and Bloomberg SMTO3 BZ), one of the largest sugar and ethanol producers in Brazil, announces today its results for the first quarter of 2012 (1Q12) for the 2011/12 harvest year.

1Q12 HIGHLIGHTS

- The São Martinho Group **recorded Adjusted EBITDA of R$147.1 million in 1Q12 (adjusted EBITDA margin of 44.7%), representing a 5.5% increase from 1Q11**. The growth in this indicator was driven by the higher ethanol and sugar prices in the period, which offset the higher production costs;
- For clarification and comparison purposes, if we do not consider the adoption of the new accounting practices, our Adjusted EBITDA in **1Q12 would have totaled R$119.8 million (Adjusted EBITDA margin of 36.4%)**, virtually in line with the Adjusted EBITDA of R$118.5 million in 1Q11.
- The increase in production sugar and ethanol costs in 1Q12 versus 1Q11 was due to: 1) **the increase of 40.4% in the Consecana price**, which impacted costs with suppliers and land leasing; and 2) **the lower dilution of fixed costs** in 1Q12, reflecting the 30% reduction in the volume of sugarcane crushed;
- In 1Q12, net income came to R$38.0, up 99.1% on the same period last year. The solid growth in net income was due to the combination of EBITDA growth and the lower financial expenses resulting from the reduction in our net debt;
- As a result of the strong cash generation in the last 12 months and the conclusion of the first capital injection by Petrobrás Biocombustível S.A. at Nova Fronteira Bioenergia S.A. (Nova Fronteira), net debt totaled R$496.2 million in June 2011, down 41.2% from June 2010. After the second tranche of the injection by Petrobrás Biocombustível S.A. of R$163 million, which should be concluded by end-2011, the net debt of the São Martinho Group should decline by approximately R$120 million.
- On June 30, 2011, 392,446 metric tons of sugar were hedged through the end of the harvest year at an average price of US$23.54 cents/pound. This amount is equivalent to roughly 56% of the total volume of sugar available for sale in the coming months (approximately 700,000 metric tons).

FINANCIAL HIGHLIGHTS

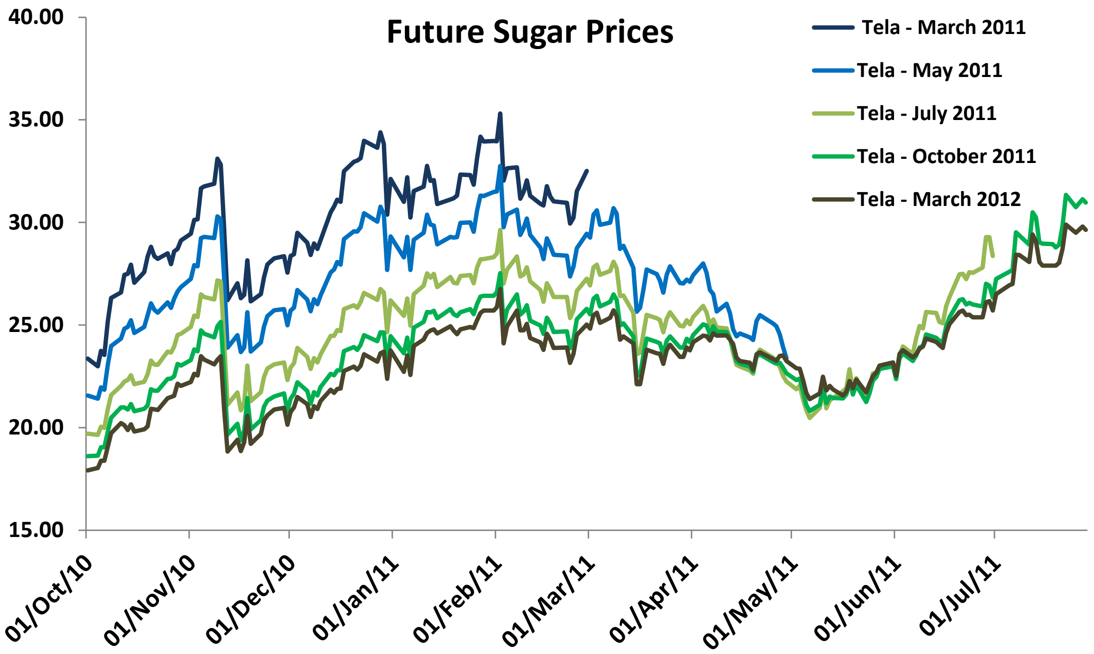
FINANCIAL HIGHLIGHTS (R$ Thousand)	1Q12	1Q11	Chg. (%)
São Martinho - Consolidated			
Gross Revenue	348,470	304,164	14.6%
Net Revenue	328,948	285,451	15.2%
Adjusted EBITDA	147,094	139,490	5.5%
EBITDA Margin	44.7%	48.9%	-4.1 p.p.
Consolidated Balance Sheet Indicators			
Total Assets	4,211,300	4,332,139	-2.8%
Shareholders' Equity	2,004,758	1,925,578	4.1%
EBITDA (LTM)	620,186	527,839	17.5%
Net Debt	496,224	843,220	-41.2%
Net Debt / EBITDA (LTM)	0.80 x	1.60 x	
Net Debt / Shareholders' Equity	25%	44%	

OPERATING DATA	1Q12	1Q11	Chg.(%)
São Martinho - Consolidated			
Crushed Sugarcane ('000 tons)	3,648	5,252	-30.5%
Own	2,623	3,911	-32.9%
Third Parties	1,024	1,340	-23.6%
Mechanized Harvest	87.1%	87.3%	0.0 p.p
Production			
Sugar ('000 tons)	213	303	-29.5%
Anhydrous Ethanol ('000 m^3)	69	82	-15.6%
Hydrous Ethanol ('000 m^3)	60	135	-55.5%
Ribonucleic Acid (RNA) Sodium Salt ('000 Kg)	46	68	-32.4%
Energy ('000 MWh)	45	59	-24.0%

The lower sugarcane supply and TRS levels in the 2011/12 harvest year decreased the production volume of sugar and ethanol in relation to the same period of the previous year. The 1Q12 figures reflect the negative impacts from the frost, sugarcane flowering and rainfall, which, according to UNICA, had significant impacts on production in the Center-South region of Brazil.

Despite the impact on production and crushing to date, we have maintained our guidance for sugar and ethanol production announced at the beginning of this harvest year. We expect to crush 12.2 million metric tons of sugarcane (already adjusted for the interest in Nova Fronteira Bioenergia S.A.), which will yield 860,000 metric tons of sugar and 486,000 m^3 of ethanol in the 2011/12 harvest year.

INDUSTRY OVERVIEW - SUGAR



In April 2011, when 1Q12 began, sugar prices were on a downward trend, reaching approximately US$20 cents/pound. However, in May 2011, prices resumed an upward path and at the end of 1Q12 virtually all quotes for the 2011/12 harvest year were above US$25 cents/pound.

The strong recovery since May 2011 mainly reflects the more negative outlook for the Brazilian harvest. In line with the upward trend in prices, in mid-July UNICA revised downwards its crushing and production forecast for the 2011/12 harvest year, which represents a reduction of 2.2 million metric tons of sugarcane in relation to the volume initially estimated (34.6 million metric tons).

Even considering this bleaker scenario for the Brazilian harvest, the expectations continue to point to a surplus in world production in the 2011/12 harvest year, though still insufficient to increase world sugar inventories. This fact tends to pressure the world sugar market, leaving the commodity's price susceptible to any changes in the projections of supply in the next harvest year.

We believe the limited expansion in sugar supply in the coming years in Brazil and India (the world's largest producers) will keep prices above US$20 cents/pound in the coming seasons, especially in 2011/12 and 2012/13.

INDUSTRY OVERVIEW - ETHANOL

AVERAGE PRICES - ETHANOL	1Q12	1Q11	Chg. (%)
Market Prices			
Anhydrous ESALQ, Net DM R$ / m^3	1,704.35	861.56	97.8%
Hydrous ESALQ, Net DM - R$ / m^3	1,188.66	753.39	57.8%

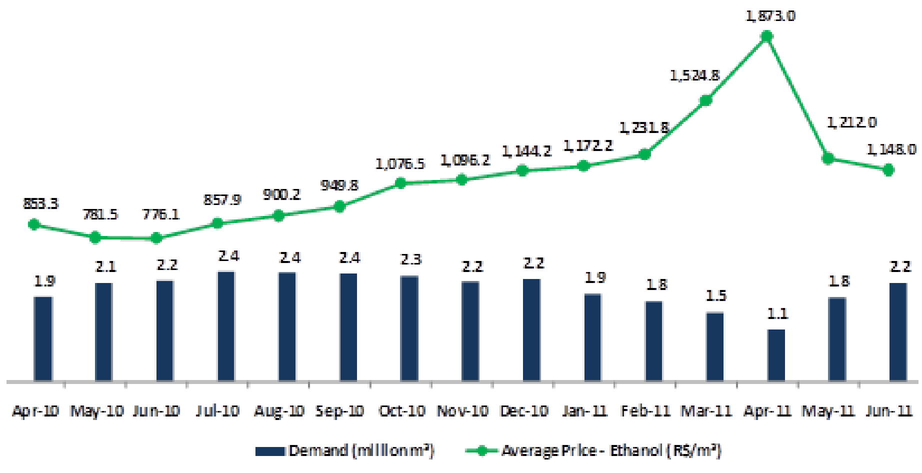
Anhydrous and hydrous ethanol prices increased by 97.8% and 57.8%, respectively, in comparison with 1Q11. The significant appreciation was due to the tight ethanol scenario in the market, especially during April 2011, since crushing began only at the end of that month.

As a result, in line with our expectations, the start of the 2011/12 harvest year was not marked by a sudden drop in ethanol prices, as was the case in the previous years, since the prospect of a better balance between supply and demand has supported ethanol prices, even during the crushing period.

In line with the upward trend in prices, in mid-July 2011 UNICA revised downwards its crushing and production forecast for the 2011/12 harvest, with a reduction of 3 billion liters in relation to the initial projections (25.5 billion liters).

On the demand side, vehicle sales in the year to June were 8.6% higher than in the same period of 2010. It is important to bear in mind that only 50% of all vehicles in Brazil are flex fuel, which allows considerable room for demand growth in the coming years.

In this light, as the following chart shows, although ethanol prices reached R$1,148/m3 in June 2011, up 48% on June 2010, demand remained flat in relation to the same period last year, at roughly 2.2 billion liters/month, which shows that despite the strong increase in ethanol prices in 1Q12, it remains competitive in relation to gasoline.



FINANCIAL PERFORMANCE

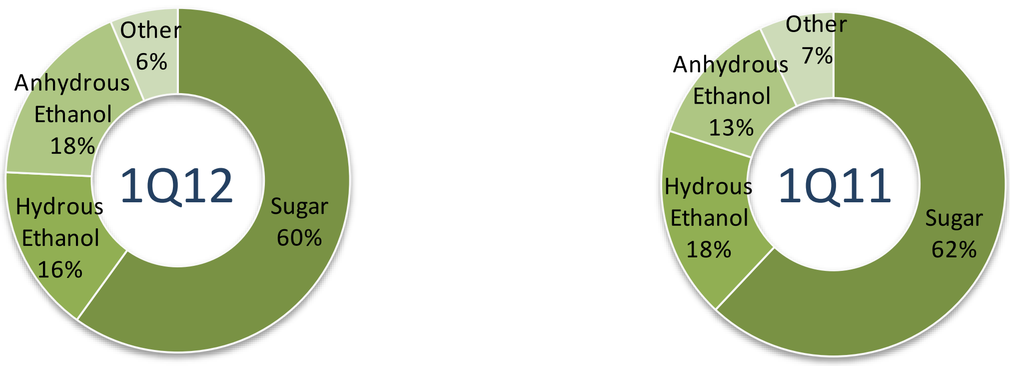
NET REVENUE BREAKDOWN	1Q12	1Q11	Chg. (%)
R$ Thousand			
Domestic Market	**136,348**	**103,609**	**31.6%**
Sugar	11,673	9,753	19.7%
Hydrous Ethanol	50,122	47,618	5.3%
Anhydrous Ethanol	58,827	28,633	105.5%
Energy	4,009	5,719	-29.9%
Other	11,716	11,887	-1.4%
Export Market	**192,599**	**181,842**	**5.9%**
Sugar	185,571	167,694	10.7%
Hydrous Ethanol	1,777	4,560	-61.0%
Anhydrous Ethanol	-	7,169	n.m.
RNA	5,251	2,419	117.1%
Net Revenue	**328,948**	**285,451**	**15.2%**
Sugar	197,244	177,447	11.2%
Hydrous Ethanol	51,899	52,178	-0.5%
Anhydrous Ethanol	58,827	35,802	64.3%
Energy	4,009	5,719	-29.9%
Other	16,968	14,306	18.6%

Net Revenue

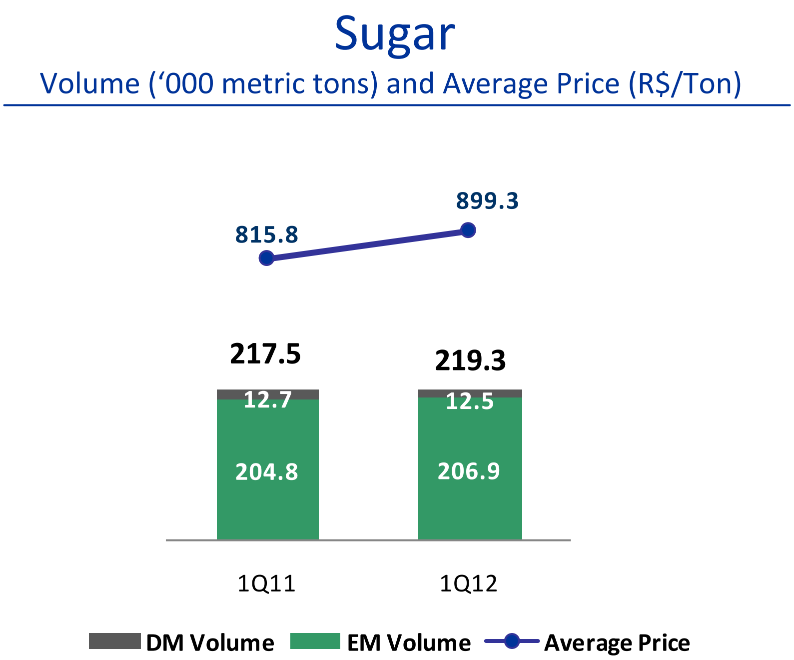
The São Martinho Group recorded net revenue growth of 15.2% in 1Q12 in relation to 1Q11, mainly due to the increases of 10.2% and 72.6% in sugar and ethanol prices, respectively. In the case of ethanol, the impact from prices was limited by the reduction of 27% in sales volume.

Breakdown of Net Revenue

1Q12 vs. 1Q11



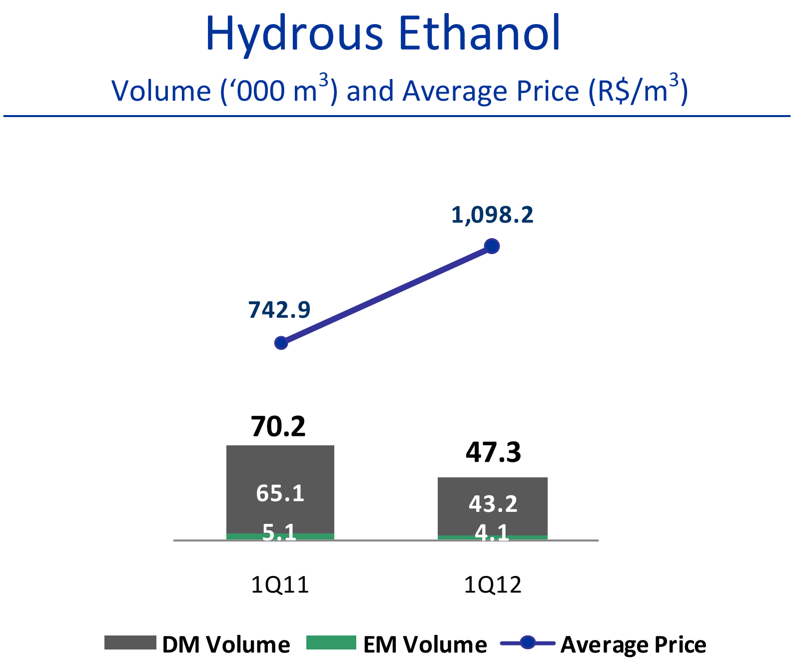
Sugar



Net revenue from sugar sales grew by 11.2% to R$197.2 million in 1Q12, compared with R$177.5 million in 1Q11. This growth mainly reflects the 10.2% increase in prices in the comparison period, considering that sales volume grew by only 0.8%.

The average price of the sugar exported stood at at US$25.55 cents/pound in 1Q12, for an increase of 23.8% from the price of US$20.64 cents/pound in 1Q11.

Ethanol



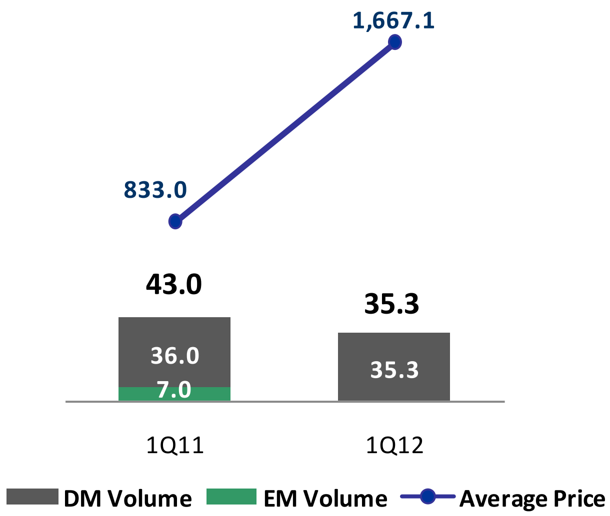
Net revenue from hydrous ethanol sales remained virtually stable (-0.5%) in 1Q12 in comparison with 1Q11, reflecting the 47.8% price increase, which virtually offset the 32.7% drop in sales volume of hydrous ethanol in the same period.

The lower hydrous ethanol sales volume in 1Q12 was mainly due to the Group's strategy to increase the volume of anhydrous ethanol at the expense of hydrous ethanol production. In addition, with the conclusion of the operation with Petrobrás, we began to consolidate 62.89% of the revenue from Usina Boa Vista S.A. (Usina Boa Vista), which led to a drop proportional to 6,800 m³ in the reported volume of hydrous ethanol sales in 1Q12.

It is important to note that the average price for hydrous ethanol measured by Esalq in 1Q12 was 8.2% higher than the average sales price for hydrous ethanol realized in the period. This difference was due solely to the time difference in billing for our sales to distributors. Therefore, we expect a correction in this price during 2Q12.

Anhydrous Ethanol

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



Net revenue from anhydrous ethanol sales in the quarter totaled R$58.8 million, up 64.3% from 1Q11. This was mainly due to the strong increase of 100.1% in the average sales price, which more than offset the 17.9% drop in sales volume in the period.

In view of the partial consolidation of 62.89% in the revenue from Usina Boa Vista S.A., the volume of anhydrous ethanol sales reported in 1Q12 registered a proportional drop of 1,900 m³.

It is important to note that the average price for anhydrous ethanol measured by Esalq in 1Q12 was 2.2% higher than the average sales price for hydrous ethanol realized in the period. This difference was due solely to the time difference in billing for our sales to distributors. Therefore, we expect a correction in this price during 2Q12.

Electricity

In 1Q12, net revenue from electricity sales declined by 29.9% from the same period a year earlier, mainly due to the decrease of 34.5% in sales volume, which ended up being partially offset by the increase of 7.0% in the average sales price.

Despite the reduction in the volume of billed energy in 1Q12 in comparison with 1Q11, which was impacted by both the lower volume of sugarcane crushed and the partial consolidation of Usina Boa Vista (-15,570 MWh), we expect to cogenerate approximately 200,000 MWh in this harvest year (2011/12), which is roughly 23% higher than the total amount cogenerated in the previous harvest year.

Other Products and Services

Net revenue from Other Products and Services came to R$17.0 million in 1Q12, up 18.6% on the same period a year earlier, basically reflecting the increased RNA exports (+146.7%) in relation to 1Q11, due to the difference in the schedule of shipments in the comparison periods.

INVENTORIES / PRODUCT AVALIABILITY

INVENTORIES	1Q12	1Q11	Chg. (%)
Sugar (tons)	52,219	109,499	-52.3%
Hydrous (m^3)	36,365	83,419	-56.4%
Anhydrous (m^3)	50,654	54,751	-7.5%

The reduction in sugar and ethanol inventories in 1Q12 in relation to 1Q11 basically reflects the lower production volume caused by weather conditions and the lower TRS levels, as commented earlier.

In addition, the partial consolidation of Nova Fronteira Bioenergia S.A. led to a reduction in our inventories of hydrous and anhydrous ethanol by 6,000 m^3 and 7,500 m^3, respectively.

Also regarding ethanol, as we noted earlier, the reduction in hydrous ethanol inventories was slightly sharper, given that in this harvest year we will prioritize the production of anhydrous ethanol to meet the demand from the domestic market.

EBITDA AND EBITDA COST BY PRODUCT

EBITDA BY PRODUCT - 1Q12	SUGAR	ETHANOL	OTHER	TOTAL
R$ Thousand				
Net Revenues	197,244	110,725	20,979	328,948
COGS (Cash)	(86,310)	(43,952)	(16,164)	(146,426)
Gross Profit (Cash)	110,934	66,773	4,815	182,522
Gross Margin (Cash)	56.2%	60.3%	23.0%	55.5%
Sales Expenses	(12,076)	(836)	(494)	(13,406)
G&A Expenses	(12,300)	(7,599)	(2,211)	(22,111)
Other Revenues (Expenses)	-	-	88	88
EBITDA	**86,557**	**58,338**	**2,198**	**147,094**
EBITDA Margin	**43.9%**	**52.7%**	**10.5%**	**44.7%**
EBITDA Cost (*)	**504.7**	**634.7**	**-**	**-**

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

EBITDA BY PRODUCT - 1Q11	SUGAR	ETHANOL	OTHER	TOTAL
R$ Thousand				
Net Revenues	177,446	87,980	20,025	285,451
COGS (Cash)	(59,108)	(41,171)	(12,719)	(112,998)
Gross Profit (Cash)	118,338	46,809	7,306	172,453
Gross Margin (Cash)	66.7%	53.2%	36.5%	60.4%
Sales Expenses	(11,446)	(2,781)	(81)	(14,308)
G&A Expenses	(9,631)	(8,213)	(1,983)	(19,826)
Other Revenues (Expenses)	-	-	1,171	1,171
EBITDA	**97,262**	**35,816**	**6,414**	**139,490**
EBITDA Margin	**54.8%**	**40.7%**	**32.0%**	**48.9%**
EBITDA Cost (*)	**368.7**	**460.7**	**-**	**-**

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

In 1Q12, sugar accounted for 59% of the Group's consolidated EBITDA, while ethanol and other products accounted for 40% and 1%, respectively. Sugar EBITDA margin decreased to 43.9% in 1Q12, from 54.8% in 1Q11. This margin contraction is directly related to the 37% increase in the EBITDA costs of the product, which was partially offset by the 10.2% increase in the average sales price in 1Q12 in relation to 1Q11.

In the case of ethanol, EBITDA margin stood at 52.7% in 1Q12, exceeding the sugar EBITDA margin, which reflects the higher profitability of the product, whose prices increased 72% from 1Q11, as explained earlier. As a result, ethanol EBITDA margin increased in relation to the same period last year, despite the 38% increase in ethanol EBITDA costs in 1Q12.

The increases in EBITDA Costs for both sugar and ethanol in 1Q12 versus 1Q11 was due to: 1) **the increase of 40.4% in the Consecana price**, which impacted costs with suppliers and land leasing; and 2) **the lower dilution of fixed costs** in 1Q12, reflecting the 30% reduction in the volume of sugarcane crushed;

With the adoption of the new accounting practices, the costs associated with "Crop Treatments" were reclassified from EBITDA costs to CAPEX. For a better comparison with the financial statements disclosed in the recent fiscal years, if we consider the costs with crop treatment, our EBITDA costs for sugar and ethanol production in 1Q12 would have stood at R$586/ton and R$751/m³, respectively.

COST OF GOODS SOLD (COGS)

BREAKDOWN OF COGS - CASH	1Q12	1Q11	Chg. (%)
R$ Thousand			
Agricultural Costs	109,110	87,390	24.9%
Suppliers	54,561	37,933	43.8%
Partnerships	19,017	14,414	31.9%
Own Sugarcane	35,532	35,044	1.4%
Industrial	17,941	14,802	21.2%
Other Products	19,375	10,806	79.3%
Total COGS	**146,426**	**112,998**	**29.6%**
TRS Sold (000 Tons)	372	423	-11.9%
Unit Cost (Sugar and Ethanol Cash COGS / TRS Sold)	341	242	41.2%

As the table above shows, Cash COGS in 1Q12 increased 29.6% from 1Q11, despite the decrease in sales volume (in TRS equivalent). The company recorded increases in all COGS lines, which reflects primarily the lower dilution of fixed costs, given the lower production volume, which, as already explained, was due to the lower sugarcane supply and the low TRS levels in the quarter.

The increase of over 40% in the CONSECANA price through June 2011 contributed to an increase of 24.9% in agricultural costs, in particular the costs with suppliers and partners, given that in 1Q12 approximately 28% of the total sugarcane crushed was purchased from third parties.

SELLING EXPENSES

SELLING EXPENSES	1Q12	1Q11	Chg. (%)
R$ Thousand			
Port Costs	1,421	814	74.7%
Freight	11,366	12,954	-12.3%
Sales Commission	619	540	14.7%
Selling Expenses	**13,406**	**14,308**	**-6.3%**
TRS Sold ('000 Tonnes)	372	423	-11.9%
% of Net Revenues	4.1%	5.0%	-0.9 p.p.

Selling expenses fell 6.3% in 1Q12 from 1Q11, primarily reflecting the lower ethanol exports (-8,000 m3), since sugar exports grew slightly by 1%.

GENERAL AND ADMINISTRATIVE EXPENSES

G&A EXPENSES - (CASH)	1Q12	1Q11	Chg. (%)
R$ Thousand			
Personnel	9,433	7,740	21.9%
Taxes, Fees and Contributions	952	1,163	-18.1%
Provisions for Contingencies	3,737	3,901	-4.2%
General Expenses and Third-Party Services	5,769	5,215	10.6%
Management Fee	2,219	1,807	22.8%
Total General and Administrative Expenses	**22,111**	**19,826**	**11.5%**

In 1Q12, general and administrative expenses grew 11.5%, or R$ 2.3 million, from 1Q11, basically reflecting the increase of R$1.7 million in personnel expenses due to the wage increases under collective bargaining and the higher number of employees in the comparison period.

OTHER OPERATIONAL REVENUE (EXPENSES)

OTHER OPERATING REVENUE (EXPENSES)	1Q12	1Q11	Chg. (%)
In R$ Thousand			
Fixed Asset Result	(893)	(1,190)	-25.0%
REFIS Installments – Law 11.941	84	(176)	n.m.
Other	(79)	(1,160)	-93.2%
Other Operating Revenue (Expenses), Net	**(888)**	**(2,527)**	**-64.9%**

EBITDA

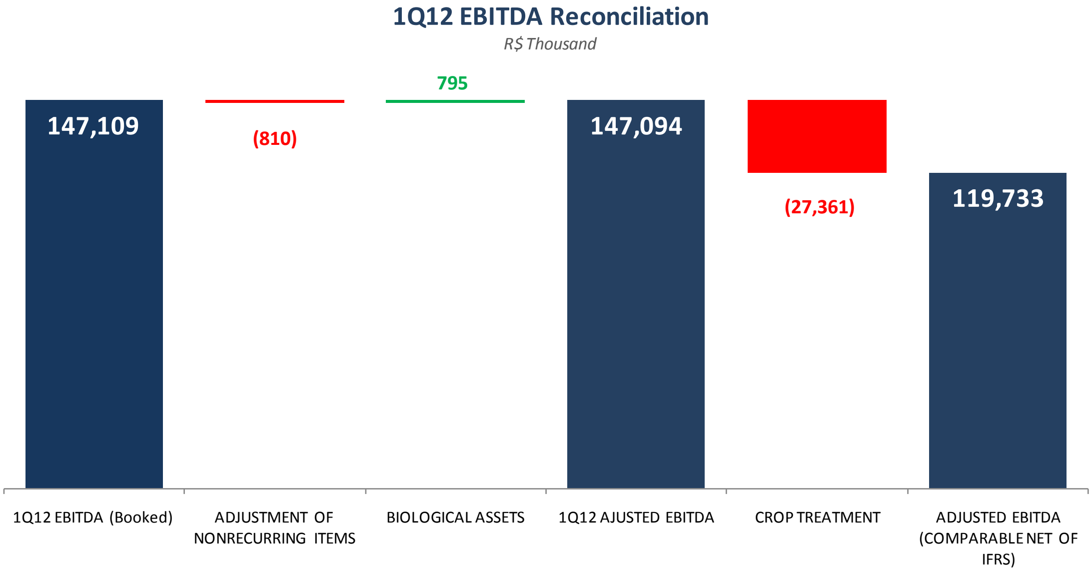
EBITDA RECONCILIATION	1Q12	1Q11	Chg. (%)
R$ Thousand			
Adjusted EBITDA	**147,094**	**139,490**	**5.5%**
Adjusted EBITDA Margin	44.7%	48.9%	-4.1 p.p.
Non Recurring Operating Revenues (Expenses)	(810)	(1,370)	-40.9%
Biological Assets	795	7,972	n.m.
Non Cash Items Launched in the COGS	-	5,447	n.m.
EBITDA	**147,109**	**127,441**	**15.4%**
EBITDA Margin	44.7%	44.6%	0.1 p.p.
(-) Depreciation and Amortization	(86,269)	(81,212)	6.2%
(-) Financial Revenue (Expense), net	(9,140)	(18,957)	-51.8%
(=) Operating Income (Loss)	51,700	27,271	89.6%

Adjusted EBITDA

In 1Q12, the São Martinho Group recorded adjusted EBITDA of R$147.1 million, up 5.5% from 1Q11. Note that the higher prices, especially for ethanol, more than offset the impact on costs from the lower yield at the beginning of the harvest, resulting in strong cash generation, considering that we are still in the first quarter of the fiscal year.

Reconciliation of EBITDA to Adjusted EBITDA

Breakdown of Adjustments – 1Q12



The main adjustments impacting the calculation of EBITDA in 1Q12 are detailed below:

1) **Adjustments from nonrecurring items of R$810 thousand including:** The main impact is related to the reversal of gains from the sale of assets in 1Q12, which we opted to exclude from the calculation of adjusted EBITDA.

2) **Adjustments to Biological Assets of R$795 thousand:** The Company's biological assets are now measured at fair value using the discounted cash flow method. This evaluation had a negative impact of R$0.8 million in 1Q12. 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.

HEDGE

U.S. Dollar

On June 30, 2011, the São Martinho Group held a US$178.4 million short position in USD currency futures through non-deliverable forwards (NDFs) at an average price of R$1.6760/US$, with maturities through May 2012.

Sugar

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

2011/12 Harvest Year – 392,446 metric tons of sugar hedged at an average price of US$23.54 cents/pound, corresponding to approximately 56% of the sugar volume available for sale from the 2011/12 harvest (699,640 metric tons).

Hedge Accounting - As of March 10, inclusive, the Company and its subsidiaries began adopting hedge accounting for these derivatives, with their potential results recorded under the specific balance sheet line ("Adjustments to book value"), net of deferred income tax and social contribution tax (potential loss of R$1.9 million in June 2011).

NET FINANCIAL RESULT

FINANCIAL RESULT	1Q12	1Q11	Chg. (%)
R$ Thousand			
Financial Revenues	8,052	2,792	188.4%
Financial Expenses	(11,581)	(17,430)	-33.6%
Exchange Variation	1,570	(2,753)	n.m.
Copersucar Monetary Variation	(3,084)	(1,393)	121.5%
Net Financial Result (excluding hedge result)	**(5,044)**	**(18,783)**	-73.1%
Hedge Result	(4,096)	(174)	2248.3%
Net Financial Result	**(9,140)**	**(18,957)**	-51.8%

The net financial result in 1Q12 was an expense of R$9.1 million, which represents improvement of 51.8% or R$9.8 million from the financial expense of R$19.0 million registered in 1Q11.

The main drivers of the improvement in our financial result are: i) the reduction in the line foreign exchange variation, representing a gain of R$1.6 million, which compares with a loss of R$2.8 million in 1Q11; ii) the reduction of 33.6% in financial expenses, as a result of the lower debt and lower funding rates; iii) the 188.4% increase in the line Financial Income, in line with the balance of cash and cash equivalents and the increase in the CDI rate in the period.

OPERATING WORKING CAPITAL

OPERATING WORKING CAPITAL	1Q11	4Q11	1Q12	1Q12 x 4Q11	1Q12 x 1Q11
R$ Thousand					
ASSETS	**366,794**	**232,299**	**302,226**	**(69,927)**	**64,568**
Accounts receivable	59,459	59,673	55,309	4,364	4,150
Inventories	238,112	139,106	216,392	(77,286)	21,720
Tax receivable	69,223	33,520	30,525	2,995	38,698
LIABILITIES	**165,927**	**125,439**	**179,760**	**54,321**	**13,833**
Suppliers	96,947	61,096	104,130	43,034	7,183
Payroll and social contribution	54,233	44,000	63,086	19,086	8,853
Tax payable	14,747	20,343	12,544	(7,799)	(2,203)
WORKING CAPITAL	**200,867**	**106,860**	**122,466**	**(15,606)**	**78,401**

As shown above, in 1Q12, the São Martinho Group invested working capital of R$122.5 million in its operations, which represents a reduction of R$78.4 million from 1Q11, basically due to the reduction in inventories of finished products between the two quarters. In relation to 4Q11, the working capital invested increased by R$15.6 million, which is common at the start of the harvest year.

NET INCOME

In 1Q12, net income came to R$38.0 million, for growth of 99.1% from the same period last year. Net income was positively impacted by the higher cash generation and the better financial result in 1Q12 in relation to the same period last year.

DEBT WITH COPERSUCAR

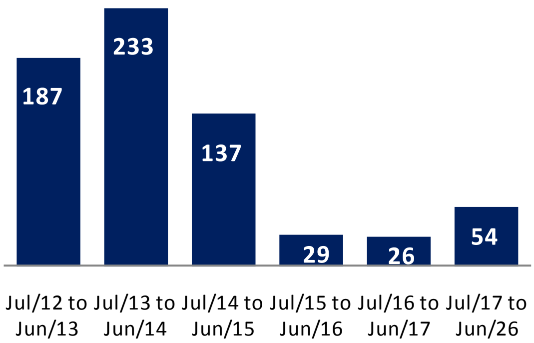
On June 30, 2011, the São Martinho Group recognized on its balance sheet debt of R$207.5 million with Copersucar. In view of the terms negotiated in the process to terminate the membership at Copersucar, we will continue to book under "Obligations – Copersucar" all liabilities related to the contingencies currently being resolved judicially that were filed by legal counsel at Copersucar. These obligations continue to be secured by suretyships in the amount of R$175.2 million on a consolidated basis.

INDEBTEDNESS

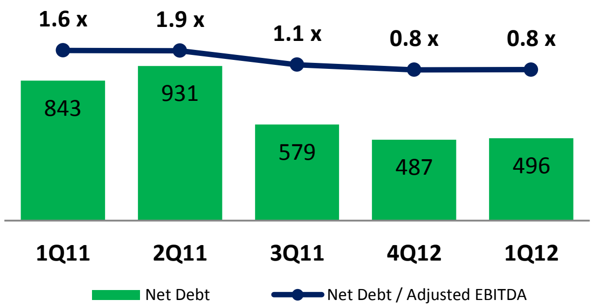
DEBT	Jun/11	Jun/10	Chg. (%)
R$ Thousand			
PESA	73,581	74,514	-1.3%
Rural Credit	30,226	57,170	-47.1%
BNDES / FINAME	379,412	441,774	-14.1%
Working Capital	101,031	27,031	273.8%
ACC (Advances on Foreign Exchange Contracts)	-	181,187	n.m.
PPE (Export prepayment)	235,427	271,613	-13.3%
Others	431	654	-34.1%
Gross Debt	**820,108**	**1,053,943**	**-22.2%**
Cash and Cash Equivalents	323,884	210,723	53.7%
Net Debt	**496,224**	**843,220**	**-41.2%**
Net Debt / Acum. EBITDA	0.8 x	1.6 x	

As a result of the strong cash generation in the last 12 months and the conclusion of the first capital injection by Petrobrás Biocombustível at Nova Fronteira Bioenergia S.A. (Nova Fronteira), net debt totaled R$496.2 million in June 2011, down 41.2% from June 2010. After the second tranche of the injection by Petrobrás Biocombustível S.A. in the amount of R$163 million, which should be concluded by end-2011, the net debt of the São Martinho group should decline by approximately R$120 million, as shown in item Pro-Forma Indebtedness.

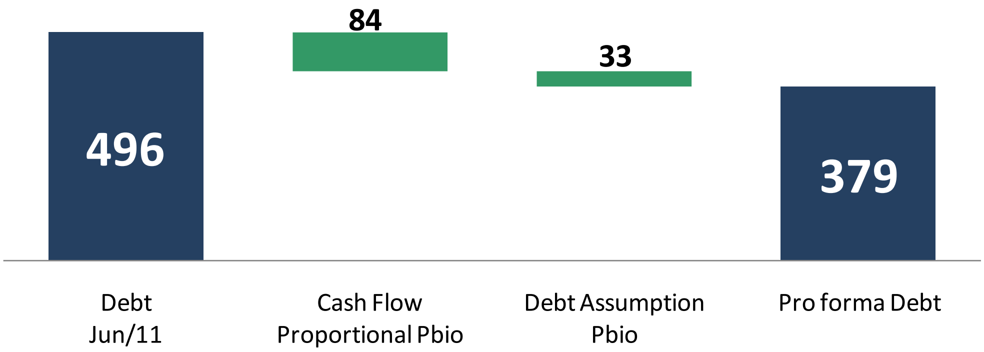
Amortization Schedule
R$ - Million



Net Debt / EBITDA LTM
Trends



Pro-Forma Indebtedness



CAPEX

SÃO MARTINHO - CONSOLIDATED	1Q12	1Q11	Chg. (%)
Capex (maintenance)			
Sugarcane Planting	17,269	13,881	24.4%
Industrial / Agricultural	14,065	5,256	167.6%
Crop Treatment	30,909	26,541	16.5%
Sub Total	**62,242**	**45,678**	**36.3%**
Upgrading, Mechanization and Expansion			
Industrial / Agricultural	25,738	5,323	383.5%
Other	-	-	n.m.
Sub Total	**25,738**	**5,323**	**383.5%**
Boa Vista Mill (Greenfield)			
Sugarcane Planting	14,028	10,178	37.8%
Industrial / Agricultural	7,690	8,384	-8.3%
Sub Total	**21,718**	**18,562**	**17.0%**
Total	**109,698**	**69,563**	**57.7%**

Capital expenditure increased 57.7% in relation to 1Q11, mainly impacted by the investments in maintenance (+R$16.5 million), which reflected the extension of the off-season period due to the late start of the crushing period in the 2011/12 harvest year, and by the investments in modernization/expansion (+R$20.4 million), due to the project for the installation of the cogeneration unit and the modernization of the São Martinho Mill located in Pradópolis.

For the 2011/12 harvest year, we estimate maintenance Capex of approximately **R$280 million** and expansion Capex of **R$180 million**. Expenses with expansion works include: 1) the expansion of the Boa Vista Mill; 2) the investments in cogeneration at the São Martinho Mill; and 3) the expansion of our sugar distribution terminal.

DISCLAIMER

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

ABOUT SÃO MARTINHO

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

INCOME STATEMENT

SÃO MARTINHO S.A. - CONSOLIDATED	1Q12	1Q10	Chg. (%)
R$ Thousand			
Gross Revenue	348,470	304,164	14.6%
Deductions from Gross Revenue	(19,522)	(18,713)	4.3%
Net Revenue	**328,948**	**285,451**	**15.2%**
Cost of Goods Sold (COGS)	(232,009)	(206,017)	12.6%
Gross Profit	**96,939**	**79,434**	**22.0%**
Gross Margin (%)	*29.5%*	*27.8%*	1.6 p.p
Operating Expenses	**(36,099)**	**(33,206)**	**8.7%**
Selling Expenses	(13,406)	(14,308)	-6.3%
General and Administrative Expenses	(23,581)	(21,425)	10.1%
Other Operating Expenses, Net	888	2,527	-64.9%
Operating Profit, Before Financial Effects	**60,840**	**46,228**	**31.6%**
Financial Result, Net	**(9,140)**	**(18,957)**	**-51.8%**
Financial Revenues	13,350	3,672	263.6%
Financial Expenses	(24,064)	(19,842)	21.3%
Monetary and Exchange Variations - Net	1,574	(2,787)	n.m.
Income (Loss) Before Income and Social Contribution Taxes	**51,700**	**27,271**	**89.6%**
Income Tax and Social Contribution - Current	(11,972)	(12,574)	-4.8%
Income Tax and Social Contribution - Deferred	(1,764)	4,375	-140.3%
Net Income (Loss) Before Minority Interest	**37,964**	**19,072**	**99.1%**
Net Income	**37,964**	**19,072**	**99.1%**
Net Margin (%)	*11.5%*	*6.7%*	4.9 p.p

BALANCE SHEET (ASSETS)

SÃO MARTINHO S.A. CONSOLIDATED - ASSETS		
R$ Thousand		
ASSETS	Jun-11	Mar-11
SHORT-TERM ASSETS		
Cash and Cash Equivalents	323,884	225,067
Accounts Receivable	55,309	59,673
Derivatives Financial Instruments	15,191	5,967
Inventories	216,392	139,106
Recoverable Taxes	30,525	33,520
Income Tax and Social Contribution	5,710	5,037
Other Assets	16,870	5,692
TOTAL SHORT-TERM ASSETS	**663,881**	**474,062**
LONG-TERM ASSETS		
Long-term Receivables		
Related Parties	777	33
Deferred Income Tax and Social Contribution	121,405	132,676
Accounts Receivable - Copersucar	6,056	9,939
Recoverable Taxes	37,859	37,220
Judicial Deposits	33,531	32,367
Other Assets	7,686	7,101
	207,314	**219,336**
Biological Assets	445,066	435,532
Fixed Assets	2,858,492	2,864,761
Intangible	36,547	36,726
TOTAL LONG-TERM ASSETS	**3,547,419**	**3,556,355**
TOTAL ASSETS	**4,211,300**	**4,030,417**

BALANCE SHEET (LIABILITIES)

SÃO MARTINHO S.A. CONSOLIDATED- LIABILITIES		
R$ Thousand		
LIABILITIES AND SHAREHOLDERS' EQUITY	Jun-11	Mar-11
SHORT-TERM LIABILITIES		
Loans and Financing	153,826	140,982
Derivatives Financial Instruments	15,467	25,910
Suppliers	104,130	61,096
Accounts Payable - Copersucar	2,203	2,203
Payroll and Social Contribution	63,086	44,000
Tax Payable	12,544	20,343
Income Tax and Social Contribution	1,672	829
Related Companies	1,594	705
Dividends Payable	9,180	9,180
Advances from Customers	5,269	14,475
Other Liabilities	15,024	21,137
TOTAL SHORT-TERM LIABILITIES	**383,995**	**340,860**
LONG-TERM LIABILITIES		
Loans and Financing	666,282	570,711
Accounts Payable - Copersucar	205,294	207,645
Tax Installments	55,666	55,833
Deferred Income Tax and Social Contribution	814,816	817,127
Provision for Contingencies	70,919	74,284
Other Liabilities	9,570	10,471
TOTAL LONG-TERM LIABILITIES	**1,822,547**	**1,736,071**
SHAREHOLDERS' EQUITY		
Capital Stock	455,900	455,900
Adjustments to Book Value	1,307,822	1,304,969
Capital Budget Reserve	194,516	194,516
Treasury Shares	(1,899)	(1,899)
Accumlated Profit	48,419	-
TOTAL SHAREHOLDERS' EQUITY	**2,004,758**	**1,953,486**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**4,211,300**	**4,030,417**

CONSOLIDATED CASH FLOW

SÃO MARTINHO S.A.	1Q12	1Q11
R$ Thousand		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income in the period	**37,964**	**19,072**
Adjustments		
Depreciation and amortization	39,018	8,009
Biological assets harvested (depreciation)	47,251	73,203
Variation in fair value of biological assets	795	7,972
Residual cost of fixed assets - write off	664	715
Interest, monetary and foreign exchange variations, net	7,821	24,369
Constitution of provision for contingencies, net	2,232	2,249
Deferred income tax and social contribution on net income	1,764	(4,375)
Constitution (reversal) of provision for inventory losses	(3,804)	6,043
Adjustments to present value and others	98	(474)
	133,803	**136,783**
Changes in assets and liabilities		
Trade accounts receivable	(1,179)	(17,870)
Inventories	(49,463)	(88,456)
Taxes recoverable	4,562	6,088
Related parties	971	(301)
Other assets	(12,576)	(5,524)
Suppliers	36,738	2,322
Salaries and social charges	19,087	12,687
Taxes payable	2,181	(235)
Taxes payable in installments	(829)	(717)
Provision for contingencies	(7,435)	(4,215)
Other liabilities	(12,304)	(12)
Cash provided by (used in) operations	**113,556**	**40,550**
Interest paid	(8,715)	(14,783)
Income tax and social contribution on net income paid	(10,967)	(1,985)
Net cash provided by (used in) operating activities	**93,874**	**23,782**
CASH FLOW FROM INVESTMENT ACTIVITIES		
Additions to property, plant and equipments, intangible assets and deferred charges	(45,472)	(3,821)
Additions to biological assets (planting and treatment)	(62,206)	(48,845)
Advance on future capital increase	(846)	-
Net cash used in investing activities	**(108,524)**	**(52,666)**
CASH FLOW FROM FINANCING ACTIVITIES		
Derivatives Financial Instruments	(2,823)	17,392
Financing - third parties	157,444	234,268
Repayment of financing - Copersucar	(1,136)	(1,478)
Repayment of financing - third parties	(40,018)	(141,234)
Reception (payment) of funds from (to) related parties – intercompany loans	-	(3)
Advance on future capital increase	-	28
Net cash provided by (used in) financing activities	**113,467**	**108,973**
Increase (decrease) in cash and cash equivalents	**98,817**	**80,089**
Cash and cash equivalents at the beginning of the period	**225,067**	**130,634**
Cash and cash equivalents at the end of the period	**323,884**	**210,723**