

*(Convenience Translation into English from
the Original Previously Issued in Portuguese)*

São Martinho S.A.

*Financial Statements for the Years
Ended March 31, 2009 and 2008 and
Independent Auditors' Report*

Deloitte Touche Tohmatsu Auditores Independentes

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITORS' REPORT

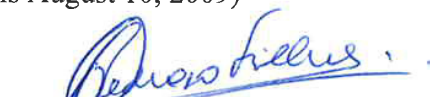
To the Shareholders and Management of
São Martinho S.A.
Pradópolis - SP

1. We have audited the accompanying individual (Company) and consolidated balance sheets of São Martinho S.A. and subsidiaries as of March 31, 2009 and 2008, and the related statements of operations, changes in shareholders' equity (Company), cash flows and value added for the years then ended, all expressed in Brazilian reais and prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.
2. Our audits were conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Company and its subsidiaries, (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed, and (c) evaluating the significant accounting practices and estimates adopted by Management, as well as the presentation of the financial statements taken as a whole.
3. In our opinion, the financial statements referred to in paragraph 1 present fairly, in all material respects, the individual and consolidated financial positions of São Martinho S.A. and subsidiaries as of March 31, 2008 and 2007, and the results of their operations, the changes in shareholders' equity (Company), their cash flows and the values added in operations for the years then ended, in conformity with Brazilian accounting practices.
4. As mentioned in note 2, as a result of the changes in Brazilian accounting practices in 2008, the individual and consolidated financial statements for the year ended March 31, 2008, presented for comparative purposes, have been adjusted and are being restated as set forth in NPC 12 - Accounting Policies, Changes in Accounting Estimates and Errors.

5. Brazilian accounting practices differ, in certain significant respects, from International Financial Reporting Standards - IFRS. The information related to the nature and effects of such differences in accounting practices is presented in note 31 to the financial statements. As described in such note, the reconciliation of differences between shareholders' equity and consolidated net loss under accounting practices adopted in Brazil and IFRS does not represent a first-time adoption of IFRS since the Company has not presented a full set of financial statements prepared in accordance with IFRS including all the disclosures required by IFRS and has not disclosed an explicit and unreserved statement of compliance with IFRS. Accordingly, in the event the Company fully adopts IFRS in the future, the opening shareholders' equity balance presented in such reconciliation may be different from that presented in note 31.
6. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Campinas, May 22, 2009 (except for note 31, whose date is August 10, 2009)


DELOITTE TOUCHE TOHMATSU
Auditores Independentes


Mourival C. Pedroso Filho
Engagement Partner

(Convenience Translation into English from the Original Previously Issued in Portuguese)

SÃO MARTINHO S.A.

BALANCE SHEETS AS OF MARCH 31, 2009 AND 2008

(In thousands of Brazilian reais - R\$)

ASSETS	Notes	Company		Consolidated		LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	Company		Consolidated	
		03/31/2009	03/31/2008 (Adjusted)	03/31/2009	03/31/2008 (Adjusted)			03/31/09	03/31/08 (Adjusted)	03/31/09	03/31/08 (Adjusted)
CURRENT ASSETS						CURRENT LIABILITIES					
Cash and cash equivalents	4	28.676	20.557	190.063	72.534	Loans and financing	15	87.054	31.786	401.115	144.761
Trade accounts receivable	5	9.980	-	45.544	-	Derivatives	26	-	-	6.269	-
Receivables from Copersucar	6	-	34.715	-	94.225	Trade accounts payable	16	16.916	11.367	76.150	55.705
Derivatives	26	942	-	6.110	-	Payables to Copersucar	17	589	21.120	2.203	77.446
Inventories	7	63.264	38.273	296.404	173.625	Payroll and related charges		7.300	5.019	34.932	23.158
Recoverable taxes	8	13.862	13.182	52.972	42.006	Taxes payable		4.286	3.397	9.704	9.970
Other assets	10	2.641	3.449	10.900	15.350	Intercompany payables	9	15.632	269	3.277	153
		119.365	110.176	601.993	397.740	Advances from customers and other liabilities	18	7.485	144	25.858	1.620
								139.262	73.102	559.508	312.813
NONCURRENT ASSETS						NONCURRENT LIABILITIES					
Long-term assets:						Long-term liabilities:					
Intercompany receivables	9	16.420	100.451	3.424	208	Loans and financing	15	41.099	48.792	730.486	409.637
Assets held for sale		-	-	520	31.649	Payables to Copersucar	17	57.507	61.693	216.369	232.056
Deferred income and social contribution taxes	22	36.066	34.256	130.973	95.397	Taxes in installments		8.963	9.136	8.963	9.136
Receivable from Copersucar	6	6.435	-	24.092	-	Deferred income and social contribution taxes	22	56.163	62.371	208.477	224.683
Recoverable taxes	8	8.158	3.296	67.578	17.986	Provision for contingencies	25	8.839	7.071	74.127	70.165
Other assets	10	4	136	354	8.228	Other liabilities		2.160	-	3.318	1.557
Investments:								174.731	189.063	1.241.740	947.234
In subsidiaries and affiliates	11.1	1.101.249	1.064.912	-	-			-	-	18.243	7.611
Other investments		3.430	40	3.482	167						
Property, plant and equipment	12	599.306	597.728	2.481.605	2.292.158	MINORITY INTEREST					
Intangible assets	13	262	135	40.887	39.006						
Deferred charges	14	-	-	39.784	34.084	SHAREHOLDERS' EQUITY					
		1.771.330	1.800.954	2.792.699	2.518.883	Capital	19	360.000	360.000	360.000	360.000
						Revaluation reserves		1.117.599	1.161.846	1.117.599	1.161.846
						Legal reserve		5.079	5.079	5.079	5.079
						Capital budget reserve		95.923	97.656	94.422	97.656
						Treasury stocks		(1.899)	-	(1.899)	-
						Retained earnings		-	24.384	-	24.384
								1.576.702	1.648.965	1.575.201	1.648.965
						TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY					
								1.890.695	1.911.130	3.394.692	2.916.623
TOTAL ASSETS		1.890.695	1.911.130	3.394.692	2.916.623						

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

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SÃO MARTINHO S.A.

STATEMENTS OF OPERATIONS FOR THE YEARS
ENDED MARCH 31, 2009 AND 2008

(In thousands of Brazilian reais - R\$, except per share data)

	Notes	Company		Consolidated	
		03/31/2009	03/31/2008 (Adjusted)	03/31/2009	03/31/2008 (Adjusted)
GROSS SALES		203.523	214.711	867.629	787.424
DEDUCTIONS		(25.080)	(18.733)	(93.186)	(75.004)
NET SALES		178.443	195.978	774.443	712.420
COST OF SALES		(161.337)	(186.381)	(637.041)	(623.583)
GROSS PROFIT		17.106	9.597	137.402	88.837
Operating (expenses) income:					
Selling expenses		(3.162)	(8.829)	(34.979)	(42.624)
General and administrative expenses		(23.307)	(21.114)	(100.176)	(91.223)
Management fees	27	(4.734)	(5.232)	(8.472)	(8.172)
Equity in subsidiaries	11.1	(61.539)	(30.464)	-	-
Other operating income (expenses), net	28	16.738	(6.843)	46.898	(9.141)
		(76.004)	(72.482)	(96.729)	(151.160)
Income (loss) from operations before financial income (expenses)		(58.898)	(62.885)	40.673	(62.323)
Financial income (expenses):					
Financial income		16.424	30.285	52.431	78.677
Financial expenses		(31.318)	(24.984)	(154.748)	(88.084)
Monetary and exchange gains		4.649	2.140	44.653	9.374
Monetary and exchange losses		(9.238)	(2.344)	(114.825)	(8.915)
	29	(19.483)	5.097	(172.489)	(8.948)
Loss before income and social contribution taxes		(78.381)	(57.788)	(131.816)	(71.271)
Income and social contribution taxes - current		-	(338)	(954)	(2.601)
Income and social contribution taxes - deferred		8.017	9.332	54.510	25.078
	22	8.017	8.994	53.556	22.477
Loss before minority interest		(70.364)	(48.794)	(78.260)	(48.794)
Minority interest		-	-	6.395	-
Net loss		(70.364)	(48.794)	(71.865)	(48.794)
Loss per share at the end of the year		(1)	(0)		

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

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SÃO MARTINHO S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED MARCH 31, 2009 AND 2008

(In thousands of Brazilian reais - R\$)

	<u>Notes</u>	<u>Capital</u>	<u>Revaluation reserves</u>			<u>Profits reserves</u>		<u>Treasury stocks</u>	<u>Retained earnings</u>	<u>Total</u>
			<u>Company</u>	<u>Subsidiaries</u>	<u>Total</u>	<u>Legal reserve</u>	<u>Capital budget</u>			
BALANCE AS OF MARCH 31, 2007 (AS REPORTED)		360.000	391.388	819.586	1.210.974	5.079	95.427	-	-	1.671.480
Prior year adjustments due to changes in accounting practices		-	-	-	-	-	-	-	26.279	26.279
BALANCE AS OF MARCH 31, 2007 (ADJUSTED)		360.000	391.388	819.586	1.210.974	5.079	95.427	-	26.279	1.697.759
Realization of revaluation reserve		-	(12.987)	(36.141)	(49.128)	-	-	-	49.128	-
Net loss		-	-	-	-	-	-	-	(48.794)	(48.794)
Proposed allocation of retained earnings:										
Retention of profits reserve		-	-	-	-	-	2.229	-	(2.229)	-
BALANCE AS OF MARCH 31, 2008 (ADJUSTED)		360.000	378.401	783.445	1.161.846	5.079	97.656	-	24.384	1.648.965
Realization of revaluation reserve		-	(12.044)	(32.203)	(44.247)	-	-	-	44.247	-
Net loss		-	-	-	-	-	-	-	(70.364)	(70.364)
Loss absorption with profits reserve		-	-	-	-	-	(1.733)	-	1.733	-
Acquisition of own shares	18	-	-	-	-	-	-	(1.899)	-	(1.899)
BALANCE AS OF MARCH 31, 2009		360.000	366.357	751.242	1.117.599	5.079	95.923	(1.899)	-	1.576.702

As notas explicativas são parte integrante das demonstrações financeiras.

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SÃO MARTINHO S.A.

STATEMENTS OF CASH FLOWS FOR THE YEARS

ENDED MARCH 31, 2009 AND 2008

(In thousands of Brazilian reais - R\$)

	Company		Consolidated	
	03/31/2009	03/31/2008	03/31/2009	03/31/2008
		(Adjusted)		(Adjusted)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	(70.364)	(48.794)	(71.865)	(48.794)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Equity in subsidiaries	61.539	30.464	-	-
Depreciation and amortization - statements of operations	47.855	57.549	202.506	191.215
Net book value of investment written off	-	-	4.684	-
Net book value of property, plant and equipment written off	346	453	9.691	3.995
Financial charges and exchange variation on long-term intercompany balances, loans, financing, and taxes payable	21.507	12.167	205.924	46.914
Provision for contingencies	3.398	1.843	12.252	6.114
Deferred income and social contribution taxes	(8.017)	(9.332)	(54.191)	(25.078)
Adjustment to present value	1.664	971	4.544	2.871
Minority interest	-	-	(6.395)	-
(Increase) decrease in assets:				
Trade accounts receivable	24.251	(26.841)	46.432	(71.517)
Inventories	(17.227)	3.406	(86.019)	(12.266)
Recoverable taxes	(5.542)	(5.122)	(60.558)	(13.781)
Intercompany receivables	(13.846)	(88.685)	(3.216)	17
Assets held for sale	-	-	15.764	-
Derivatives	(942)	-	(6.110)	-
Other current assets	808	2.075	4.450	6.300
Other noncurrent assets	(6.325)	(166)	(17.235)	(14.105)
Increase (decrease) in liabilities:				
Trade accounts payable	5.532	(2.856)	20.422	237
Payroll and related taxes	2.281	(424)	11.774	3.094
Taxes payable	254	827	(4.243)	3.087
Taxes in installments	(1.142)	9.136	(2.555)	9.136
Intercompany payables	15.363	(38.974)	2.825	107
Provision for contingencies	(2.604)	(2.255)	(15.468)	(9.775)
Derivatives	-	-	6.269	-
Other current liabilities	7.341	(2.019)	24.238	(1.394)
Other noncurrent liabilities	2.160	-	1.761	(151)
Net cash provided by (used in) operating activities	68.290	(106.577)	245.681	76.226
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments	(3.390)	(51.458)	(3.315)	(24)
Investments - goodwill	-	-	-	(21.882)
Purchase of property, plant and equipment and increase in intangible assets and deferred charges	(57.649)	(60.978)	(431.960)	(634.074)
Net cash used in investing activities	(61.039)	(112.436)	(435.275)	(655.980)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in financing due to purchases of investments	-	-	-	18.402
Increase in payables to Copersucar due to purchases of investments	-	-	-	10.304
Borrowings from third parties	80.621	24.654	774.480	400.026
Borrowings (repayment) of financing - Copersucar, net	(27.858)	17.314	(102.615)	63.815
Payment of financing - third parties	(49.996)	(52.872)	(379.870)	(187.223)
Payment of dividends	-	(20.000)	-	(20.000)
Share repurchase to be held in treasury	(1.899)	-	(1.899)	-
Minority interest	-	-	17.027	-
Net cash provided by (used in) financing activities	868	(30.904)	307.123	285.324
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8.119	(249.917)	117.529	(294.430)
CASH AND CASH EQUIVALENTS				
At beginning of the year	20.557	270.474	72.534	366.964
At end of the year	28.676	20.557	190.063	72.534
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8.119	(249.917)	117.529	(294.430)
SUPPLEMENTAL INFORMATION				
Interest paid in the year	(5.972)	(7.457)	(48.259)	(40.433)
Payments to suppliers for purchases of property, plant and equipment	3.839	1.266	20.331	17.285
Income tax and social contribution paid in the year	(343)	-	(4.658)	-

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

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SÃO MARTINHO S.A.

STATEMENTS OF VALUE ADDED FOR THE YEARS ENDED MARCH 31, 2009 AND 2008

(In thousands of Brazilian reais - R\$)

	Company		Consolidated	
	03/31/2009	03/31/2008	03/31/2009	03/31/2008
REVENUES				
Sales of products and services	203.628	215.585	867.687	790.298
Other revenues	16.633	3.413	67.088	9.934
Revenue related to the construction of own assets	36.793	36.683	172.673	107.555
	257.054	255.681	1.107.448	907.787
INPUTS PURCHASED FROM THIRD PARTIES				
Cost of sales and services	(45.119)	(67.411)	(223.444)	(224.989)
Materials, electric power, outside services and other	(73.290)	(78.025)	(300.425)	(254.609)
Valuation allowance on assets	-	-	(9.535)	(852)
	(118.409)	(145.436)	(533.404)	(480.450)
GROSS VALUE ADDED	138.645	110.245	574.044	427.337
DEPRECIATION AND AMORTIZATION	(47.855)	(57.549)	(202.506)	(191.215)
NET VALUE ADDED PRODUCED BY THE COMPANY	90.790	52.696	371.538	236.122
WEALTH RECEIVED IN TRANSFER				
Equity in subsidiaries	(61.539)	(30.464)	-	-
Financial income	21.073	32.425	97.084	88.051
Other	157	113	445	1.090
	(40.309)	2.074	97.529	89.141
VALUE ADDED TO BE DISTRIBUTED	50.481	54.770	469.067	325.263
DISTRIBUTION OF VALUE ADDED				
Employees:				
Salaries and wages	35.932	33.877	143.614	130.861
Benefits	12.305	7.904	50.488	30.855
Severance pay fund (FGTS)	3.492	2.986	12.197	12.876
Fees	4.734	5.232	8.472	8.172
	56.463	49.999	214.771	182.764
Taxes and contributions:				
Federal	12.998	8.528	12.569	39.330
State	10.372	13.435	46.082	49.424
Municipal	579	635	2.533	2.387
	23.949	22.598	61.184	91.141
Third parties:				
Interest	18.335	28.313	103.648	87.286
Rental	79	74	810	2.969
Exchange rate variation	9.238	2.344	114.825	8.915
Other	12.781	236	52.089	982
	40.433	30.967	271.372	100.152
Shareholders:				
Net loss	(70.364)	(48.794)	(71.865)	(48.794)
Minority interest	-	-	(6.395)	-
	(70.364)	(48.794)	(78.260)	(48.794)
	50.481	54.770	469.067	325.263

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

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SÃO MARTINHO S.A.

NOTES TO THE FINANCIAL STATEMENTS FOR THE
YEARS ENDED MARCH 31, 2009 AND 2008
(In thousands of Brazilian reais - R\$, unless otherwise stated)

1. OPERATIONS

1.1. Operations

São Martinho S.A. (the “Company”) and its subsidiaries are primarily engaged in planting sugarcane and manufacturing and selling sugar, alcohol and other sugarcane by-products; cattle raising and agricultural production; import and export of goods, products and raw material, and holding of equity interest in other companies.

Approximately 69% (60% - Consolidated) of the sugarcane used in the manufacture of products derives from the Company’s own plantations, shareholders, related parties and agricultural partnerships, and the remaining 31% (40% - consolidated), from third-party suppliers.

Sugarcane planting demands an 18-month period for maturing and for the beginning of the harvest, which generally takes place between April and December, when sugar and alcohol are produced. The sale of the production is made throughout the year and is not subject to seasonal variations but only to normal market variations in demand and supply.

1.2. Withdrawal from Copersucar

Up to March 31, 2008, the Company, its direct subsidiary Usina São Martinho S.A. (“USM”) and the jointly-owned indirect subsidiary Usina Santa Luiza S.A. (“USL”), were associated with the Cooperativa de Produtores de Cana, Açúcar e Álcool do Estado de São Paulo Ltda. - Copersucar [Cooperative of Sugarcane, Sugar and Alcohol Producers of the State of São Paulo] (also called the “Cooperative”), whose cooperative bylaws signed by the parties required the Companies to make available immediately and definitively to Copersucar their total production of sugar and alcohol.

On February 25, 2008, the Company, USM and USL announced that their Boards of Directors approved a request for their withdrawal from the cooperative. The termination of membership occurred according to the terms of Copersucar bylaws at the end of the 2007/2008 crop and is intended to focus the Companies’ production on higher value added products and is part of different commercial strategies.

The terms and conditions of the termination of membership were negotiated through the settlement or assumption of commitments to the Cooperative or to third parties for which the Cooperative is jointly liable, arising until the date of the termination, even if the conclusion of the commitments surpasses that date. The Company, USM and USL have the right to a proportional share of the outcome of indemnification actions filed by Copersucar, even if they are concluded after the date of the termination.

The Company, USM and USL assumed the liability for a share proportionate to their volume of operations during the period in which they were members of the cooperative in respect of tax lawsuits filed by Copersucar, as specified in note 25.

After the termination of membership, the sale of the sugar and alcohol production and the consequent management of credit risks are made by the Company and its subsidiaries.

The production made available to Copersucar remained physically at the Company's and its subsidiaries' warehouses, which were lent for use by Copersucar without paying for it. The Agribusiness Directors of the Companies remained as depositaries of the inventories stored in the warehouses. The production sold was removed by Copersucar according to its logistics.

During the years ended March 31, 2008, revenues from transactions with Copersucar accounted for approximately 94% of the Company's individual revenue, and 93% in consolidated. Selling and administrative expenses arising from the Cooperative allocations accounted for 29% of operating expenses recorded by the Company, and 37% of consolidated expenses. These expenses include expenses on the sale process, logistics and distribution, port and administrative expenses.

1.3. Increase in ownership interest in the jointly-owned indirect subsidiary Mogi Agrícola S.A. ("Mogi")

The loan agreement entered into with the shareholder of Mogi, in the amount of R\$ 7,233, was settled on May 17, 2008 through the exchange of 2,039,056 Mogi's shares. On May 17, 2006, when the loan agreement was signed, USM considered the increase from 30.86% to 46.02% in its interest in Mogi's capital, because it was established in the agreement that it would be settled through the exchange of shares.

The acquisition of interest in Mogi resulted in negative goodwill of R\$ 358 on the investment.

1.4. Acquisition of companies followed by spin-off and merger of the jointly-owned indirect subsidiary Etanol Participações S.A. ("EP")

On April 12, 2007, EP, a holding company composed of USM, together with Cosan S.A. Indústria e Comércio and Santa Cruz S.A. Açúcar e Alcool, with interests of 41.67%, 33.33% and 25.00%, respectively, acquired USL, whose management is shared by them, with a board of directors and an executive board composed of representatives of each shareholder. The acquisition value of USL was R\$ 184,080. EP also acquired Agropecuária Aquidaban S.A. ("AA") from the shareholders of USL, for R\$ 61,360.

In order to achieve one of the objectives of said acquisition, related to gaining operating and administrative synergies, on December 10, 2007 the shareholders of EP announced their decision to absorb the operations of USL and AA. The activities of said subsidiaries will be developed directly by the shareholders, according to their interest in the capital of EP, beginning the 2008/2009 crop.

On December 21, 2007, USM and the other shareholders of EP resolved to conduct a full spin-off of the assets and liabilities of EP, which were transferred to USL and AA. Such spin-off followed by merger was approved by the Extraordinary Shareholders' Meetings held on December 21, 2007. The spun-off and merged net assets, according to the book value appraisal report issued by independent experts, were R\$ 226,948 as of October 31, 2007.

At the Extraordinary Shareholders' Meeting held on April 25, 2008, the shareholders approved the merger of the AA into the USL and, subsequently, the spin-off of USL, whose spun-off net assets were absorbed by USM and the other shareholders of USL, at book values, according to their respective equity interests.

1.5. Capital increase in subsidiary Usina Boa Vista S.A. ("UBV")

On a meeting held on July 23, 2008, the Board of Directors approved an increase in UBV's capital in the amount of R\$ 170,274, from R\$ 71,726 to R\$ 242,000, through subscription of 170,273,733 new common shares.

Capital was paid up mainly with the capitalization of an advance for future capital increase in the amount of R\$ 97,876 made by the Company and R\$ 55,370 made by USM, and funds contributed by Mitsubishi Corporation, in the amount of R\$ 17,027.

As a result of the capital increase, the Company's interest in UBV increased from 27 to 48.45 percent and became its controlling shareholder as it held its common shares. Accordingly, USM's interest in UBV decreased from 63 to 41.55 percent, and the subsidiary is no longer its controlling shareholder. However, the percentage of interest in consolidated did not change.

1.6. Incorporation and sale of Santa Cecília Agroindustrial S.A. ("SCA")

To provide alternatives to the exploitation and management of assets contributed by shareholders in the spin-off of USL, as mentioned in note 1.4., on July 31, 2008, USM, together with Usina da Barra S.A. Açúcar e Álcool and Santa Cruz S.A. Açúcar e Álcool, incorporated SCA, by contributing part of the spun-off net assets of USL. The portion of capital related to Usina São Martinho S.A. is R\$ 20,448, representing an ownership interest of 41.67%.

On January 14, 2008, the subsidiary and the other shareholders of SCA decided to sell the investment in the indirect jointly-owned subsidiary through the sale of its shares to Nova Mucuri Participações S.A., for the amount of R\$ 37,829. As a result, a loss of R\$ 11,242 was recorded, and the portion attributable to the subsidiary, proportional to its ownership interest in SCA, amounted to R\$ 4,684, recorded under "Other income (expenses), net" in the statements of operations.

1.7. Allicom Consortium establishment agreement

On September 22, 2008, the Company and its subsidiaries USM and UBV, together with USJ Açúcar e Álcool S.A. ("USJ") and Santa Cruz S.A. Açúcar e Álcool ("Santa Cruz") entered into an agreement for the establishment of the Allicom Consortium, which is engaged in managing the operating aspects of the sale of sugar and ethanol to its members, as well as negotiating prices, terms, and volumes of products, carry out sugar and ethanol hedge transactions under the individual strategic guidance of each member, and try to identify business opportunities to sell its members' production, both in the domestic market and abroad. Each member is responsible for the direct management of its sales agreements.

The consortium will be managed by an Executive Board consisting of one representative of each consortium member. Costs, expenses and obligations arising from consortium operations will be defrayed by the members proportionally to their percentage interest in the volume sold through Allicom.

2. PRESENTATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING PRACTICES

The financial statements have been prepared and are presented in conformity with Brazilian accounting practices and standards established by the Brazilian Securities and Exchange Commission (CVM) and amendments introduced by Law 11,638 of December 28, 2007 and Provisional Act 449/08 of December 3, 2008, which alter, revoke and introduce new provisions to Law 6,404/76. In addition, as a result of the enactment of said Law and Provisional Act, in 2008, several accounting pronouncement were issued by the Accounting Pronouncement Committee (CPC) and approved by the CVM and the Federal Accounting Council (CFC), whose application is required for years ended on or after January 1, 2008.

The main changes introduced by Law 11,638/07, Provisional Act 449, and the new technical pronouncements issued by the CPC and applicable to the Company as of March 31, 2009 are as follows:

- (i) Requirement for the periodic test analysis of amounts recorded in noncurrent assets for impairment, as established by CPC 01 - Impairment of Assets (only for financial statements for the year ended March 31, 2009), to ensure that: (i) possible impairment losses are recorded as a result of decisions to discontinue activities related to such assets or when there is evidence that future operating results will not be sufficient to ensure their realization; and (ii) the criterion used to determine the estimated remaining useful lives of such assets for purposes of recording depreciation and amortization expense is reviewed and adjusted. The analyses performed in the current year did not indicate the need for recognizing an allowance for impairment losses.
- (ii) Goodwill on expected future earnings was amortized under the straight-line method up to March 31, 2009. As established by CPC 01 and CVM Instruction 565/08, goodwill arising from expected future earnings is no longer systematically amortized from the fiscal year beginning April 1, 2009, to be periodically tested for impairment. The analyses performed in the current year did not indicate the need for recognizing an allowance for impairment losses.
- (iii) Replacement of the Statement of Changes in Financial Position by the Statement of Cash Flows, prepared in accordance with CPC 03 - Statement of Cash Flows, which is also presented on a comparative basis.
- (iv) Creation of the “Intangible assets” account group in noncurrent assets in accordance with CPC 4 - Intangible Assets. Software licenses and goodwill from the acquisition of USL were reclassified to this account group.
- (v) As permitted by Provisional Act 449/08, the Company opted to maintain certain pre-operating expenses under deferred charges in consolidate until they are fully amortized, subject to tests for impairment in accordance with CPC 01.
- (vi) Disclosure on more detailed balances and transactions with related parties, in accordance with CPC 05 - Related Party Disclosures.

- (vii) Requirement to record under the caption property, plant and equipment those rights in tangible assets that are maintained or used in the operations of the Company's business, including those rights received as a result of transactions classified as capital leases, as set forth by CPC 06 - Leases. The agreements in effect as of March 31, 2008 have been recognized as established by CPC 06.
- (viii) Elimination of the possibility of recording government investment grants (including tax incentives) directly as capital reserves in shareholders' equity, as established by CPC 07 - Accounting for Government Grants and Disclosure of Government Assistance. The tax incentive portions received for investment are recorded under "Taxes on sales" in the statements of operations. Donations and government may be allocated, after being recorded in income or loss, from retained earnings to the "Tax incentive reserve".
- (ix) Inclusion of the statements of value added, prepared in accordance with CPC 09 - Statement of Value Added, which is also presented on a comparative basis.
- (x) Transactions with employees, management and third parties, settled with Company's equity instruments, including stock option plan, in which the Company receives products or services in exchange for these equity instruments, should be recognized as expenses based on their nature, as established by CPC 10 - Share-based Payments.
- (xi) As established by CPC 12 - Adjustment to Present Value, requirement that certain long-term assets and liabilities be recorded at present value, and, if material, certain other short-term assets and liabilities. Company's management assessed the impacts from this change and made all required adjustments to the financial statements from the discount to present value of assets and liabilities.
- (xii) Requirement that investments in financial instruments, including derivatives, be accounted for: (i) at fair value or equivalent value for trading securities or available-for-sale securities; and (ii) at the lower of acquisition or historical cost, adjusted pursuant to legal or contractual provisions, and realizable value for held-to-maturity securities, as set forth by CPC 14 - Financial Instruments: Financial Instruments: Recognition, Measurement and Disclosure.
- (xiii) Reclassification, as of March 31, 2008, of balances previously classified as "Nonoperating income" to "Other operating income (expenses), net", pursuant to Provisional Act 449/08.
- (xiv) Discontinuation of the revaluation of assets; however, the Company may maintain the existing balance of revaluation reserve until its effective realization or reverse it by the end of the current year. The Company and its subsidiaries opted to maintain the balance of revaluation reserve until it is realized.

In view of the changes mentioned above, made in accordance with said Law, Provisional Act and CPCs, retrospective adjustments have been made to the financial statements for the year ended March 31, 2008, that were presented for better comparability with the financial statements for the year ended March 31, 2009, as follows:

Statement of operations for the year ended march 31, 2008:

	Company			Consolidated		
	<u>3/31/2008</u> (Prior to Law 11,638)	<u>Adjustments</u>	<u>3/31/2008</u> (After Law 11,638)	<u>3/31/2008</u> (Prior to Law 11,638)	<u>Adjustments</u>	<u>3/31/2008</u> (After Law 11,638)
Gross profit	9,597	-	9,597	88,837	-	88,837
Operating (expenses) income:						
Selling expenses	(8,829)	-	(8,829)	(42,624)	-	(42,624)
General and administrative expenses	(21,114)	-	(21,114)	(91,223)	-	(91,223)
Management fees	(5,232)	-	(5,232)	(8,172)	-	(8,172)
Equity in subsidiaries	(29,210)	(1,254) (c)	(30,464)	-	-	-
Other	<u>(7,458)</u>	<u>615</u> (b)	<u>(6,843)</u>	<u>(9,938)</u>	<u>797</u> (b)	<u>(9,141)</u>
	<u>(71,843)</u>	<u>(639)</u>	<u>(72,482)</u>	<u>(151,957)</u>	<u>797</u>	<u>(151,160)</u>
Income (loss) from operations before financial income (expenses)	(62,246)	(639)	(62,885)	(63,120)	797	(62,323)
Financial income (expenses)	6,068	(971) (c)	5,097	(6,077)	(2,871) (c)	(8,948)
Loss from operations	(56,178)	(1,610)	(57,788)	(69,197)	(2,074)	(71,271)
Non operating income	615	(615) (b)	-	797	(797) (b)	-
Loss before income and social contribution taxes	(55,563)	(2,225)	(57,788)	(68,400)	(2,871)	(71,271)
Income and social contribution taxes	<u>8,664</u>	<u>330</u> (d)	<u>8,994</u>	<u>21,501</u>	<u>976</u> (d)	<u>22,477</u>
Net loss	<u>(46,899)</u>	<u>(1,895)</u>	<u>(48,794)</u>	<u>(46,899)</u>	<u>(1,895)</u>	<u>(48,794)</u>

Assets and liabilities as of March 31, 2008:

	Company			Consolidated			
	<u>3/31/2008</u> (Prior to Law 11,638)	<u>Adjustments</u>	<u>3/31/2008</u> (After Law 11,638)	<u>3/31/2008</u> (Prior to Law 11,638)	<u>Adjustments</u>	<u>3/31/2008</u> (After Law 11,638)	
ASSETS							
Current	110,176	-	110,176	397,740	-	397,740	
Noncurrent:							
Long term	138,139	-	138,139	153,468	-	153,468	
Investments:							
In subsidiaries and affiliates	1,049,186	15,726 (a)	1,064,912	-	-	-	
In subsidiaries - goodwill	-	-	-	38,691	(38,691) (e)	-	
Other investments	40	-	40	167	-	167	
Property, plant and equipment	597,863	(135) (f)	597,728	2,292,442	(284) (f)	2,292,158	
Intangible assets	-	135 (f)	135	-	39,006 (e) (f)	39,006	
Deferred charges	-	-	-	34,115	(31) (f)	34,084	
	<u>1,785,228</u>	<u>15,726</u>	<u>1,800,954</u>	<u>2,518,883</u>	<u>-</u>	<u>2,518,883</u>	
Total assets	<u>1,895,404</u>	<u>15,726</u>	<u>1,911,130</u>	<u>2,916,623</u>	<u>-</u>	<u>2,916,623</u>	
CURRENT LIABILITIES							
Current	73,102	-	73,102	312,813	-	312,813	
Noncurrent:							
Loans and financing	61,911	(13,119) (g)	48,792	446,583	(36,946) (g)	409,637	
Payables to Copersucar	61,693	-	61,693	232,056	-	232,056	
Taxes in installments	9,136	-	9,136	9,136	-	9,136	
Deferred income and social contribution taxes	57,910	4,461 (d)	62,371	212,121	12,562 (d)	224,683	
Provision for contingencies	7,071	-	7,071	70,165	-	70,165	
Other liabilities	-	-	-	1,557	-	1,557	
	<u>197,721</u>	<u>(8,658)</u>	<u>189,063</u>	<u>971,618</u>	<u>(24,384)</u>	<u>947,234</u>	
Minority interest	-	-	-	7,611	-	7,611	
Shareholder's equity:							
Capital	360,000	-	360,000	360,000	-	360,000	
Revaluation reserves	1,161,846	-	1,161,846	1,161,846	-	1,161,846	
Legal reserve	5,079	-	5,079	5,079	-	5,079	
Capital budget reserve	97,656	24,384 (a) (d) (g)	122,040	97,656	24,384 (a) (d) (g)	122,040	
	<u>1,624,581</u>	<u>24,384</u>	<u>1,648,965</u>	<u>1,624,581</u>	<u>24,384</u>	<u>1,648,965</u>	
Total liabilities and shareholder's equity	<u>1,895,404</u>	<u>15,726</u>	<u>1,911,130</u>	<u>2,916,623</u>	<u>-</u>	<u>2,916,623</u>	

- (a) Equity in subsidiary calculated on the adjustment to present value in subsidiary.
- (b) Reclassification of nonoperating income (expenses) to other operating income (expenses), net.
- (c) Impact of the adjustment to present value on net loss.
- (d) Income and social contribution taxes - deferred portion on the adjustment to present value.
- (e) Reclassification of goodwill to intangible assets.
- (f) Reclassification of software to intangible assets.
- (g) Adjustment to present value calculated on loans and financing.

The financial statements have been prepared and are presented in conformity with pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee (CPC) and provisions of the Brazilian Corporate Law 6,404/76), including the amendments introduced by Law 11,638/07 and Provisional Act 449/08. The significant accounting practices adopted in the preparation of the financial statements are as follows:

- (a) Revenue recognition: Revenues and expenses are recorded on the accrual basis.
- (b) Cash and cash equivalents: Represented by cash, bank deposits and short-term investments with no material risk of change in value. Short-term investments are represented by securities stated at cost, plus income earned through the balance sheet date, which does not exceed fair value.
- (c) Trade accounts receivable: Refer to trade accounts receivables from the domestic and foreign customers, adjusted by the exchange rate change calculate at the balance sheet date, when applicable.
- (d) Inventories: Stated at average acquisition or production cost, adjusted, when necessary, to its net realizable value. The cost of finished product inventories includes expenses incurred on acquisition and general production expenses. Costs incurred on maintenance of sugarcane crops are stated as crop treatment under the caption “sugarcane - crops” and are recorded as cost (results of operations) upon the harvest of the crop.
- (e) Investments: Significant investments in subsidiaries and associates (on which the Company has significant influence) are accounted for under the equity method, based on the financial statements as of the same date as the Company’s financial statements.

Other investments are stated at cost, less possible valuation allowances. The negative goodwill and the accrual for shareholders’ deficit of indirect investees were reclassified to current liabilities.

- (f) Property, plant and equipment: Land, buildings, industrial equipment and facilities are stated at cost of acquisition or construction plus revaluation. Depreciation is calculated under the straight-line method, at the annual rates mentioned in note 12. Depreciation of costs to grow sugarcane crops is calculated under the straight-line method, considering an average estimated useful life of five to seven years, after the beginning of cutting. Maintenance that extends the useful life of property, plant and equipment items is capitalized. Items that have wear and tear during the crop are recorded as assets when replaced, and are depreciated during the subsequent crop period. Maintenance that does not extend the useful life of the assets is expensed when incurred.

- (g) Intangible assets: Stated at cost and amortized on a straight-line basis based on their estimated used and future benefits. Goodwill attributed to future earnings, originated on acquisitions made through EP (see note 1.4.) was amortized through March 31, 2009, based on projections of future earnings provided by such acquisitions, and will no longer be amortized, and goodwill related to other assets is amortized based on their depreciation or write-off.
- (h) Deferred charges: Refer to pre-operating expenses incurred in the construction of UBV's plant. Deferred charges are amortized over ten years, proportionally to the use of the production expected capacity for the period.
- (i) Other current and noncurrent assets and liabilities: Other assets are stated at cost or net realizable value, including, when applicable, income and inflation adjustment earned. Other liabilities are stated at known or estimated values, including charges and related inflation adjustments, when applicable.
- (j) Provision for contingencies: Recorded at adjusted amounts for tax, civil and labor contingencies, based on estimated losses assessed by the Company's legal counsel.
- (k) Adjustment of receivables and payables: Receivables and payables legally or contractually subject to inflation adjustment or exchange rate change are adjusted through the balance sheet date. The contra entries to these inflation adjustments are reflected directly in net loss.
- (l) Income and social contribution taxes: Provisions for income and social contribution taxes are calculated based on book income, adjusted for permanent additions and deductions at the rates of 15% plus a 10% surtax for income exceeding R\$ 240 for income tax, and at the rate of 9% for social contribution tax. Deferred income and social contribution taxes were recorded on temporary differences between asset and liability accounting and taxable basis and on tax loss carryforwards with offset limited to 30% of taxable income, as explained in note 22.
- (m) Revaluation reserves: The revaluation reserves of the Company and its subsidiaries are realized through the depreciation and write-off of the revalued assets, as a credit to retained earnings. When applicable, a provision for deferred income and social contribution taxes on revaluation reserve is recorded.
- (n) Lease: Finance lease agreements are recognized in property, plant and equipment and in loan and financing liabilities at the lower of the present value of the minimum lease payments or the fair value of the asset, plus any initial direct costs incurred in the transaction, when applicable. Operating lease agreements are recognized in the statement of income on a systematic basis representing the period in which the benefit on the leased asset is obtained.
- (o) Government grant: UBV has a program of state tax incentives consisting of the deferral and partial reduction of ICMS (state VAT), the existing conditions of which refer to events under the control of the subsidiary. The benefit related to this tax reduction is credited to the statement of income and a reserve for tax incentives is recognized as an allocation of retained earnings, as explained in note 23.

- (p) Use of estimates: The preparation of financial statements in conformity with Brazilian accounting practices requires the Company's and subsidiaries' Management to make estimates that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Major estimates related to the financial statements refer to the measurement of financial instruments, benefits to employees, determination of useful lives of property, plant and equipment, recognition of a provision for the reduction of inventory to its realizable value, recognition of necessary provision for contingencies, provision for impairment of assets and deferred taxes. Actual results, upon effective realization in subsequent periods, could differ from those estimates.
- (q) Loss per share: Calculated based on the number of shares outstanding at the balance sheet date.

3. CONSOLIDATION CRITERIA

The consolidated financial statements as of March 31, 2009 and 2008 consider the percentage of ownership interest in subsidiaries in effect on the respective dates and the applicable proportionate consolidation criteria. The consolidated balances include the following subsidiaries:

<u>Company</u>	<u>Main activities</u>
USM - 100% interest	Sugarcane processing; own production and production acquired from third parties; manufacture and sale of sugar, alcohol and their by-products; agricultural production and cattle raising; import and export of goods, products and raw material; and holding of equity interests in other companies.
UBV - 48.45% of interest as of March 31, 2009 and 27% interest as of March 31, 2008 (90% including the interest of USM).	Sugarcane processing; own production and production acquired from third parties; manufacture and sale of sugar, alcohol and their by-products; agricultural production and cattle raising; import and export of goods, products and raw material; and holding of equity interests in other companies.
Omtex Indústria e Comércio Ltda. ("Omtex") - 99.99% interest for all reported periods (100% including the interest of USM).	Sodium salt processing and sale in the foreign market. The operating cycle is the same as the parent company's, which is responsible for supplying (under specific conditions) sugarcane molasses, steam and electric power, inputs necessary for the company's production.

The financial statements of USM are consolidated prior to the consolidation by the Company, using accounting practices and consolidation criteria consistent with those used by the Company.

The consolidation of USM includes the following subsidiaries:

- Mogi - 46.02% interest;
- USL - 41.67% interest;
- UBV - 41.55% interest;
- SMBJ Agroindustrial S.A. ("SMBJ") - 99.9% de interest.

As of March 31, 2008, UBV was in the pre-operating stage. This Company was fully consolidated as the Company became the controlling shareholder of the common shares as of March 31, 2008, with the separate presentation of minority interest in the consolidated financial statements, calculated based on the percentage interest held by the other shareholders, which totaled 10 percent. Omtex was considered a subsidiary of the Company.

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

- a) Elimination of interests in subsidiaries' shareholders' equity.
- b) Elimination of investments and equity in subsidiaries.
- c) Elimination of intercompany balances and unrealized profits arising from intercompany transactions.
- d) Reclassification of negative goodwill on indirect subsidiaries to long-term liabilities - other and goodwill on indirect subsidiaries to intangible assets caption.

The financial statements for March 31, 2009 and 2008 of USM and UBV were audited by the same independent auditors of the Company. Financial statements of Omtex, Mogi, USL and SMBJ have been subject to a limited review by the same independent accountants of the Company. The financial statements for March 31, 2008 of USL and AA were audited by other independent auditors.

4. CASH AND CASH EQUIVALENTS

		<u>Company</u>	
	<u>Yield</u>	<u>3/31/2009</u>	<u>3/31/2008</u>
Cash and banks		28,676	357
Temporary cash investments:			
Debenture repurchase agreements	101.16% of the CDI variation - weighted average rate	-	6,918
CDB (bank certificates of deposit)	101.32% of the CDI variation - weighted average rate	-	13,282
Total		<u>28,676</u>	<u>20,557</u>
		<u>Consolidated</u>	
	<u>Yield</u>	<u>3/31/2009</u>	<u>3/31/2008</u>
Cash and banks		137,279	14,320
Temporary cash investments:			
Variable-income investment funds	100.20% of the CDI variation	-	385
Debenture repurchase agreements	De 100.18% a 101.16% of the CDI variation - weighted average rate	14,528	22,488
CDB (bank certificates of deposit)	101.72% of the CDI variation - weighted average rate	36,904	34,376
Interest-bearing account SWEEP	US dollar variation + variable rate of 1.45% to 2.55% p.a.	<u>1,352</u>	<u>965</u>
Total		<u>190,063</u>	<u>72,534</u>

Cash and bank balances include deposits in bank accounts available for immediate use. These balances reflect significant amounts as of March 31, 2009 resulting from the normal flow of operations of the Company and its subsidiaries and the use of such cash to pay commitments at the beginning of the month subsequent to the closing of the financial statements.

Repurchase and debenture repurchase agreements represent fixed-rate investments backed by government securities, ensuring fixed-rate yield as specified above, regardless of the variation in the yield of the securities acquired. All short-term investments may be redeemed in up to 30 days, with no loss of yield.

5. TRADE ACCOUNTS RECEIVABLES

	3/31/2009	
	<u>Company</u>	<u>Consolidated</u>
Domestic customers	9,980	44,235
Foreign customers	-	1,309
	<u>9,980</u>	<u>45,544</u>

For the year ended March 31, 2009, due to the immateriality of amounts due and unlikelihood of losses on current balances, Management deemed recording an allowance for doubtful accounts unnecessary.

The aging list of trade accounts receivable is as follows:

	3/31/2009	
	<u>Company</u>	<u>Consolidated</u>
Past due:		
up to 30 days	745	3,544
from 31 to 60 days	-	1,426
over 61 days	112	169
Current:		
up to 30 days	7,998	33,720
from 31 to 60 days	983	3,608
over 61 days	142	3,077
Total	<u>9,980</u>	<u>45,544</u>

The average collection period for trade accounts receivable is 20 days (19 days - consolidated). The balance of receivables with maturity over 60 days refers basically to amounts receivable for plantation services provided to third parties, which will be received during the crop 2009/2010, when the respective sugarcane maturation will occur.

6. RECEIVABLES FROM COPERSUCAR

Receivables from Copersucar were similar to a current account, including amounts receivable for apportionment of sales of products and amounts deductible for apportionment of expenses and advances.

7. INVENTORIES

	Company	
	<u>3/31/2009</u>	<u>3/31/2008</u>
Finished products and work in process	21,090	-
Sugarcane - crop treatment	32,073	28,276
Advances - purchase of sugarcane	3,144	3,694
Inputs, indirect materials, maintenance materials and other	6,957	6,303
	<u>63,264</u>	<u>38,273</u>

	Consolidated	
	<u>3/31/2009</u>	<u>3/31/2008</u>
Finished products and work in process	102,986	4,551
Sodium salt	6,572	6,139
Sugarcane - crop treatment	117,090	103,480
Advances - purchase of sugarcane	42,562	25,498
Inputs, indirect materials, maintenance materials and other	33,642	35,523
Provision for inventory losses at realizable value	<u>(6,448)</u>	<u>(1,566)</u>
	<u>296,404</u>	<u>173,625</u>

For the Company and USM, the negotiation of their withdrawal from Copersucar as of March 31, 2008 comprised the early sale of the whole sugar and alcohol inventory existing at that date at the average price in effect in March 2008. The inventory related to USL was sold to the Cooperative in April 2008.

As the production of the Company, USM and USL through March 31, 2008 immediately made available to Copersucar and the distribution to customers by the Cooperative is not necessarily linked to sales proportionally attributed to the companies and considering that a significant portion of the inventory existing on March 31, 2008 was sold, as mentioned in the preceding paragraph, because of the withdrawal of the Company, USM and USL, the amount of sugar and alcohol inventory that was physically kept by the Companies differed from the book balance of inventories.

As of March 31, 2008, the Company, USM and USL physically kept sugar and alcohol inventories in the amounts of R\$ 39,897, stated at average production cost. These companies were responsible for the physical safekeeping of inventories made available to Copersucar, which were mitigated through the purchase of insurance coverage, whose costs are charged to the Company and its subsidiaries.

To secure the payment of part of the obligations assumed at the time of the withdrawal from Copersucar, as mentioned in note 1.2., the Company has pledged in favor of Copersucar 8,907,711 liters of fuel alcohol (25,756,738 liters - Consolidated).

8. RECOVERABLE TAXES

	Company	
	<u>3/31/2009</u>	<u>3/31/2008</u>
COFINS (tax on revenue), including credits arising from purchases of property, plant and equipment items	10,538	7,029
IRPJ (corporate income tax)	4,724	3,022
ICMS (state VAT) on purchases of property, plant and equipment items	3,737	3,915
PIS (tax on revenue) including credits arising from purchases of property, plant and equipment items	2,102	1,528
CSLL (social contribution tax)	872	106
ICMS (state VAT)	-	20
Other	<u>47</u>	<u>858</u>
	<u>22,020</u>	<u>16,478</u>
Current assets	13,862	13,182
Noncurrent assets	8,158	3,296

	Consolidated	
	3/31/2009	3/31/2008
COFINS (tax on revenue), including credits arising from purchases of property, plant and equipment items	62,777	12,138
ICMS (state VAT), including credits arising from purchases of property, plant and equipment items	23,480	22,540
IRPJ (corporate income tax)	9,573	9,371
CSLL (social contribution tax)	1,854	3,399
PIS (tax on revenue) including credits arising from purchases of property, plant and equipment items	12,946	2,899
ICMS (state VAT)	7,765	7,081
Other	<u>2,155</u>	<u>2,564</u>
	<u>120,550</u>	<u>59,992</u>
Current assets	52,972	42,006
Noncurrent assets	67,578	17,986

The balances of recoverable taxes arise from commercial transactions and prepayments. These balances are considered realizable by Management in the normal course of the Company's and subsidiaries' operations.

With the enactment of Law 11,727/08, effective October 1, 2008, PIS and COFINS (taxes on revenue) levied on alcohol production and sale have been calculated on a noncommutative basis. As a result of this change, the Company was entitled to deemed PIS and COFINS credits equivalent to R\$ 48,00 per m³ of the alcohol held in inventory as of September 30, 2008, proportionally to the alcohol production in the period. The Company and its subsidiaries recorded credits in the amount of R\$ 48,700, which may be recognized in monthly over 12 to 60 months. These credits will be offset against debits relating to PIS and COFINS calculated on the noncommutative basis. Credits were recognized in the year ended March 31, 2009 against a reduction in inventory and property, plant and equipment.

9. RELATED-PARTY TRANSACTIONS

a) Company and consolidated balances:

	Company			
	3/31/2009		3/31/2008	
	Long-term assets	Current liabilities	Long-term assets	Current liabilities
Subsidiaries:				
USM	4,614	9,716	40	269
Omtex	11,768	-	2,511	-
UBV	<u>38</u>	<u>5,916</u>	<u>97,900</u>	<u>-</u>
Subtotal	16,420	15,632	100,451	269
Shareholders, arising from purchase of sugarcane (trade accounts payable)	<u>-</u>	<u>193</u>	<u>-</u>	<u>579</u>
	<u>16,420</u>	<u>15,825</u>	<u>100,451</u>	<u>848</u>

	Consolidated			
	3/31/2009		3/31/2008	
	Long-term assets	Current liabilities	Long-term assets	Current liabilities
Subsidiary and indirect subsidiary:				
Mogi	-	26	1	93
AA	-	-	-	57
USL	-	3,251	9	3
Santa Cruz S.A. - Açúcar e Alcool	1,393	-	-	-
Usina da Barra S.A. - Açúcar e Alcool	<u>1,856</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sub-total	3,249	3,277	10	153
Shareholders, arising from leased land (other noncurrent assets)	175	-	198	-
Shareholders, arising from purchase of sugarcane (trade accounts payable)	<u>-</u>	<u>959</u>	<u>-</u>	<u>1,209</u>
	<u>3,424</u>	<u>4,236</u>	<u>208</u>	<u>1,362</u>

The balances with subsidiaries as of March 31, 2009 refer to loan agreements maturing every December 31, extendable for one additional year, subject to charges equivalent to 100% of the CDI (interbank deposit rate) variation, and other intercompany transactions.

All long-term intercompany balances are estimated to be settled in a maximum of 24 months. Sugarcane purchases from shareholders are conducted under market conditions similar to those applicable to third parties.

Balances with UBV as of March 31, 2008 refer to advance for future capital increase, and balances with the other subsidiaries refer to other business transactions among the companies.

b) Company's transactions

	3/31/2009					
	<u>Financial expenses</u>	<u>Administrative and financial expenses</u>	<u>Sales revenue</u>	<u>Expenses apportioned among subsidiaries</u>	<u>Expenses reimbursed by subsidiaries</u>	<u>Purchase of products and services</u>
USM	-	1,722	10,472	3,408	3,751	145
Omtok	157	-	6,195	-	105	-
UBV	1,815	137	-	-	678	29
Rental of properties from shareholders	-	74	-	-	-	-
Purchase of sugarcane from shareholders	-	-	-	-	-	1,176
	<u>1,972</u>	<u>1,933</u>	<u>16,667</u>	<u>3,408</u>	<u>4,534</u>	<u>1,350</u>
	3/31/2008					
	<u>Financial expenses</u>	<u>Administrative and financial expenses</u>	<u>Sales revenue</u>	<u>Expenses apportioned among subsidiaries</u>	<u>Expenses reimbursed by subsidiaries</u>	<u>Purchase of products and services</u>
USM	-	147	301	2,866	3,558	537
Omtok	107	-	7,177	-	105	-
UBV	-	-	112	-	823	-
Rental of properties from shareholders	-	64	-	-	-	-
Purchase of sugarcane from shareholders	-	-	-	-	-	1,019
	<u>107</u>	<u>211</u>	<u>7,590</u>	<u>2,866</u>	<u>4,486</u>	<u>1,556</u>

Intercompany transactions refer to revenues and expenses related to charges on loans agreements, revenues and expenses related to sale of molasses, electric power and steam purchase and sale of agricultural and industrial inputs and other products, rental of properties and purchase of sugarcane from shareholders, carried out under the business terms and conditions offered to third parties.

The expenses apportioned among subsidiaries refer to expenses incurred by the shared service center and the expenses reimbursed by subsidiaries refer to expenses incurred on the Board of Directors and the Corporate office. Apportionments are supported by agreements entered into by the parties.

The consolidated amounts of sugarcane purchases from shareholders for the years ended March 31, 2009 and 2008 were R\$ 6,628 and R\$ 5.283, respectively.

10. OTHER ASSETS

	<u>Company</u>		<u>Consolidated</u>	
	<u>3/31/2009</u>	<u>3/31/2008</u>	<u>3/31/2009</u>	<u>3/31/2008</u>
Advances - purchase of sugarcane	733	762	1,876	7,750
Prepaid expenses	922	439	6,216	2,107
Other accounts receivable	-	1,089	-	8,194
Sundry advances	965	1,101	2,740	2,346
Other	<u>25</u>	<u>194</u>	<u>422</u>	<u>3,181</u>
	<u>2645</u>	<u>3,585</u>	<u>11,254</u>	<u>23,578</u>
Current assets	2,641	3,449	10,900	15,350
Noncurrent assets	4	136	354	8,228

Advances for sugarcane purchases classified in long-term assets are realizable as from the 2009/2010 crop. When transferred to current assets, such advances are classified under the Inventories caption.

11. INVESTMENTS

11.1. Subsidiaries

	<u>3/31/2009</u>			
	<u>USM</u>	<u>UBV</u>	<u>Omttek</u>	<u>Total</u>
In subsidiaries:				
Shares held (thousands)	23,500	242,000	13,925	-
Ownership interest	100%	48.45%	99.99%	-
Capital:	60,000	242,000	13,925	-
Shareholders' equity	993,206	182,430	19,661	-
Net loss	(28,067)	(63,955)	(2,488)	-
Changes in investments:				
Balances as of March 31, 2008	1,022,213	20,550	22,149	1,064,912
Increase in ownership interest	-	97,876	-	97,876
Effect of the revaluation reserve of subsidiaries due to change in ownership interest	(941)	941	-	-
Equity in subsidiaries	<u>(28,067)</u>	<u>(30,984)</u>	<u>(2,488)</u>	<u>(61,539)</u>
Balances as of March 31, 2009	<u>993,205</u>	<u>88,383</u>	<u>19,661</u>	<u>1,101,249</u>

	3/31/2008			
	<u>USM</u>	<u>UBV</u>	<u>Omték</u>	<u>Total</u>
In subsidiaries:				
Shares held (thousands)	23,500	71,726	5,598	-
Ownership interest	100%	27%	99.99%	-
Capital;	60,000	71,726	13,925	-
Shareholders' equity	1,022,213	76,111	22,149	-
Net loss	(27,225)	-	(3,238)	-
Changes in investments:				
Balances as of March 31, 2007	1,006,306	20,550	17,061	1,043,917
Merger of shares and capital increase	43,132	-	8,326	51,458
Equity in subsidiaries	<u>(27,225)</u>	<u>-</u>	<u>(3,238)</u>	<u>(30,463)</u>
Balances as of March 31, 2008	<u>1,022,213</u>	<u>20,550</u>	<u>22,149</u>	<u>1,064,912</u>

There are no reciprocal interests between the Company and direct and indirect subsidiaries.

11.2. Goodwill, spin-off and merger of EP

As mentioned in note 1.4., on April 12, 2007 EP acquired interest in USL and in AA for R\$ 184,080 and R\$ 61,360, respectively, recording total goodwill in the amount of R\$ 210,117, of which R\$ 154,013 refers to the acquisition of USL and R\$ 56,104 refers to the acquisition of AA, based on the financial statements of the acquired companies as of March 31, 2007.

As mentioned in note 1.4., on December 10, 2007 the shareholders of EP announced to the market the discontinuation of the operations of USL AA. Subsequently, on December 21, 2007, the shareholders of EP resolved to conduct a full spin-off of EP's assets and liabilities, which were transferred to USL and AA. The ownership interests of EP in USL and AA were eliminated, and the shares previously held by EP in USL and AA were transferred to its shareholders.

Due to such decisions, the distribution of the goodwill paid by EP on the acquisition of the above-mentioned subsidiaries between appreciation of assets and future profitability has been revised and the provisions of CVM Instructions No. 319, of December 3, 1999, and No. 349, of March 6, 2001, were applied in the consolidation process of USM.

Such revision was based on an independent experts' appraisal report, taking into consideration the absorption of the operations of the subsidiaries by the controlling shareholders and the sale of a significant portion of their fixed assets. The portion of assets held for sale was classified in the consolidated balance sheet into a specific caption in current assets, at historical cost plus respective goodwill, whose sum represent the estimated realizable value, as determined in a report issued by independent appraisers. The property, plant and equipment items that will not be sold remain classified under a specific caption at the historical cost plus respective goodwill. The remaining goodwill was classified as future profitability, net of the related tax benefit, and is supported by a business appraisal report under the new operational assumption established in December 2007.

The portion of goodwill based upon future profitability will be amortized over a period not in excess of 10 years, according to the expected return on investment as set forth in the independent experts' report, following the new operational framework of the investment. For the year ended March 31, 2009, the amortized gross amount assignable to USM was R\$ 7,289 (R\$ 1,511 as of March 31, 2008). The goodwill allocated as appreciation of assets will be amortized upon the depreciation or disposal of the assets. The goodwill related to the assets held for sale will be amortized upon the realization of such assets. The tax benefit arising from the goodwill related to the future profitability will be amortized according to its utilization in tax calculations subsequent to December 31, 2007.

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

	<u>Goodwill</u>	<u>Accumulated amortization /write-off</u>	<u>Net 03/31/09</u>	<u>Net 03/31/08</u>
Future profitability (intangible assets)	39,688	(5,673)	34,015	38,691
Appreciation of assets held for sale	27,415	(27,207)	208	25,187
Tax benefit related to the portion of future profitability (Deferred taxes)	<u>20,446</u>	<u>(2,922)</u>	<u>17,524</u>	<u>19,932</u>
Total	<u>87,549</u>	<u>(35,802)</u>	<u>51,747</u>	<u>83,810</u>

12. PROPERTY, PLANT AND EQUIPMENT

	Company				
	3/31/2009			3/31/2008	
	<u>Cos</u>	<u>Revaluation</u>	<u>Accumulated depreciation</u>	<u>Net</u>	<u>Net</u>
Land	20,851	293,200	-	314,051	314,052
Buildings and premises	14,607	11,084	(6,261)	19,430	19,006
Industrial equipment and facilities	71,880	88,376	(37,151)	123,105	107,973
Vehicles	11,359	8,235	(7,191)	12,403	13,071
Agricultural machinery and implements	19,558	21,330	(10,883)	30,005	33,209
Sugarcane crops	137,246	-	(50,112)	87,134	78,451
Other	8,304	-	(4,453)	3,851	18,919
Construction in progress	<u>9,327</u>	<u>-</u>	<u>-</u>	<u>9,327</u>	<u>13,047</u>
Total	<u>293,132</u>	<u>422,225</u>	<u>(116,051)</u>	<u>599,306</u>	<u>597,728</u>

	Consolidated				
	3/31/2009			3/31/2008	
	<u>Cost</u>	<u>Revaluation</u>	<u>Accumulated depreciation</u>	<u>Net</u>	<u>Net</u>
Land	106,812	905,084	-	1,011,896	998,072
Buildings and premises	135,780	47,642	(19,579)	163,843	68,003
Industrial equipment and facilities	439,908	340,196	(166,371)	613,733	341,414
Vehicles	56,544	29,806	(25,436)	60,914	54,167
Agricultural machinery and implements	106,776	69,951	(40,524)	136,203	137,146
Sugarcane crops	556,702	-	(177,264)	379,438	312,078
Other	50,554	-	(21,764)	28,790	103,551
Construction in progress	<u>86,788</u>	<u>-</u>	<u>-</u>	<u>86,788</u>	<u>277,727</u>
Total	<u>1,539,864</u>	<u>1,392,679</u>	<u>(450,938)</u>	<u>2,481,605</u>	<u>2,292,158</u>

In the year ended March 31, 2009, the Company invested the amount of R\$ 23,315 (R\$ 23,468 as of March 31, 2008) to grow and/or renew sugarcane crops, and the consolidated balance is R\$ 138,539 (R\$ 129,354 as of March 31, 2008).

As of March 31, 2009, the Company's balance of construction in progress refers to improvements of the plant. The consolidated balance of construction in progress also includes improvements of the plant of USM and UBV, related to the fertirrigation network, construction and improvement of administrative facilities and construction works of the plant of UBV.

Due to some loans and financing agreements entered into by the Company and its subsidiaries, as of December 31, 2009, R\$ 179,689 of fixed asset items were pledged as collateral for certain loans and financing of the Company and its subsidiaries. These items are mostly represented by industrial equipment and facilities, and agricultural machinery and implements. In addition, the amount of R\$ 177,190 (R\$ 533,410 - Consolidated) in land was pledged as collateral for securitized rural credits, recorded in current and long-term liabilities.

As of March 31, 2009, 8,578 ha used for sugarcane plantation by USM and UBV, at the revalued book value of R\$ 168,981, is pledged as collateral for lawsuits and loans, of which 1,998 ha of land, with restated carrying amount of R\$ 41,825 for the Company.

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

From March 31, 2007, revalued assets began to be depreciated based upon their estimated remaining useful life specified in the revaluation report at the following weighted average rates, when applicable, comprising the acquisitions made after March 31, 2007:

<u>Property, plant and equipment</u>	<u>Average annual weighted depreciated rate</u>	
	<u>Company</u>	<u>Consolidated</u>
Buildings and premises	6.89%	5.83%
Industrial equipment and facilities	17.96%	14.13%
Vehicles	19.80%	17.18%
Agricultural machinery and implements	23.16%	19.79%
Sugarcane crops	15.87%	17.07%

Subsidiary UBV uses property, plant and equipment depreciation rates determined by useful life reports prepared by independent experts, in percentages that approximate the useful lives adopted by the Company. The depreciation of the property, plant and equipment of UBV was initiated in July 2008, together with its startup.

The revaluation amounts, net of depreciation and gross of deferred charges, as of March 31, 2009 and 2008, were R\$ 385,213 and R\$ 404,139, respectively (R\$ 1,252,533 and R\$ 1,323,186 - Consolidated).

Depreciation and write-offs of revaluation which impacted the results for the years ended March 31, 2009 and 2008 totaled R\$ 67,105 and R\$ 74,437, respectively, net of amounts allocated to inventories and gross of taxes, in consolidated.

The Company and its subsidiaries capitalized financial charges in the consolidated amount of R\$ 16,582 in the year ended March 31, 2009 (R\$ 1,930 in the nine-month period ended March 31, 2008).

13. INTANGIBLE ASSETS

	Company		Consolidated	
	<u>3/31/2009</u>	<u>3/31/2008</u>	<u>3/31/2009</u>	<u>3/31/2008</u>
Future profitability	-	-	38,826	39,688
Accumulated amortization	-	-	(4,811)	(997)
Software	2,032	1,833	6,827	2,752
Accumulated amortization	(1,770)	(1,698)	(2,955)	(2,437)
Other	-	-	3,000	-
	<u>262</u>	<u>135</u>	<u>40,887</u>	<u>39,006</u>

Goodwill referring to future profitability derives from USL spin-off net assets, as explained in note 11.2., which was merged by USM, as explained in note 1.4..

14. DEFERRED CHARGES

	Consolidated	
	<u>3/31/2009</u>	<u>3/31/2008</u>
Preoperating expenses	34,429	22,650
Financial charges	7,097	11,434
Accumulated amortization	<u>(1,742)</u>	<u>-</u>
	<u>39,784</u>	<u>34,084</u>

In the consolidated balance, deferred charges are represented by costs incurred on the construction of the indirect subsidiary Usina Boa Vista S.A.'s industrial plant, which as of June 30, 2008, was in the preoperating stage. Amortization has been calculated from the plant start-up, in July 2008, over a period not exceeding ten years, according to the estimated time which is expected future benefits and proportionally to the use of the production capacity expected for the period.

15. LOANS AND FINANCING

Type	Charges	Guarantees	Maturity	Company	
				3/31/2009	3/31/2008
In local currency:					
Securitized rural credits	IGP-M (general market price index) paid annually	(a)	Annual installments with final maturity between Sep 2018 and Jun 2020	27,544	28,141
Rural credit	Fixed-rate weighted average interest of 6.75% p.a. paid on final maturity of contracts	(o)	Single installment with final maturity in Jun 2009	1,922	1,254
Finame / BNDES loan	Quarterly TJLP (long-term interest rate) + weighted average interest of 3.11% p.a. paid monthly	(c)	Monthly installments with final maturity between Nov 2009 and Jan 2014	22,386	31,548
Finame / BNDES automatic loan	Fixed-rate weighted average interest of 11.87% p.a. paid monthly	(d)	Monthly installments with final maturity between Jan 2009 and Oct 2011	6,643	11,151
Rural credit	Fixed-rate interest of 9.99% p.a. + monetary adjustment of TR (managed prime rate) paid on final maturity of contract	(b)	Single installment with maturity in Apr 2009	17,847	-
Other securitized credits	Fixed-rate interest of 3% p.a. paid annually	(e)	Annual installments with final maturity in Oct 2025	78	82

São Martinho S.A.

<u>Type</u>	<u>Charges</u>	<u>Guarantees</u>	<u>Maturity</u>	<u>Company</u>	
				<u>3/31/2009</u>	<u>3/31/2008</u>
Working capital	Variation of 111% of CDI OVER CETIP (average rate for interbank loans for one day registered with CETIP) paid on final maturities of contracts	(o)	Single installment with final maturity in Apr 2009	17,030	7,693
Lease	Fixed-rate interest of 7.08% p.a. paid monthly	(n)	Monthly installments with final maturity in Apr 2013	61	77
In foreign currency:					
Finame / BNDES automatic loan	Currency basket (Dollar, Euro and Yen) + weighted average interest of 9.96% p.a. paid monthly	(h)	Monthly installments with final maturities in Mar 2009	-	632
ACC (Advances on Foreign Exchange Contracts)	Fixed interest of 8.34% + USD variation paid on final maturity of contract	(q)	Single installments with maturities between Apr 2009 and Jan 2010	<u>34,642</u>	-
Total				<u>128,153</u>	<u>80,578</u>
Current liabilities				87,054	31,786
Long-term liabilities				41,099	48,792

				Consolidated	
Type	Charges	Guarantees	Maturity	3/31/2009	3/31/2008
In local currency:					
Securitized rural credits	IGP-M (general market price index) paid annually	(a) and (f)	Annual installments with final maturity between Sep 2018 and Jun 2020	79,780	82,736
Rural credit	Fixed-rate weighted average interest of 6.75% p.a. paid on final maturity of contracts	(p)	Single installment with final maturity between Apr 2009 and Oct 2009	20,835	54,904
Rural credit	Fixed-rate interest of 9.99% p.a. + monetary adjustment of TR (managed prime rate) paid on final maturity of contract	(o) and (b)	Single installment with maturity in Apr 2009	21,974	7,270
Finame / BNDES automatic loan	Quarterly TJLP (long-term interest rate) + weighted average interest of 2.6% p.a. paid monthly	(c), (h), (l) and (j)	Monthly installments with final maturity between Apr 2009 and Jul 2015	69,578	83,367
FINEM - DIRECT	Quarterly TJLP (long-term interest rate) + weighted average interest of 1.96% p.a. paid monthly	(h)	Monthly installments with final maturity between Apr 2009 and Jul 2015	363,920	217,526
Finame / BNDES automatic loan	Fixed-rate weighted average interest of 11.61% p.a. paid monthly	(d), (i) and (k)	Monthly installments with final maturity between Apr 2009 and Nov 2019	32,148	48,744
Other securitized credits	Fixed-rate interest of 3% p.a. paid annually	(e)	Single installment with maturity in Oct 2025	78	82
Working capital	Variation of 106.93% of CDI OVER CETIP (average rate for interbank loans for one day registered with CETIP)	(p)	Single installment with final maturity in Apr 2009	32,671	36,361
Lease	Fixed-rate interest of 7.48% p.a. paid monthly	(n)	Monthly installments with final maturity between Apr 2009 and May 2013	881	1,120

				Consolidated	
Type	Charges	Guarantees	Maturity	3/31/2009	3/31/2008
<u>In foreign currency:</u>					
Finame / BNDES automatic loan	Currency basket (Dollar, Euro and Yen) + fixed-rate interest of 8.35% p.a. paid monthly	(h) and (p)	Monthly installments with final maturities between Apr 2009 and July 2015	63	1,607
FINEM - DIRECT	Currency basket (Dollar, Euro and Yen) + fixed-rate interest of 6.27% p.a. paid monthly	(p)	Monthly installments with final maturities between Apr 2009 and Apr 2015	57,687	20,681
ACC (Advances on Foreign Exchange Contracts)	Weighted average interest of 8.37% p.a. + USD variation paid on the maturity date + US dollar variation , paid on maturity	(q)	Monthly installments with final maturities between Apr 2009 and Dec 2009	214,280	-
Export prepayment	Average weighted interest of 4.74 % p. a. + US dollar variation , paid on maturity	(q)	Semiannual installments maturing from August 2009 to June 2015	237,706	-
Total				<u>1,131,601</u>	<u>554,398</u>
Current liabilities				401,115	144,761
Long-term liabilities				730,486	409,637

As of March 31, 2009, all loans and financing were guaranteed by shareholders' collateral signatures and the following additional guarantees (reference to tables above):

<u>Description of guarantees for loans and financing as of March 31, 2009</u>	<u>Book or contractual value</u>
(a) Mortgage - 7,704 ha of land	133,762
(b) Agricultural lien (sugarcane)	22,880
(c) Liens on industrial equipment	15,790
Liens on agricultural equipment	29,645
Promissory note	18,961
Mortgage - 1,998 ha of land	41,825
(d) Liens on industrial equipment	3,866
Liens on agricultural equipment	15,803
Promissory note	2,458
(e) Mortgage - 79 ha ha of land	1,603
(f) Mortgage - 9,647 ha of land	186,922
(g) Liens on industrial equipment	9,682
Liens on agricultural equipment	43,632
Promissory note	17,158
Mortgage - 1,950 ha of land	40,823
(h) Mortgage - 5,944 ha of land	114,996
Liens on agricultural equipment	11,191
Promissory note	5,136

<u>Description of guarantees for loans and financing as of March 31, 2009</u>	<u>Book or contractual value</u>
(i) Mortgage - 200 ha of land	3,602
Liens on industrial equipment	11,567
Liens on agricultural equipment	5,268
Promissory note	5,268
(j) Promissory note	109
(k) Promissory note	1,471
(l) Agricultural lien (Álcohol)	5,291
(m) Mortgage - 507 ha of land	9,877
(n) Guarantee from the Company and USM	18,952
(o) Guarantee from USM and loan of USM collateralized by a guarantee from the Company	53,506
(p) Consolidated financial covenants: maintenance of the minimum principal percentage with a projected receivables flow and minimum net debt to EBITDA ratio	-

Ha: Hectares.

The plots of land given as guarantee for loans and financing refer to sugarcane plantation areas.

Long-term loans have the following maturities:

	<u>Company</u>		<u>Consolidated</u>	
	<u>3/31/2009</u>	<u>3/31/2008</u>	<u>3/31/2009</u>	<u>3/31/2008</u>
4/01/2009 to 3/31/2010	-	15,457	-	95,435
4/01/2010 to 3/31/2011	12,030	9,698	104,332	71,330
4/01/2011 to 3/31/2012	7,685	6,237	94,922	61,799
4/01/2012 to 3/31/2013	4,895	3,361	142,556	51,202
4/01/2013 to 3/31/2014	3,573	2,521	137,778	48,306
4/01/2014 to 3/31/2015	2,544	2,165	133,615	50,056
4/01/2015 to 3/31/2026	<u>10,372</u>	<u>9,353</u>	<u>117,283</u>	<u>31,509</u>
	<u>41,099</u>	<u>48,792</u>	<u>730,486</u>	<u>409,637</u>

Based on Central Bank of Brazil Resolution No. 2471/98 and other current legal provisions, in 1998, 1999 and 2000 the Company and its subsidiary Usina São Martinho S.A. securitized debts with financial institutions, by means of the acquisition of CTNs (National Treasury Certificates) in the secondary market, as collateral for the payment of the principal. The securitized financing will be automatically settled on the maturity dates upon the redemption of the CTNs, which are under the custody of the creditor financial institutions. Said certificates are non-negotiable and are exclusively intended for paying this debt. The Company's and its subsidiary Usina São Martinho's disbursement during the 20 years in which this securitization is effective is limited to the annual payment of amounts equivalent to variable percentages between 3.9% and 4.96% per year on the securitized amount monetarily adjusted based on the IGP-M (general market price index), limited in 9.5% per year through the annual payment date. This obligation was recorded in the individual and consolidated interim financial statements as of March 31, 2009 and 2008 according to the amount of these future disbursements adjusted to present value, as mentioned in note 2.

16. TRADE ACCOUNTS PAYABLE

	Company		Consolidated	
	<u>3/31/2009</u>	<u>3/31/2008</u>	<u>3/31/2009</u>	<u>3/31/2008</u>
Sugarcane	5,877	3,481	25,485	12,218
Materials, services and other	<u>11,039</u>	<u>7,886</u>	<u>50,665</u>	<u>43,487</u>
	<u>16,916</u>	<u>11,367</u>	<u>76,150</u>	<u>55,705</u>

The sugarcane crop period, between April and December of each year on average, has a direct impact on the balance payable to sugarcane suppliers and providers of cutting, loading and transportation services.

17. PAYABLES TO COPERSUCAR

Copersucar provided funds to its cooperative members through bills of exchange for the purpose of financing their operations. The Cooperative's funds come from the temporary cash surplus arising from injunctions in lawsuits claiming the suspension of liabilities. This cash surplus is related to provision for contingencies recorded by the Cooperative in long-term liabilities. Accordingly, the Company also records these liabilities in long-term liabilities. However, in case of unfavorable outcome in lawsuits in which the Cooperative obtained an injunction, the Company may be required to disburse, within 120 days, the amount that was transferred to it. The main amounts included in these liabilities arise from the IPI (federal VAT) whose constitutionality and legality is challenged in court by the Cooperative, and are represented by R\$ 14,368 and R\$ 13,614 as of December 31, 2009 and 2008, respectively (R\$ 57,189 and R\$ 54,185 - Consolidated, respectively).

The Company's payables to Copersucar are as follows:

	Company	
	<u>3/31/2009</u>	<u>3/31/2008</u>
Exchange bill - Updated based on 103.35% of the CDI (interbank deposit rate) variation	-	1,088
Exchange bill - Updated from 105% to 105.5% of the CDI variation	-	7,741
Exchange bill - Updated based on 92% of the CDI variation	-	12,582
Exchange bill - Updated based on SELIC (Central Bank overnight rate)	38,749	27,503
Exchange bill - Onlending not subject to charges	11,409	25,269
Exchange bill - Updated based on TJLP (long-term interest rate)	5,057	5,980
Exchange bill - Updated based on the US dollar variation + interest of 5.65% p.a.	<u>2,881</u>	<u>2,650</u>
Total	<u>58,096</u>	<u>82,813</u>
Current liabilities	589	21,120
Long-term liabilities	57,507	61,693

	Consolidated	
	<u>3/31/2009</u>	<u>3/31/2008</u>
Exchange bill - Updated based on 103.35% of the CDI (interbank deposit rate) variation	-	4,219
Exchange bill - Updated from 105% to 105.5% of the CDI variation	-	25,803
Exchange bill - Updated based on 92% of the CDI variation	-	48,976
Exchange bill - Updated based on SELIC (Central Bank overnight rate)	149,244	105,384
Exchange bill - Onlending not subject to charges	43,935	96,062
Exchange bill - Updated based on TJLP (long-term interest rate)	15,288	19,760
Exchange bill - Updated based on the US dollar variation + interest of 5.65% p.a.	<u>10,105</u>	<u>9,298</u>
Total	<u>218,572</u>	<u>309,502</u>
Current liabilities	2,203	77,446
Long-term liabilities	216,369	232,056

All obligations of the Company and its subsidiaries are guaranteed by directors' collateral signatures.

Pursuant to the terms of the withdrawal from Copersucar, as mentioned in note 1.2., from the date of the withdrawal from the Cooperative, the Company, USM and USL will remain liable for the obligations recorded under the caption "Payables to Copersucar" in long-term liabilities, without any change in maturity dates, until the matters that gave rise to these obligations and are under judicial dispute handled by the Cooperative's attorneys are finally and definitively judged by court. Such obligations are collateralized by bank guarantees in the amount of R\$ 36,077 (R\$ 140,188 - Consolidated).

18. OTHER LIABILITIES

	Company		Consolidated	
	<u>3/31/2009</u>	<u>3/31/2008</u>	<u>3/31/2009</u>	<u>3/31/2008</u>
Unbilled sales	4,070	-	6,854	-
Advances from customers	1,704	-	10,875	-
Payables	606	-	3,158	-
Deferred revenues	700	-	700	-
Other	<u>405</u>	<u>144</u>	<u>4,271</u>	<u>1,620</u>
	<u>7,485</u>	<u>144</u>	<u>25,858</u>	<u>1,620</u>

19. SHAREHOLDERS' EQUITY

(a) Capital

As of March 31, 2009 and 2008, the capital stock is divided into 113,000,000 registered common shares, without par value.

(b) Treasury stocks

During the meeting held on September 22, 2008, the Board of Directors approved the common share repurchase program to be held in treasury for subsequent sale or cancelation, without reducing capital, pursuant to the Company's bylaws, CVM Instructions CVM No. 10/80 and 268/97 and other statutory provisions in effect. The share repurchase transactions will be carried out until September 22, 2009, on the BM&FBOVESPA - Stock, Commodities and Futures Exchange (BM&FBOVESPA), at market prices, with the intermediation of brokerage firms. The number of shares to be acquired is up to 200,000.

In the year ended March 31, 2009, 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 per share of R\$ 19.20, resulting in an average price per share of R\$ 13.65. As of March 31, 2009, the market price of these shares is R\$ 1,599.

The purpose of this program is to maximize the creation of shareholder value, by investing part of the available funds.

(c) Dividends and retained earnings

The Annual Shareholders' Meeting held on July 31, 2008, approved the financial statements for the year ended March 31, 2008 and the allocation of the balance of retained earnings to the capital budget reserve to be used in the investments forecasted for the coming years, according to the Capital Expenditure Budget also analyzed and approved at said Annual Shareholders' Meeting, as required by Corporate Law.

Shareholders are entitled to receive a minimum dividend of 25% on net income for the year, after the recognition of the legal reserve.

(d) Reconciliation of Company's and consolidated income for the year and shareholders' equity

3/31/2009

Shareholder's equity:	
Company's shareholders' equity	1,576,702
Interest on loan agreements allocated to UBV's deferred charges	<u>(1,501)</u>
Consolidated shareholders' equity	<u>1,575,201</u>
Income:	
Company's net loss	(70,364)
Amortization of interest on loan recorded as deferred charges by Usina Boa Vista S.A.	<u>(1,501)</u>
Consolidated net loss	<u>(71,865)</u>

(e) Stock Option Plan

The Extraordinary Shareholders' Meeting held on March 26, 2009, approved the Company's Stock Option Plan, which is intended to foster the Company's growth, the attainment and exceeding 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 will not exceed 2% of the total common shares of the Company's capital stock. The Company's Stock Option Plan is available at the CVM.

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

20. EMPLOYEE AND MANAGEMENT BENEFITS PLAN

In September 2008, the Company and its subsidiaries Usina São Martinho S.A., Usina Boa Vista S.A. and Omtex Indústria e Comércio Ltda. contracted a supplementary pension plan for all their employees and officers, with options for a PGBL (annuity pension plan) or a VGBL (cash value life insurance), which are both defined contribution pension plans.

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

The Company's and subsidiaries' contributions in the quarter ended December 31, 2008 amounted to R\$ 805.

21. PROFIT SHARING PROGRAM

In conformity with the Collective Bargaining Agreements with labor unions, in May 1998 the Company and its subsidiaries introduced a profit sharing program based on operational and financial targets previously agreed upon with the employees.

The operational and financial indicators agreed upon between the Company and its subsidiaries and employees, through labor unions representing them, are related to the following: (i) use of industrial plant time (productivity); (ii) agricultural productivity; (iii) actual vs. budget indicator; (iv) occupational accident; (v) shared service customer satisfaction; (vi) accounting closing deadline; (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) efficiency in use of financing in budgeted investments; 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 service center and corporate areas.

The profit sharing as of March 31, 2009 and 2008, recorded as operating costs or expenses in the consolidated statement of income for the year was R\$ 17,605 and R\$ 5,607.

22. INCOME AND SOCIAL CONTRIBUTION TAXES

a) Deferred income and social contribution taxes are as follows:

	<u>Company</u>		<u>Consolidated</u>	
	<u>3/31/2009</u>	<u>3/31/2008</u>	<u>3/31/2009</u>	<u>3/31/2008</u>
<u>Assets</u>				
Income tax loss carryforwards	22,251	21,986	58,732	32,181
Social contribution tax loss carryforwards	8,632	8,537	23,328	13,768
Provision for contingencies	3,910	2,929	23,939	21,221
Securitized financing	-	-	898	2,860
Income and social contribution taxes on goodwill absorbed	-	-	17,524	19,932
Derivatives	144	-	2,014	-
Other	<u>1,129</u>	<u>804</u>	<u>4,538</u>	<u>5,435</u>
Deferred income and social contribution tax assets	<u>36,066</u>	<u>34,256</u>	<u>130,973</u>	<u>95,397</u>
<u>Liabilities</u>				
Revaluation of assets	(22,287)	(28,468)	(110,516)	(133,302)
Accelerated depreciation	(21,138)	(21,781)	(77,754)	(71,158)
Securitized financing	(8,825)	(7,639)	(9,043)	(7,639)
Adjustment to present value	(3,891)	(4,461)	(11,012)	(12,562)
Other	<u>(22)</u>	<u>(22)</u>	<u>(152)</u>	<u>(22)</u>
Deferred income and social contribution tax liabilities	<u>(56,163)</u>	<u>(62,371)</u>	<u>(208,477)</u>	<u>(224,683)</u>

The offset of tax loss carryforwards is limited up to 30% of annual taxable income, without monetary adjustment or interest. 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 in accordance with applicable accounting practices. On a conservative basis, the Company classifies all deferred tax credits into long-term assets.

Recovery of the full amount of deferred tax credits, indicated by the projections of taxable income approved by Management and by the settlement deadline of securitized financing, is expected as follows:

Company:

<u>Year ended March 31</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015 and thereafter</u>
Estimated realization	469	7,181	5,463	6,470	6,989	9,494

Consolidated:

<u>Year ended March 31</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015 and thereafter</u>
Estimated realization	19,042	18,656	13,374	14,433	15,558	49,910

Deferred income and social contribution tax liabilities are realized principally through the depreciation and write-off of fixed assets that gave rise to them. The realization of this liability is estimated at the average rate of 13% per year, according to the depreciation rates of the respective property, plant and equipment items. In addition, the period for settlement of securitized loans with maturity through 2021 impacts the period for recovery of deferred income and social contribution tax assets.

- b) Reconciliation of income and social contribution taxes - Income and social contribution tax expenses are reconciled to effective rates, as shown below:

<u>Company</u>	<u>3/31/2009</u>		<u>3/31/2008</u>	
	<u>Income tax</u>	<u>Social contribution tax</u>	<u>Income tax</u>	<u>Social contribution tax</u>
Loss before income and social contribution taxes	(78,381)	(78,381)	(57,788)	(57,788)
Statutory rates - %	<u>25%</u>	<u>9%</u>	<u>25%</u>	<u>9%</u>
Income and social contribution at statutory rates	19,595	7,054	14,447	5,201
Reconciliation to effective rate:				
Permanent differences:				
Equity in subsidiaries	(15,385)	(5,539)	(7,616)	(2,729)
Other nondeductible (income) expenses	1,692	600	(227)	(94)
PAT (Workers' Meal Program)	<u>-</u>	<u>-</u>	<u>12</u>	<u>-</u>
	5,902	2,115	6,616	2,378
Income and social contribution tax credit	<u>8,017</u>		<u>8,994</u>	

<u>Consolidated</u>	<u>3/31/2009</u>		<u>3/31/2008</u>	
	<u>Income tax</u>	<u>Social contribution tax</u>	<u>Income tax</u>	<u>Social contribution tax</u>
Loss before income and social contribution taxes	(131,816)	(131,816)	(71,271)	(71,271)
Statutory rates - %	<u>25%</u>	<u>9%</u>	<u>25%</u>	<u>9%</u>
Income and social contribution at statutory rates	32,954	11,863	17,818	6,414
Reconciliation to effective rate:				
Permanent differences:				
Non taxable state VAT (ICMS) tax incentives	1,156	416	-	-
Valuation allowance on deferred income and social contribution taxes benefit	(461)	(166)	(696)	(251)
Other nondeductible (income) expenses	5,725	2,060	(629)	(231)
PAT (Workers' Meal Program)	<u>9</u>	<u>-</u>	<u>52</u>	<u>-</u>
	39,383	14,173	16,545	5,932
Income and social contribution tax (expenses) credit	<u>53,556</u>		<u>22,477</u>	

23. INVESTMENT GRANT

UBV has a state tax incentive program in the state of Goiás consisting of the deferral of the payment of state VAT (ICMS), denominated “Program for the Industrial Development of Goiás - Produzir”, with partial reduction of ICMS. Obtaining this benefit the subsidiary has to be in compliance with all obligations defined in the program, the conditions of which refer to events under the control of the Company.

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

The investment grant value obtained in the year was credited to Sales Deduction in the statements of operations, upon payment of ICMS by the difference between the original amount of the tax payable and the amount calculated after the tax incentive, 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 recognized, as a contra entry to Retained Earnings.

For the year ended March 31, 2009, the incentive amount credited to operations was R\$ 4,626.

24. COMMITMENTS

24.1. Riverbank 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 assure the ecological balance of the environment.

Such tracts of land, under current environmental law, correspond to riverbank and areas destined to the so called “legal reserve”.

Riverbank, hillside, original vegetation remaining and areas registered as legal reserve are strictly complied with and preserved upon sugarcane plantation. The Company and its subsidiaries do not interfere at all with these areas.

The Company and its subsidiaries - 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 provided for in current law, but have areas which are ready for proportional registration in the next 30 years (10% in each 3-year period), beginning as of 2006, under the terms of federal and São Paulo State law. However, as the obligation to abandon areas which are historically cultivated and assign them to the legal reserve is still being discussed at political and legal levels, the Company is attentively following up the development of events and is evaluating the different alternatives for complying with legal requirements. USM is discussing this obligation in court and an unfavorable outcome is considered possible.

The amounts to be invested in order to comply with these obligations and 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 under “property, plant and equipment”.

24.2. Sugarcane purchase agreements

The Company, USM and UBV entered into agreements for purchase of sugarcane produced in third parties' rural properties, in the amount of approximately 279,000 tons (1,697,000 tons - Consolidated). The amount to be disbursed for these purchases will be determined at the end of each crop at the price per ton of sugarcane established by the model of the Conselho dos Produtores de Cana-de-açúcar, Açúcar e Alcool do Estado de São Paulo - CONSECANA (Council of Sugarcane, Sugar and Alcohol Producers of the State of São Paulo). This commitment as of March 31, 2009 at the average price for the 2008/2009 crop is R\$ 38.90 (R\$ 39.07 - Consolidated) per ton of sugarcane, totaling approximately R\$ 10,517 (R\$ 58,871 - Consolidated).

24.3. Ethanol supply agreement

Under a sale agreement, the indirect subsidiary Usina Boa Vista S.A. agreed to supply 30% of its ethanol production to Mitsubishi Corporation (shareholder of Usina Boa Vista S.A.) for a period of 30 years, beginning in the 2008/2009 crop. The agreement is automatically renewable for 10 years.

24.4. Guarantees

The Company and its subsidiary Usina São Martinho S.A. have guaranteed the loans of UBV in the amount of R\$ 696,577.

25. PROVISION FOR CONTINGENCIES

Income and social contribution tax calculations, as well as tax returns and other taxes and payroll charges, are subject to review by tax authorities for varying periods according to the date of payment or filing of tax returns.

The Company and its subsidiaries are parties to tax, civil and labor lawsuits in different courts. Provisions for contingencies are determined by Management, based on legal counsel's assessment, for probable losses and are stated at monetarily adjusted amounts. The provision for contingencies recorded is composed of:

	Company				
	<u>03/31/08</u>	<u>Additions</u>	<u>Uses/reversals</u>	<u>Monetary adjustment</u>	<u>03/31/09</u>
Tax	2,968	1,126	(691)	97	3,500
Civil	3,985	162	(16)	313	4,444
Labor	<u>3,825</u>	<u>2,880</u>	<u>(1,607)</u>	<u>624</u>	<u>5,722</u>
	10,778	4,168	(2,314)	1,034	13,666
(-) Escrow deposits	<u>(3,707)</u>	<u>(1,459)</u>	<u>399</u>	<u>(60)</u>	<u>(4,827)</u>
Total	<u>7,071</u>	<u>2,709</u>	<u>(1,915)</u>	<u>974</u>	<u>8,839</u>
	Consolidated				
	<u>03/31/08</u>	<u>Additions</u>	<u>Uses/reversals</u>	<u>Monetary adjustment</u>	<u>03/31/09</u>
Tax	44,163	1,289	(1,189)	1,790	46,053
Civil	5,822	533	(840)	775	6,290
Labor	<u>48,030</u>	<u>16,084</u>	<u>(16,074)</u>	<u>6,388</u>	<u>54,428</u>
	98,015	17,906	(18,103)	8,953	106,771
(-) Escrow deposits	<u>(27,850)</u>	<u>(8,602)</u>	<u>5,603</u>	<u>(1,795)</u>	<u>(32,644)</u>
Total	<u>70,165</u>	<u>9,304</u>	<u>(12,500)</u>	<u>7,158</u>	<u>74,127</u>

As of March 31, 2009, the nature of the main lawsuits assessed by Management as probable loss based on the legal counsel's opinion and which, therefore, were included in the above provisions is as follows (Company and Consolidated):

I) Tax lawsuits:

- (i) Offset of tax loss carryforwards and Social contribution tax loss carryforwards: The National Treasury filed collection actions of the income and social contribution taxes for 1997 and 1998, when USM and the merged company, supported by a lawsuit, offset tax loss carryforwards taken in 1992-1996 above the 30% limit set out by Brazilian legislation. These lawsuits amount to R\$ 41,425, consolidated..
- (ii) Social Security Contribution on Indirect Compensation: The National Social Security Institute (INSS) issued a Notification against the Company to collect the employer's contribution levied on fringe benefits paid to officers and employees from January 1999 to March 2006. A reserve was recognized for the portion not barred by the statute of limitations, in the amount of R\$ 845 (Company and consolidated).
- (iii) Other tax lawsuits: (a) contribution of 2.6% to INSS from November 1990 to November 1991; (b) SENAR from November 1992 to September 1997; (c) Insurance for Occupational Accident ("SAT") from February 1993 to April 1994; (d) rural employees INSS from May to July 1994; (e) expansion of PIS tax basis from December 2000 to November 2002; (f) COFINS from August 2001 to March 2003; (g) increase in FGTS termination fine from November 2001 to December 2002; (h) INSS profit sharing in January and August 2001; (i) IPI deemed credit from the second half of 2000 to the first quarter of 2002. Total amount corresponds to R\$ 2,178 in the company (R\$ 3,132 in the consolidated).

Legal fees: the Company and its subsidiaries retained various attorneys to represent them in tax lawsuits whose legal fees are subject to lawsuits' outcome. These agreements do not provide for success fees. Legal fees are accrued under the caption "Provision for contingencies" for lawsuits whose risk of loss was assessed as possible or remote correspond to R\$ 477 - Company (R\$ 651 - consolidated).

II) Civil lawsuits:

Refers to: (i) compensation for property damages and pain and suffering; (ii) public civil actions to stop the burning of sugarcane straw and creation of a legal reserve area; and (iii) execution of environmental lawsuits. These lawsuits total R\$ 4,444, Company (R\$ 6,290, consolidated).

III) Labor lawsuits:

Labor claims refer mainly to: (i) overtime; (ii) commute hours; (iii) indemnity for elimination of lunch break; (iv) hazardous duty premium and health hazard premium; (v) refund of payroll deductions such as union confederation dues, union dues, etc.; (vi) night shift premium; and (vii) continuity of employment relationship with the consequent payment of 13th salary and vacation pay plus 1/3 vacation bonus. These lawsuits total R\$ 5,722 (R\$ 54,428 - Consolidated).

The Company and its subsidiaries are parties to several judicial and administrative proceedings involving tax and civil matters that were assessed by Management, based on the legal counsel's opinion, as possible loss. No provision has been recorded for these proceedings in the accounting books. The nature and the amount of these lawsuits are as follows:

IV) Tax proceedings:

<u>Consolidated</u> <u>Subject</u>	Number of <u>proceedings</u>	<u>Stage</u>				<u>Total</u>
		<u>Administrative</u>	<u>Trial court</u>	<u>Lower court</u>	<u>Higher court</u>	
(i) Social security contribution Funrural (rural worker	17	61,119	11,327	-	-	72,446
(ii) assistance fund) Negative balance of income	3	-	-	36	6,469	6,505
(iii) tax (IRPJ) Offset of credits - PIS	7	3,664	1,978	766	-	6,408
(iv) (tax on revenue)	2	3,333	-	1,525	-	4,858
(v) Income tax on investment losses	2	-	-	1,529	-	1,529
(vi) Offset of federal taxes	6	1,153	819	1,315	-	3,287
(vii) Other tax proceedings	<u>49</u>	<u>2,580</u>	<u>193</u>	<u>1,985</u>	<u>-</u>	<u>4,758</u>
	<u>86</u>	<u>71,849</u>	<u>14,317</u>	<u>7,156</u>	<u>6,469</u>	<u>99,791</u>

(i) Social security contribution

- a. Social security contribution (INSS) for 1997, arising from comparison of Law 8,212/92 with Law 8,870/94. Executions are suspended by an injunction granted to ensure the payment of social security contribution based in INSS Resolutions ON/INSS 7/97 and OS/INSS 157/97. The total amount is R\$ 11,326. There is no final decision of this issue by the Federal Regional Court (TRF), and the issue has not yet been judged by higher courts. This specific case discusses the release set out in Law 10,736/2003.
- b. Agribusiness INSS in the period from November 2001 to April 2002, calculated based on Law 8,212/91 without considering the amendments of Law 10,256/2001 on export carried out through Copersucar in the period from November 2001 to March 2006 (not continuous). Total amount corresponds to R\$ 50,118 and is being discussed on an administrative level. The Company and USM are discussing in court the tax immunity of revenues from export to foreign market carried out through the cooperative.
- c. INSS not withheld or withheld contrary to social security legislation on assignment of labor services provided. The total amount corresponds to R\$ 6,696 and was challenged at the administrative level.
- d. Fines for non-compliance with accessory obligations Law 8,212/91 in the period from January 1999 to March 2006. Total amount corresponds to R\$ 2,354 and is being discussed on an administrative level.
- e. INSS (social security contribution) fringe benefits offered to the Company's administration and employees from January 1999 to March 2006. The Company is discussing on the administrative level if the amount of R\$ 1,368, for which no reserve was recognized, has lapsed.

- f. Occupational Accident Insurance (SAT) rate applicable due to the work disability arising from the occupational environmental risks (GILRAT), and levied on the Company's payroll. The amount corresponds to R\$ 584 and it is deposited in escrow.
- (ii) Funrural (rural worker assistance fund) relating to acquisition of sugarcane in the period from October 1991 to August 2001, addressed by Supplementary Law 11/71 after the enactment of Law 8,213/91. The amount corresponds to R\$ 6,505.
- (iii) Negative balance of income tax (IRPJ) offset against IRRF, COFINS, PIS debts and third-party debts which supposedly do not have legal basis or which differs from the balance calculated for IRPJ returns. The adjusted amount corresponds to R\$ 6,408.
- (iv) Offset of PIS Credits: arising from Federal Senate Resolution 49 of October 9, 1995, by USM which are supposedly lapsed. The amount corresponds to R\$ 4,858.
- (v) Income Tax on valuation allowance on Investments arising from USM interest in Coopersucar's capital, in the period from 1987 to 1991. The amount corresponds to R\$ 1,529.
- (vi) Offset of federal taxes: own and third-party debts, with credits from federal VAT (IPI), social tax on revenue (FINSOCIAL) and withholding income tax (IRRF) unrecognized by the Management. The Company filed an Action for Annulment to ensure its right to offset. The amount is equivalent to R\$ 3,287 and is deposited in escrow.
- (vii) Other Tax Proceedings: debts from differences of social security contribution (INSS) on the payroll of farm and self-employed workers; separate fine on income tax and social contribution, other federal tax offsets; tax on rural property (ITR) differences; state VAT (ICMS) on the purchase of property, plant and equipment; differences calculated in the service tax (ISS); and the road upkeep fee which is being challenged by the Company and its subsidiaries. The amount is equivalent to R\$ 4,758.

V) Civil and Environmental Proceedings:

<u>Consolidated</u>		<u>Stage</u>				
<u>Subject</u>	<u>Number of proceedings</u>	<u>Administrative</u>	<u>Trial court</u>	<u>Subject</u>	<u>Number of proceedings</u>	<u>Administrative</u>
(i) Environmental	112	1,234	5,549	3,160	1,110	11,053
(ii) Civil						
Indemnities for occupational						
a) disease and accidents	30	-	1,052	247	309	1,608
b) Contract revisions	13	-	2	26	-	28
Rectification of area and real						
c) estate registration	1	-	-	-	-	-
Permits for obtaining Mining						
d) Research license	5	-	-	-	-	-
	<u>161</u>	<u>1,234</u>	<u>6,603</u>	<u>3,433</u>	<u>1,419</u>	<u>12,689</u>

- (i) Environmental: administrative and judicial proceedings related sugarcane burning and creation of a legal reserve area. Proceedings related to sugarcane burning are basically divided into: (a) burning carried out under the State's tacit approval for not having regulated Law 10,547 of May 2, 2000; and (b) unintentional burning or arson by third parties in areas explored by the Company or its subsidiaries or suppliers' land. The amount is equivalent to R\$ 11,053. Lawsuits related to the recognition of legal reserve area were mentioned in note 24 - Commitments.

- (ii) Civil: There are 49 lawsuits filed against the Company and its subsidiaries related to matters present in the table above. These lawsuits amount to R\$ 1,636.

Additionally, pursuant to the terms of the withdrawal from Copersucar, as mentioned in note 1.2., the Company, USM and USL will remain liable for the payment of any obligations, proportionate to their interest in Copersucar in each crop, which may result from tax infraction notices in the monetarily adjusted amount of R\$ 34,310 (calculated proportionately to the Company's and its subsidiaries' interest in Cooperativa), issued against Copersucar by the tax authorities of the States of Paraná, Minas Gerais and São Paulo, or new tax infraction notices of the same nature that may arise or that relate to periods in which the Company and its subsidiaries were cooperative members, with respect to ICMS (state VAT) levied on fuel and industrial alcohol sales made by Copersucar until March 31, 2008, as a principal taxpayer or substitute taxpayer. The legal counsel believes that an unfavorable outcome is possible. Copersucar believes that it has solid arguments for contesting the fines imposed by the state tax authorities.

Copersucar believes to have strong arguments do defend against the fines imposed thereon by the State Finance Department during tax audits.

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

26. FINANCIAL INSTRUMENTS

26.1. General considerations of risk management

Until March 31, 2008 the responsibility for selling the sugar and alcohol produced by the Company, USM and USL was Copersucar's. The Cooperative was responsible for setting price risk and exchange rate risk management policies and contracting financial instruments in future commodities markets. Gains or losses on hedge transactions and other financial instruments conducted by Copersucar are passed through to the cooperative members according to monthly apportionments.

Beginning April 1, 2008 (when the Company and its subsidiaries withdrew from Copersucar, as explained in note 1.2.), the price and foreign exchange rate risk management policy started to be governed by the Company and its subsidiaries.

The Company and its subsidiaries have policies and procedures to manage, through the use of financial instruments, the market risks related to the exchange variation and the volatility of the sugar price in the international market of commodities, which are inherent to its business. Such policies are accompanied by the Executive Board and include: (a) management and continuous monitoring procedures on the exposure levels in terms of sales volumes contracted; (b) estimates of the value of each risk based on the established limits of foreign exchange exposure and sales prices of sugar; and (c) estimates of future cash flows and establishing decision making limits to enter into derivative instruments to set its products' price levels and hedge sales performance against exchange rate fluctuations and volatility in sugar prices in the international commodity markets.

In accordance with such policies, the financial instruments are contracted exclusively for the purpose of hedging the Company's and subsidiaries' sugar export transactions against foreign exchange risks and sugar price fluctuations in the international market. The contracted operations do not exceed sales values and volumes deliverable entered into with customers and the purpose of the transaction entered into is to ensure minimum profitability levels on the future sales. No transactions with financial instruments are conducted for speculative purposes or to hedge financial assets or liabilities.

The Company actively manages derivative instruments, and these transactions are monitored on an ongoing basis so that adjustments to goals and strategies may be made in response to market conditions, and operates mainly in the futures and options market of Intercontinental Exchange (ICE Futures US).

Although contracted exclusively for purposes of pricing and hedging the Company and subsidiaries' export transactions against exchange rate fluctuations and volatility in sugar prices in the international commodity markets, the Company and subsidiaries are adapting their internal control system and documentation standards to fully comply with requirements determined by the recently issued CPC 14 - Financial Instruments - Recognition, Measurements and Evidence", in particular as regards the accounting for derivatives as hedge transactions (Hedge Accounting), although the essence of these transactions refer to a hedge. Therefore, as of March 31, 2009 changes in fair value of contracted derivatives were recorded in results of operations.

As of March 31, 2009 the balances of assets and liabilities related to transactions involving derivative financial instruments, are as follows:

	3/31/2009	
	<u>Company</u>	<u>Consolidated</u>
In assets:		
Margin deposit	942	4,665
Forward contracts receivable	-	1,445
	<u>942</u>	<u>6,110</u>
In liabilities:		
Forward contracts payable	-	6,269

Margin deposit balances refer to financial resources kept in current accounts with the brokers for the coverage of the initial margins established by the Commodities Exchange in which contracts are entered into, to collateralize outstanding contracts, and net remittances related to daily adjustments resulting from fluctuations in contract prices in the future and options market.

Forward contract balances receivable refer to the cumulative negative effect of the difference between fair value and the notional amounts of derivative financial instruments, under forward foreign exchange contracts. Forward contract balances payable refer to the cumulative positive effect of the difference between fair value and the notional amounts of derivative financial instruments, under forward foreign exchange contract.

The maturity of the derivative financial instruments entered is based on the estimated shipment of sugar protected, and expected cash flows from these shipments, as agreed with customers.

In the year ended March 31, 2009, results of operations involving derivative financial instruments settled during the year and that affected the statement of operations, were:

	<u>3/31/2009</u>	
	<u>Company</u>	<u>Consolidated</u>
Contracts tied to product:		
Forward contract	(1,687)	1,206
Options	5,476	8,658
Commissions and brokerage fees	(350)	(626)
Exchange variation	<u>462</u>	<u>3,516</u>
	3,901	12,754
Contracts tied to currency:		
Forward contract	<u>(4,404)</u>	<u>(20,064)</u>
	(4,404)	(20,064)
	-	-
Net effect	<u>(503)</u>	<u>(7,310)</u>
Effect on the statement of operations captions:		
Financial income	11,215	37,165
Financial expenses	(12,058)	(47,650)
Exchange and monetary variation gain	510	3,994
Exchange and monetary variation loss	(48)	(478)
General and administrative expenses	<u>(122)</u>	<u>(341)</u>
	<u>(503)</u>	<u>(7,310)</u>

The composition of the derivative financial instruments, by nature of the risk covered, as of March 31, 2009, follows:

a) Futures and options contracts:

<u>Company</u>	<u>3/31/2009</u>				
<u>Instruments</u>	<u>Volume</u> <u>(Ton)</u>	<u>Average strike</u> <u>price (€/lb)</u>	<u>Notional</u> <u>amount</u>	<u>Fair value</u>	<u>Accumulated effect</u> <u>(Payable)/receivable</u>
Options:					
Short position - holder:					
Put purchase maturing from May 2009 to July 2009	62,535	12.55	2,142	1,122	(1,020)
Long position - issuer:					
Call sale maturing from May to July 2009	62,535	14.00	2,177	587	1,589
Forward contracts:					
Long position maturing in May 2009	7,061	12.42	4,476	4,567	90
Short position maturing from May to July 2009	15,291	13.24	10,335	10,252	84
<u>Consolidated</u>	<u>3/31/2009</u>				
<u>Instruments</u>	<u>Volume</u> <u>(Ton)</u>	<u>Average strike</u> <u>price (€/lb)</u>	<u>Notional</u> <u>amount</u>	<u>Fair value</u>	<u>Accumulated effect</u> <u>(Payable)/receivable</u>
Options:					
Short position - holder:					
Put purchase maturing from May 2009 to July 2009	118,110	12.60	4,733	2,699	(2,034)
Long position - issuer:					
Call sale maturing from May to July 2009	118,110	14.00	4,815	2,290	2,526
Forward contracts:					
Long position maturing in May 2009	7,061	12.42	4,476	4,567	90
Short position maturing from May to July 2009	19,863	13.42	13,603	13,363	240

The positions listed above are operated as follows:

- a. Put options - purchase of put options that grant the Company the right, but not the obligation to sell at a previously established price.
 - b. Call options - sale of call options under which the Company has the obligation to sell at the agreed price at the buyer's discretion.
- b) Foreign currency forward contracts - NDF (desk - CETIP):

Consolidated - 3/31/2009						
<u>Maturity</u>	<u>Position</u>	<u>US\$ 000</u>	<u>US\$ fixed rate</u>	<u>Notional amount - R\$</u>	<u>Fair value - R\$</u>	<u>Accumulated effect payable - R\$</u>
May/2009	Sold	6,000	2.3078	13,847	14,004	(157)
Jun/2009	Sold	13,096	2.2780	29,832	30,757	(925)
Jul/2009	Sold	1,000	2.4635	2,464	2,373	91
Aug/2009	Sold	2,388	2.3672	5,653	5,680	(27)
Sep/2009	Sold	8,400	2.2693	19,062	20,067	(1,005)
Oct/2009	Sold	5,088	2.3869	12,145	12,246	(101)
Nov/2009	Sold	4,900	2.2837	11,190	11,822	(632)
Dec/2009	Sold	389	2.1340	830	937	(107)
Jan/2010	Sold	6,300	2.3070	14,534	15,342	(808)
Mar/2010	Sold	<u>6,000</u>	2.2600	13,560	14,718	<u>(1,158)</u>
		<u>53,561</u>				<u>(4,829)</u>

The counterparts of the forward contracts are the following financial institutions: Unibanco, Citibank, Banco ABC, Bradesco and Itaú BBA.

26.2. Fair value measurement

The fair value of the financial instruments contracted by the Companies is measured based on information obtained from the financial institutions and prices quoted in an active market based on the standard market pricing approach, which comprises measuring their nominal value up to due date and discount it to present value at future market rates. The use of different assumptions may cause estimated fair value to differ from realized amounts, considering that considerable judgment is required in interpreting market data.

26.3. Guarantee margins

In order to comply with the guarantees required by derivative exchanges for certain derivative transactions, the Company and its subsidiaries maintained a margin of R\$ 4,665 as guarantee.

26.4. Future price risk

In addition to the volume disclosed in the note No, 26,1(a) above, as of March 31, 2009, 192,993 tonnes of sugar in Consolidated were hedged by sales contracts for future delivery scheduled for the period between April and August 2009, fixed at an average price of 12.88 ¢/lb (cents of dollar per weight pound) on the ICE Futures US.

26.5. Temporary cash investments

Temporary cash investments consist principally of repurchase agreements and CDBs (bank certificates of deposit) and fixed-income funds indexed to the CDI (interbank deposit rate), with high liquidity and trading on the market, entered into with financial institutions that meet the Company's and subsidiaries' risk assessment criteria.

26.6. Assets and liabilities subject to exchange variation

The table below summarizes foreign currency-denominated assets and liabilities (in US dollar - US\$ equivalent), recorded in the consolidated balance sheet as of March 31, 2009:

	Consolidated - 3/31/09	
	R\$	Thousands of US\$ equivalents
Current assets:		
Cash and banks	119,083	51,435
Temporary cash investments	1,352	584
Receivables	1,309	548
Derivative financial instruments	<u>3,229</u>	<u>1,395</u>
Total assets	<u>124,973</u>	<u>53,962</u>
Liabilities		
Current:		
Loans and financing	(228,340)	(98,626)
Derivative financial instruments	<u>6,269</u>	<u>2,708</u>
	<u>(222,071)</u>	<u>(95,918)</u>
Noncurrent:		
Loans and financing	<u>(281,397)</u>	<u>(121,543)</u>
Total liabilities	<u>(503,468)</u>	<u>(217,461)</u>
Net exposure	<u>(378,495)</u>	<u>(163,499)</u>

These assets and liabilities were adjusted and recorded in the interim financial statements as of March 31, 2009 at the exchange rate in effect on this date, of R\$ 2.3152 per US\$ 1.00.

The balance of short-term loans and financing, in the amount of R\$ 266,935, refers basically to forward foreign currency agreements (ACC), maturing in January and December 2009, tied to product exports. The balance of long-term loans and financing, in the amount of R\$ 281,397, refers to a US dollar-denominated export prepayment loan, raised by subsidiary Usina Boa Vista S.A. with international financial institutions, maturing within seven (7) years.

As the agreements above will be settled through product exports, the Company's Management understands that these transactions have a natural hedge and thus the exchange variations will have a temporary impact on the financial statements, without a corresponding effect of the Company's cash flows.

26.7. Sensitivity analysis

In accordance with CVM Resolution 550, dated October 17, 2008, below is the sensitivity analysis prepared by the Company on the effects of changes in derivatives' fair value relating to pricing and hedging against exchange rate fluctuations in other financial assets and financial liabilities in foreign currency as of December 31, 2008, considered by Management as the major risk the Company is exposed to. This analysis considers expectations of the Administration with respect to future scenario designed, for that reason such analysis has not been reviewed by independent auditors.

<u>Company</u>		<u>Probable scenario</u>		<u>Possible scenario</u>	
<u>Operation</u>	<u>Risk</u>	<u>Average rate/price</u>	<u>Effect on the statement of operations and cash flow</u>	<u>Deterioration 25%</u>	<u>Deterioration 50%</u>
Cash and banks	US\$ depreciation	R\$ 2.2800	(296)	(5,084)	(9,873)
Loans and financing - short and long-terms	US\$ appreciation	R\$ 2.2800	527	(8,002)	(16,531)
Futures market - Purchase	Decrease in commodity price	12.42 ¢/lb	443	(587)	(1,839)
Futures market - Sale	Increase in commodity price	13.24 ¢/lb	(553)	(3,328)	(6,104)
“Call” sale	Increase in commodity price	14.00 ¢/lb	(183)	(376)	(569)
“Put” - Purchase	Decrease in commodity price	12.55 ¢/lb	(955)	(997)	(1,039)
<u>Consolidated</u>		<u>Probable scenario</u>		<u>Possible scenario</u>	
<u>Operation</u>	<u>Risk</u>	<u>Average rate/price</u>	<u>Effect on the statement of operations and cash flow</u>	<u>Deterioration 25%</u>	<u>Deterioration 50%</u>
Cash and banks	US\$ depreciation	R\$ 2.2800	(1,811)	(31,129)	(60,447)
Temporary cash investments	US\$ depreciation	R\$ 2.2800	(21)	(354)	(687)
Receivables	US\$ depreciation	R\$ 2.2800	(19)	(332)	(644)
Loans and financing - short and long-terms	US\$ appreciation	R\$ 2.2800	7,750	(117,747)	(243,243)
Foreign currency contracts of fixed-term - NDF	US\$ appreciation	R\$ 2.2800	998	(29,532)	(60,062)
Futures market - Purchase	Decrease in commodity price	12.42 ¢/lb	443	(587)	(1,839)
Futures market - Sale	Increase in commodity price	13.42 ¢/lb	(480)	(4,094)	(7,707)
“Call” sale	Increase in commodity price	14.00 ¢/lb	(1,205)	(2,078)	(2,952)
“Put” - Purchase	Decrease in commodity price	12.60 ¢/lb	(2,032)	(2,199)	(2,366)

In the probable scenario was used estimated future U,S, dollar exchange rate to the Brazilian real, disclosed by financial institutions and assessed by the Company as reasonably realizable. The average rate demonstrated was established taking into account the estimated time of completion of each of the financial instruments listed above.

The impacts of deterioration of financial assets are calculated considering the depreciation of the US dollar against the Brazilian real, while the impacts of deterioration of financial liabilities are calculated considering the appreciation of the U,S, dollar against the Brazilian real.

27. MANAGEMENT FEES

In the years ended March 31, 2009 and 2008, the Company paid R\$ 4,734 and R\$ 5,232 (R\$ 8,472 and R\$ 8,172 - Consolidated), respectively, for management fees. These amounts consist principally of the compensation of the executive board and board of directors and respective payroll charges.

28. OTHER OPERATING INCOME (EXPENSES), NET

For the year ended March 31, 2009, other operating income (expenses), net, was impacted by: a) revenues in the amount of R\$ 6,349 (R\$ 23,771 in consolidated) passed on by Copersucar, attributable to the Company, USM and USL as a result of the reversal of provision for PIS and COFINS on financial income contingencies, which was recognized at the time these companies were cooperative members, due to the lawsuit's favorable outcome. This amount, adjusted by SELIC rate, had as contra entry noncurrent assets for future offset against liabilities due to the Cooperative, duly recorded in the financial statements; b) dividends in the amount of R\$ 7,153 (R\$ 27,310 in consolidated) passed on by Copersucar c) loss in the amount of R\$ 4,684, related to sale of the investment held by USM in SCA, in consolidated, as mentioned in note 1.6.; and d) amortization of goodwill attributed to future profitability, in the amount of R\$ 7,289, as mentioned in note 11.2..

For the year ended March 31, 2008, such account was impacted by: a) expenses in the amount of R\$ 2,919 (R\$ 10,243 in consolidated) incurred by Copersucar due to the portion attributable to the Company, USM and USL, related to the payment of ICMS on the sale of ethanol which had been challenged in court. Copersucar decided to withdraw this lawsuit, benefiting from the tax in installments program created by the State, called PPI; b) revenues in the amount of R\$ 2,491 (R\$ 9,203 in consolidated) passed on by Copersucar referring to the portion attributable to the Company, USM and USL from the sale of Copersucar properties and the reversal of reserves related to lawsuits with an outcome favorable to the Cooperative; and c) goodwill amortization of USL and AA, in the amount of R\$ 2,607.

29. FINANCIAL INCOME (EXPENSES)

	Company		Consolidated	
	3/31/2009	3/31/2008	3/31/2009	3/31/2008
Financial income:				
Interest income	3,614	30,117	12,034	77,564
Gains on derivatives	11,215	-	37,165	-
Other income	<u>1,595</u>	<u>168</u>	<u>3,232</u>	<u>1,113</u>
	16,424	30,285	52,431	78,677
Financial expenses:				
Interest expenses	(18,162)	(22,475)	(102,543)	(80,897)
Losses on derivatives	(12,058)	-	(47,650)	-
Other	<u>(1,098)</u>	<u>(2,509)</u>	<u>(4,555)</u>	<u>(7,187)</u>
	(31,318)	(24,984)	(154,748)	(88,084)
Monetary and exchange gains (losses):				
Monetary and exchange gains	4,649	2,140	44,653	9,374
Monetary and exchange losses	<u>(9,238)</u>	<u>(2,344)</u>	<u>(114,825)</u>	<u>(8,915)</u>
	(4,589)	(204)	(70,172)	459
Net financial expenses	<u>(19,483)</u>	<u>5,097</u>	<u>(172,489)</u>	<u>(8,948)</u>

Changes in “Monetary and exchange gains (losses)” - Consolidated derive from Export Prepayment Loans contracted by the subsidiary Usina Boa Vista S.A., as mentioned in note 26.6.. As the agreements will be settled through product exports, the Company’s Management understands that these transactions have a natural hedge and thus the exchange variations will have a temporary impact on the financial statements, without a corresponding effect of the Company’s cash flows.

30. INSURANCE

The Company maintains a standard safety, training and quality program in its branch which aims to, among other things, reduce the risk of accidents. In addition, the Company has insurance contracts with coverage determined following the advice of experts, taking into account the nature and degree of risk, in amounts considered sufficient to cover significant losses on its assets and/or liabilities. The risk assumptions adopted, in view of their nature, are not part of the scope of an audit of the financial statements and, therefore, were not audited by our independent auditors.

31. RECONCILIATION OF SHAREHOLDERS’ EQUITY AND CONSOLIDATED NET LOSS IN ACCORDANCE WITH BRAZILIAN ACCOUNTING PRACTICES AND INTERNATIONAL FINANCIAL REPORTING STANDARDS – “IFRS”

To comply with the requirements of the Novo Mercado Corporate Governance regulation issued by BM&FBOVESPA, the reconciliation of shareholders’ equity as of March 31, 2009 and 2008 and consolidated net loss for the years then ended between Brazilian accounting practices (“BR GAAP”) and International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board - IASB is presented below.

a) Basis for preparation of reconciliation of differences between BR GAAP and IFRS

The reconciliation of differences between shareholders’ equity and consolidated net loss determined under BR GAAP and IFRS was prepared based on the Company’s statutory financial statements, as described in note 2. The reconciliation of shareholders’ equity and net loss as required by BM&FBOVESPA does not represent a full set of financial statements comprising of consolidated balance sheets, statements of operations, changes in shareholders’ equity and cash flows, and the accompanying notes, presented on a comparative basis, as required by IFRS. Furthermore, the Company has applied IFRS 1, “First-time Adoption of International Financial Reporting Standards”, in order to adjust the opening shareholders’ equity. The assumptions and elections that were used may be different if the Company presents a full set of financial statements under IFRS in the future.

a.1) Date of the first financial information prepared under IFRS

All IFRS statements in effect as of the date of these financial statements, in their latest versions, were applied in the preparation of the reconciliations of shareholders’ equity and net loss from BR GAAP to IFRS as of and for the years ended March 31, 2009 and 2008, on a retrospective basis, except for optional exemptions and mandatory exceptions to retrospective treatment adopted by the Company.

a.2) Date of transition to IFRS

The date of transition defined for preparation of financial information under IFRS was April 1, 2007. The Company has prepared the reconciliation of the shareholders' equity and the net income, reflecting all adjustments required by the IFRS. In the preparation of the financial information on the transition date, the Company applied the mandatory exceptions and certain optional exemptions of retrospective application under IFRS 1.

a.3) The following optional exemptions relating to retrospective treatment of IFRS were adopted by the Company:

- Business combinations

The Company elected not to reprocess the business acquisition that occurred before the date of transition to IFRS under IFRS 3 "Business Combinations". As of April 1, 2007, the Company did not have goodwill arising from acquisitions prior to the transition date. Negative goodwill related to the capital increase on joint controlled entity Mogi in the amount of R\$ 358, as described in note 1.3, was reversed to retained earnings as of the transition date to IFRS.

- Property, plant and equipment

The Company elected to use the revalued balances of property, plant and equipment under BR GAAP as deemed cost, that in the date of transition had as accounting practice register periodical revaluation of property, plant and equipment, being the last revaluation registered in the date of transition. Therefore balance of property, plant and equipment upon first-time adoption represents depreciated cost, plus the revaluation amounts, less any impairment losses, if applicable, in accordance with IAS 16 "Property, plant and equipment."

- Classification of financial instruments

The Company elected to classify and assess its financial instruments according to IAS 32 "Financial Instruments: Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement" on the transition date, without retroactive application. The classification and measurement of its financial instruments at the date of transition under IFRS did not result in differences in relation to its carrying amounts recorded under BR GAAP.

b) Reconciliation of differences between BR GAAP and IFRS

	Shareholders' equity			Net loss for the year ended	
	03/31/09	03/31/08	04/01/07	03/31/09	03/31/08
Under BR GAAP	1,575,201	1,648,965	1,697,759	(71,865)	(48,794)
Pre-operating expenses (c.1)	(39,784)	(34,084)	(6,449)	(5,700)	(27,635)
Biological assets (c.2)	32,018	49,976	75,742	(17,958)	(25,766)
Business combination (c.3)	959	(5,471)	358	6,430	(5,829)
Dividends and interest on capital (c.4)	-	-	4,087	-	-
Minority interest (c.5)	18,243	7,611	7,611	(6,395)	-
Deferred income tax and social contribution on revaluation of land (c.6)	(307,728)	(307,728)	(307,728)	-	-
Deferred income tax and social contribution (c.7)	<u>2,503</u>	<u>(3,354)</u>	<u>(23,681)</u>	<u>5,857</u>	<u>20,327</u>
Under IFRS	<u>1,281,412</u>	<u>1,355,915</u>	<u>1,447,699</u>	<u>(89,631)</u>	<u>(87,697)</u>
Attributable to shareholders of the parent	1,265,643	1,347,501	1,440,639	(79,959)	(89,051)
Attributable to minority interest	<u>15,769</u>	<u>8,414</u>	<u>7,060</u>	<u>(9,672)</u>	<u>1,354</u>
	<u>1,281,412</u>	<u>1,355,915</u>	<u>1,447,699</u>	<u>(89,631)</u>	<u>(87,697)</u>

c) Description of differences between accounting practices and the respective adjustments

c.1) Pre-operating expenses

Under IAS 38, "Intangible Assets," pre-operating expenses are recognized in the statement of operations when incurred.

Under BR GAAP, the Company capitalized pre-operating expenses incurred with the plant of UBV, and began to amortize these expenses when it commenced its activities in 2008. The amortization rate used is 10% per year and is based on the period that future benefits are expected to flow to the Company. Under BR GAAP, the Company interrupted the capitalization of pre-operating expenses from April 1, 2009.

c.2) Biological assets

Under IAS 41, "Agriculture," biological assets and agricultural produce are measured at fair value at each period end and at the point of harvest, respectively.

The Company's biological assets are classified as consumable, represented by growing sugarcane, and bearer biological assets, represented by sugarcane roots. As of March 31, 2009, consumable and bearer biological assets total amounts were R\$ 528,546 (R\$ 465,534 as of March 31, 2008).

The Company has estimated as consumable biological assets 8,723,000 tons of harvested sugarcane for harvest 2009/2010 (9,081,000 tons for harvest 2008/2009).

The Company determined the biological assets and agricultural produce fair values, as follows:

- Consumable, represented by growing sugarcane: for expected market value applied to sucrose content per ton of sugarcane less estimated costs to sell;
- Bearer biological assets, represented by sugarcane roots: amortized current replacement costs based on the expected useful life.

The reconciliation of changes in the carrying amount of biological assets for the years ended are as follows:

	<u>2009</u>	<u>2008</u>
Biological assets at the beginning of the year	465,534	364,967
Increases due to sugarcane roots costs	48,612	77,803
Gains arising from changes in fair value less estimated costs to sell due to physical changes	89,224	111,971
Gains (losses) arising from changes in fair value less estimated costs to sell due to price changes	99,306	(46,734)
Increases resulting from business combinations	-	23,676
Decreases due to harvest	(174,130)	(66,149)
Biological assets at the end of the year	<u>528,546</u>	<u>465,534</u>

Under BR GAAP, consumable biological assets are presented as inventories and are recorded at average cost of acquisition and adjusted, when necessary, to its replacement cost. Bearer biological assets are presented as property, plant and equipment and are recorded at cost of acquisition and depreciated under the straight-line method considering an average estimated useful life of five to seven years, after the beginning of the harvest. .

c.3) Acquisition of jointly controlled entities

Under IAS 31, “Interests in Joint Ventures” and following IFRS 3 methodology, “Business Combinations,” the cost of an acquired jointly controlled entity is recorded based on the fair value of consideration given and allocated to the assets acquired, including identifiable intangible assets, and liabilities, including contingent liabilities, assumed based on their estimated fair values on the date of acquisition. The excess of the cost of an acquired jointly controlled entity over the fair value of the net assets acquired is recognized as goodwill. This is referred to as the “purchase method of accounting”. Goodwill and indefinite-lived intangible assets are not amortized but they are tested for impairment annually, and a loss is recorded if their recoverable value is lower than their carrying amount. Under IFRS, the purchase method of accounting is also applied to acquisitions of equity method investments.

Under BR GAAP, the goodwill is calculated based on the amount paid, adjusted by specific contractual price adjustment provisions, less the shareholders' equity of the acquired company under BR GAAP as of the acquisition date. The goodwill portion related to projected earnings had been amortized up to ten years, based on estimated period of return on investment support by an appraisal. Beginning on April 1, 2009, goodwill will be no longer amortized under BR GAAP, but tested annually for impairment.

Acquisition of investments in USL and AA under equity method

As described in note 1.4, on April 12, 2007, EP, a joint venture established by USM, Cosan S.A. Indústria e Comércio and Santa Cruz S.A. Açúcar e Alcool, whose interests were 41.67%, 33.33% and 25.00%, respectively, acquired USL and AA for the amounts of R\$ 184,080 and R\$ 61,360, respectively. This transaction was accounted for using the purchase method of accounting, in accordance with IFRS 3.

The allocation of the purchase price to the proportional net assets acquired is as follows:

	Santa Luiza	Aquidaban	Eliminations	Carrying amount	IFRS 3 Adjustments	Balances under IFRS	Company's Interest (41.67%)
Net assets acquired:							
Cash and cash equivalents	7,942	5,702	-	13,644	-	13,644	5,685
Accounts receivable - Copersucar	9,443	-	-	9,443	1,805	11,248	4,687
Inventories	823	2,613	-	3,436	-	3,436	1,432
Deferred tax assets (ii)	-	-	-	-	28,658	28,658	11,942
Biological assets		40,780	-	40,780	16,037	56,817	23,676
Related parties	22,272	-	(22,272)	-	-	-	-
Other receivables	10,810	4,354	-	15,164	(487)	14,677	6,116
Property, land and equipment	26,242	8,277	-	34,519	65,791	100,310	41,799
Other assets	134	39	-	173	-	173	72
Trade accounts payable	(3,415)	(3,481)	-	(6,896)	70	(6,826)	(2,844)
Loans	(15,445)	(22,035)	-	(37,480)	2,003	(35,477)	(14,783)
Payables – Copersucar	(24,200)	-	-	(24,200)	-	(24,200)	(10,084)
Related parties	(747)	(22,246)	22,272	(721)	-	(721)	(301)
Other liabilities	(2,955)	(3,909)	-	(6,864)	1,091	(5,773)	(2,406)
Deferred tax liabilities (iii)	-	(3,309)	-	(3,309)	(29,346)	(32,655)	(13,607)
Contingent liabilities	(836)	(1,529)	-	(2,365)	-	(2,365)	(986)
	30,068	5,256	-	35,324	85,622	120,946	50,398
Goodwill on acquisition							52,433
Total acquisition cost (i)							102,831
(-) Cash retained on acquisition							-
Cash paid on acquisition							102,831
(-) Cash and cash equivalents acquired							(5,685)
Net cash acquired							97,416

(i) Includes costs directly attributable to the acquisition in the amount of R\$ 556 (net of tax effect of R\$ 286).

(ii) Includes deferred tax assets of R\$ 11,942 based on differences between the carrying amount of goodwill and its tax base.

(iii) Includes deferred tax liabilities of R\$ 12,228 based on differences between the carrying amounts of assets and liabilities and their tax base.

Under IFRS, the goodwill generated on the acquisition of USL and AA was attributed to future income.

Given that the acquisition occurred in April 12, 2007, the consolidated net revenue and the consolidated net loss of the year ended March 31, 2008 approximates the consolidated net revenue and consolidated net loss had acquisition occurred in April 1, 2007.

The reconciliation of the goodwill between the amount reported under BR GAAP and IFRS, as of March 31, 2009 and 2008, are as follows:

	<u>April 1,</u> <u>2007</u>	<u>Allocation</u> <u>to tangible</u> <u>assets</u>	<u>Allocation</u> <u>of deferred</u> <u>tax asset</u>	<u>Goodwill</u> <u>amortization</u>	<u>March 31,</u> <u>2008</u>	<u>Goodwill</u> <u>amortization</u>	<u>March</u> <u>31, 2009</u>
Under BR GAAP	87,549	(27,415)	(20,446)	(997)	38,691	(4,676)	34,015
Goodwill amortization	-	-	-	997	997	4,676	5,673
Costs directly attributable to the business combinations (i)	556	-	-	-	556	-	556
Allocation to tangible assets	(27,415)	27,415	-	-	-	-	-
Allocation to biological assets	(6,683)	-	-	-	(6,683)	-	(6,683)
Deferred tax asset on difference between carrying amount and tax basis of goodwill	(11,942)	9,321	-	514	(2,107)	2,409	302
Deferred tax liability on differences between carrying amount and tax basis of assets and liabilities acquired	12,228	(9,321)	-	-	2,907	-	2,907
Allocation of deferred tax asset	-	-	20,446	(514)	19,932	(2,409)	17,523
Other allocations to assets and liabilities acquired	<u>(1,860)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,860)</u>	<u>-</u>	<u>(1,860)</u>
Under IFRS	<u>52,433</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,433</u>	<u>-</u>	<u>52,433</u>

(i) Net of R\$ 286 of taxes.

The reconciliation of the effects of application of IAS 31 and purchase method of IFRS 3 on shareholders' equity as of March 31, 2009 and 2008 and on net loss for the years then ended is as follows:

	<u>Shareholders'</u> <u>equity as of</u> <u>April 1, 2007</u>	<u>Income</u> <u>(loss) in</u> <u>2008</u>	<u>Shareholders'</u> <u>equity as of</u> <u>March 31,</u> <u>2008</u>	<u>Income</u> <u>(loss) in</u> <u>2009</u>	<u>Shareholders'</u> <u>equity as of</u> <u>March 31,</u> <u>2009</u>
Negative goodwill on Mogi Agrícola S.A.	358	-	358	-	358
Costs directly attributable to the business combinations	-	556	556	-	556
Goodwill amortization under BR GAAP	-	1,511	1,511	7,084	8,595
Realization of the allocation of goodwill to other assets and liabilities	<u>-</u>	<u>(7,896)</u>	<u>(7,896)</u>	<u>(654)</u>	<u>(8,550)</u>
Total effect of IFRS 3	<u>358</u>	<u>(5,829)</u>	<u>(5,471)</u>	<u>6,430</u>	<u>959</u>

c.4) Dividends and interest on capital

According to the Company's bylaws, shareholders are entitled to a minimum dividend of 25% of net income for each year, after the constitution of legal reserve.

For IFRS purposes, dividends are recognized as a liability when approved by the Company's shareholders. Therefore, at year end, the Company recognizes as a liability the amount corresponding to minimum dividends not paid during the year up to the limit of the mandatory minimum dividend described above. Dividends exceeding the amount set forth in the bylaws that do not qualify for recognition under IFRS are reversed to shareholders' equity and deducted from retained earnings only when approved by the shareholders.

As described in note 19, under BR GAAP, the Company records a liability for the dividends proposed by Management, which, after the end of the year, are submitted to the approval of the shareholders. In view of the Company did not distribute dividends nor interests on capital in 2009 and 2008, there was no difference in the presentation of the dividends and interests on capital between BR GAAP and the IFRS as of March 31, 2009 and 2008.

c.5) Minority interest

According to IAS 27 "Consolidated and Separate Financial Statements," minority interests are recorded within shareholders' equity, separately from the controlling shareholder's equity. Minority interests are not deducted from net income on the statement of income but they are identified separately from the controlling shareholder's interest in net income.

Under BR GAAP, minority interests are presented between noncurrent liabilities and shareholders' equity in the balance sheet, and are deducted from net profit or loss in the statement of income.

c.6) Deferred income tax and social contribution on the revaluation of land

Under Interpretation SIC 21 “Income Taxes — Recovery of Revalued Non-Depreciable Assets”, deferred income tax liabilities are recorded on the revaluation of assets regardless of the method that the asset will be recovered, being either by depreciation, amortization, sale or disposal. Therefore, an accrual for a deferred income tax liability should be recorded based on the difference between tax base and IFRS carrying amount, even if the assets are not depreciated. Consequently, in the first time adoption of IFRS, the Company has recorded deferred taxes liabilities on the revaluation of land based on the difference between the tax base and IFRS carrying amount of land, arising from land revaluation which are not subject to depreciation and which occurred before the first time adoption of IFRS.

Under BR GAAP a deferred income tax liability is not accrued for revaluation of non-depreciable assets.

c.7) Deferred income tax and social contribution

The Company recognizes deferred income tax and social contribution on the reconciling items between BR GAAP and IFRS with regard to items c.1), c.2) and c.3).

c.8) Other differences between BR GAAP and IFRS that did not impact Company’s net income (loss) nor shareholders’ equity:

The principle classification differences on the presentation of balance sheets, statements of operations and cash flows between BR GAAP and IFRS are as follows:

- Escrow deposits: Under IFRS, escrow deposits are presented as an asset as they do not meet the requirements to offset an asset with a liability according to IAS 1, “Presentation of Financial Statements,” Under BR GAAP, the Company has offset the escrow deposits with the corresponding reserve for contingencies related to lawsuits that are being challenged in Court. The amount of escrow deposits to be reclassified to noncurrent assets in the consolidated financial statements under IFRS as of March 31, 2009 is R\$ 32,644 (R\$ 27,850 as of March 31, 2008).
- Biological assets: Under IFRS, the costs related to crop treatment and sugarcane crops are presented as biological assets on the balance sheet. Under BR GAAP, these balances are presented as inventories and property, plant and equipment, respectively. The amounts of consolidated crop treatment and sugarcane crops reclassified from inventories and property, plant and equipment, respectively, to biological assets under IFRS as of March 31, 2009 are R\$ 117,090 and R\$ 379,438, respectively (R\$ 103,480 and R\$ 312,078 as of March 31, 2008, respectively).

d) Statements of changes in shareholders' equity under IFRS

	<u>2009</u>	<u>2008</u>
Balances at the beginning of the year	1,355,915	1,447,699
Net income (loss)	(89,631)	(87,697)
Distribution of dividends	-	(4,087)
Acquisition of treasury shares	(1,899)	-
Capital increase by minority interest	17,027	-
Balances at the end of the year	<u>1,281,412</u>	<u>1,355,915</u>

e) Additional disclosure required by IFRS

e.1) Earnings (loss) per share

According to IAS 33, "Earnings per Share," an entity whose securities are publicly traded must present basic and diluted earnings per share.

Basic earnings per share are calculated by dividing the net income for the year attributed to shareholders by the weighted-average of outstanding shares during the year, including the issue of subscription warrants.

An entity shall calculate diluted earnings (loss) per share taking into account the net income (loss) attributable to shareholders and the weighted-average of outstanding shares, plus effects of all potentially issuable shares. All instruments and contracts that can result in the issue of shares are considered to be potential shares.

Comparative figures shall be adjusted to reflect possible capitalizations, issue of subscription warrants or stock splits. If these alterations occur after the date of the balance sheet but before the authorization for the issuance of financial statements, then the calculation per stock of these or any financial statements for previous periods shall be based on the new number of shares.

Under BR GAAP, earnings (loss) per share are calculated by dividing the net income (loss) for the year by the number of outstanding shares at the end of the year. The concept of diluted earnings (loss) per share does not exist. The prior periods' figures are not be adjusted for stock splits or reverse stock splits or similar transactions.

The table below reconciles the net loss to the amounts used to calculate the basic and diluted loss per share:

	<u>2009</u>	<u>2008</u>
Net loss attributable to shareholders of the parent	(79,959)	(89,051)
Weighted-average of common shares - thousands	112,946	113,000
Loss per share - basic and diluted - R\$	(0.7079)	(0.7881)

For the years ended March 31, 2009 and 2008, the Company did not have potential dilutive ordinary shares and therefore dilutive loss per share is equivalent to basic loss per share, as shown above.

f) Adoption of new and revised standards and interpretation of IFRS

f.1) New and revised standards and interpretations effective in 2008 and 2009

The following new and revised standards and interpretations of IFRS are effective at the date of the financial statements:

- In August 2005, IASB has issued IFRS 7, “Financial Instruments: Disclosure”, which prescribes additional disclosure requirements related to the significance of financial instruments and qualitative and quantitative information in relation to exposure of financial instruments’ risks. Given that the reconciliation note presented herein does not represent full disclosure financial statements as required by IFRS, the Company understands that this statement is not applicable as of the date of these financial statements.]
- The International Financial Reporting Interpretations Committee (IFRIC) has issued the following valid interpretations from 2007, which had been evaluated by the Company and they had not generated impact to its financial statements: IFRIC 7, “Applying the Restatement Approach”; According to IAS 29: “Financial Reporting in Hyperinflationary Economies.”; IFRIC 8, “Scope of IFRS 2”; IFRIC 9, “Reassessment of Embedded Derivatives”; and IFRIC 10, “Interim Financial Reporting and Impairment”. The adoption of these Interpretations did not lead to any change in the accounting practices of the Company.
- The International Financial Reporting Interpretations Committee (IFRIC) has issued the following valid interpretations from 2008, which had been evaluated by the Company and they had not generated impact to its financial statements: IFRIC 11, “Group and Treasury Share Transactions”; IFRIC 12, “Service Concession Arrangements”; and IFRIC 14, “IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”. The adoption of these Interpretations did not lead to any change in the accounting practices of the Company.

f.2) Early adoption of new and revised standards and interpretations

The following new and revised standards and interpretations of IFRS were early adopted by the Company as of the date of its financial statements:

- IAS 23, “Borrowing Costs”: in March 2007, IASB has issued the revised version of IAS 23, which prescribes accounting treatment for borrowing costs attributable to acquisition, construction and production of qualifying assets, effective for periods beginning on or after January 1, 2009, with earlier application permitted.

f.3) New and revised standards and interpretations of IFRS not yet adopted

As of the date of these financial statements, the following new and revised standards and interpretations were in issue but not yet adopted by the Company since its adoption was not yet mandatory:

- IFRS 8, “Operating Segments”.
- IFRS 3 (revised), “Business Combinations”, and IAS 27 (revised), “Consolidated and Separate Financial Statements”.
- Amendments of IFRS 2, “Share-based Payments - Vesting Conditions and Cancellations”.
- IAS 39, “Amendment to IAS 39 for Eligible Hedged Items”.
- IFRS 1 (revised and restructured 2008), “Cost of a Subsidiary in the Separate Financial Statements of a Parent on First-time Adoption of IFRS”.
- IAS 1 (revised), “Presentation of Financial Statements”.
- IAS 1 amended to add “New Disclosure Requirements for Puttable Instruments and Obligations Arising on Liquidation”.
- IFRIC 13, “Customer Loyalty Programmes”
- IFRIC 15, “Agreements for the Construction of Real Estate”.
- IFRIC 16, “Hedges of a Net Investment in a Foreign Operation”.
- IFRIC 17, “Distributions of Non-cash Assets to Owners”.
- IFRIC 18, “Transfers of Assets from Customers.

The Company will adopt the above pronouncements beginning April 1, 2009, and, based on a preliminary evaluation, the adoption of these pronouncements will not have a significant impact on its financial statements.









4Q09 Results 2008 / 09 Harvest



SÃO MARTINHO REPORTS ADJUSTED EBITDA OF R\$189.8 MILLION IN FY09, WITH MARGIN OF 24.5%

São Paulo, June 29, 2009 – SÃO MARTINHO S.A. (Bovespa: SMT03; Reuters SMT03.SA and Bloomberg: SMT03 BZ), one of the largest sugar and ethanol producers in Brazil, announces today its results for the fourth quarter of fiscal 2009 (4Q09) relative to the 2008/09 harvest year. The 4Q09 results are presented on a consolidated basis, in accordance with Brazilian Corporate Law, including the partial consolidation of 41.67% of Usina Santa Luiza.

4Q09 Highlights

-  The São Martinho Group recorded adjusted EBITDA in fiscal 4Q09 of R\$77.0 million (with adjusted EBITDA margin of 28.8%), a 40.7% increase on 4Q08, driven by better sugar and ethanol prices.
-  In fiscal 2009, adjusted EBITDA was R\$189.8 million (with adjusted EBITDA margin of 24.5%), for growth of 42.9% over the previous fiscal year, mainly due to higher product prices and the rationalization of operating costs.
-  We ended 4Q09 with 141,240 tons of sugar in inventory, compared with 4,860 tons at the close of 4Q08. Based on our sugar production estimate for the 2009/10 harvest of approximately 680,000 tons, sugar sales volume in fiscal 2010 could reach 821,200 tons, representing a 96.6% increase in sugar sales volume over the 2008/09 harvest.
-  On March 31, 2009, the Company held debt denominated in U.S. dollar and short positions in Non-Deliverable Forward (NDFs) of approximately US\$248.8 million. Based on the current exchange rate (US\$1.00 = R\$1.95), approximately 97% of expenses with foreign exchange losses (R\$90.2 million) incurred in fiscal 2009 will be reversed next quarter.
-  Net debt stood at R\$941.5 million in 4Q09, up R\$375 million in relation to 4Q08. The increase was fueled primarily by the combination of investments to expand capacity at the Boa Vista Mill and the impacts from currency depreciation (with no impact on cash flow) on our dollar-denominated debt.
-  Given the current scenario for sugar and ethanol prices, in the 2009/10 harvest, the São Martinho Group will produce approximately 690,000 cubic meters (m³) of ethanol and 680,000 tons of sugar. As a result, approximately 62% of the sugarcane crushed will be allocated to ethanol production and 38% to sugar production. This level of production will come from projected sugarcane crushing at the Group's mills in the 2009/10 harvest of 13.0 million tons.



4Q09 Results – 2008/09 Harvest

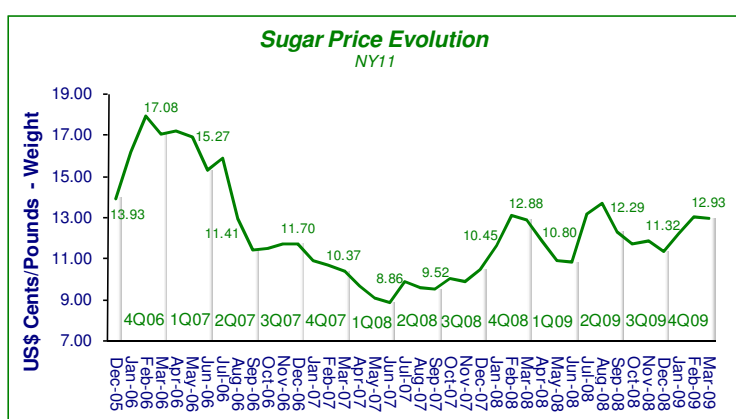
Industry Overview

Sugar

Average Sugar Prices	4Q09	3Q09	4Q08	Chg.% 4Q09 x 4Q08	Chg.% 4Q09 x 3Q09	12M09	12M08	Chg.% 12M09 x 12M08
US\$/R\$ Exchange rate	2.31	2.28	1.74	33.0%	1.5%	1.98	1.86	6.4%
NY11 US\$ cents/pound	12.73	11.61	12.55	1.4%	9.7%	12.14	10.38	17.0%
NY11 R\$ / Ton	648.78	582.62	481.03	34.9%	11.4%	528.87	425.09	24.4%
Sugar ESALQ Net R\$/50-kilogram sack	36.26	26.13	21.96	65.1%	38.8%	27.33	21.74	25.7%

During fiscal 4Q09, international sugar prices continued their upward trend begun in December 2008, mainly due to the prospects of lower sugar production in India.

During fiscal 2009, the average sugar price in Brazilian real was 24.4% higher than in fiscal 2008, due to the combined impacts from the local currency depreciation of 6.4% and the sugar price increase (NY11) of 17.0%.



At the start of the 2008/09 harvest year, expectations called for Indian sugar production of between 20 and 22 million tons. However, the latest data for Indian sugar supplies indicate that production was some 15 million tons, which contributed significantly to the recovery in international sugar prices.

In Brazil, the harvest in the Center-South region, which ended in March 2009, confirmed the initial expectations of a more ethanol-oriented harvest, with only 39.5% of the total volume of crushed sugarcane allocated to sugar production. This percentage represented production of approximately 27 million tons of sugar in this harvest, with estimated exports of 18 million tons.

Note that this improvement in prices observed mainly at the close of the 2008/09 harvest has continued through the start of the 2009/10 harvest year, given the latest projections for the sugar supply and demand balance in the coming months.

The estimated shortfall in world sugar production for the 2009/10 harvest could reach 4.7 million tons, even after considering the increase in Indian sugar production of some 20% from 15 million to 18 million tons. In our view, this deficit will be sufficient to keep the average sugar price (NY11) above US\$15.00 cents/pound during the entire 2009/10 harvest year, providing Brazilian producers with profitability significantly higher than in the last two harvest years (2007/08 and 2008/09).

In Brazil, sugar production in the Center-South region should grow by 16% to 31.2 million tons, fueled by the change in the production mix to prioritize sugar production at the expense of ethanol production, since in the current price scenario sugar is 50% more profitable than ethanol.



4Q09 Results – 2008/09 Harvest

Ethanol

Average Ethanol Prices	4Q09	3Q09	4Q08	Chg.% 4Q09 x 4Q08	Chg.% 4Q09 x 3Q09	12M09	12M08	Chg.% 12M09 x 12M08
Anhydrous ESALQ, Net DM R\$ / M3	825.15	895.50	806.39	2.3%	-7.9%	849.41	780.55	8.8%
Hydrous ESALQ, Net DM - R\$ / M3	735.50	733.08	721.48	1.9%	0.3%	721.94	682.37	5.8%
Anhydrous ESALQ EM R\$ / M3	894.10	969.30	749.37	19.3%	-7.8%	855.37	724.20	18.1%
Hydrous ESALQ EM - R\$ / M3	907.30	940.34	704.74	28.7%	-3.5%	814.97	699.91	16.4%
Oil NY	43.31	59.08	97.82	-55.7%	-26.7%	86.61	82.03	5.6%

In 4Q09, domestic prices for anhydrous and hydrous ethanol increased by 2.3% and 1.9%, respectively, versus 4Q08.

Over the same period, international prices for anhydrous and hydrous ethanol registered increases of 19.3% and 28.7%, respectively. The main factor in the increase in ethanol export prices was the 33% local currency depreciation registered in the period.

Chart 1

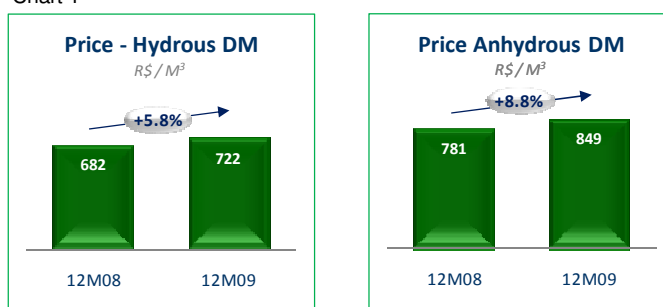
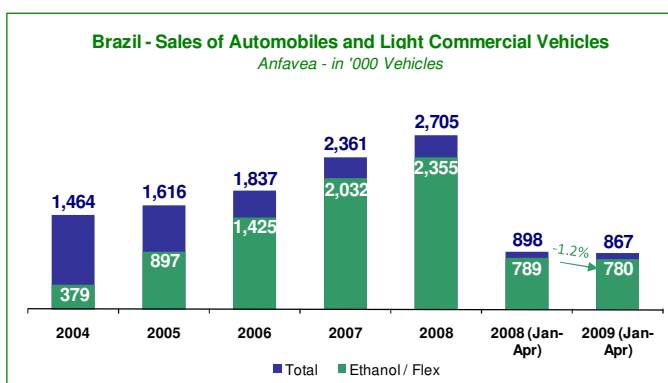


Chart 2



In fiscal 2009, anhydrous and hydrous ethanol prices increased by 8.8% and 5.8% in relation to the previous fiscal year, with the latter increase supported by strong growth (+16% y/y) in domestic sales of flex-fuel vehicles. In the export market, the depreciation in the Brazilian real against the U.S. dollar combined with certain export windows to the United States at the start of the 2008/09 harvest positively impacted prices for Brazilian producers, with anhydrous and hydrous ethanol export prices increasing by 18.1% and 16.4%, respectively.

As detailed in our 3Q09 Earnings Release, we expected a stronger recovery in ethanol prices after November 2008, a period that historically has been marked by better prices due to the conclusion of the harvest.

However, the delicate financial situation faced by many companies in the sugar and ethanol industry, combined with the international crisis, led to a credit freeze for most companies in the industry. In this scenario, cash requirements have been forcing companies to sell ethanol at below production costs, despite the growing demand for ethanol in the domestic market.

Brazilian ethanol production should grow by only 1.1 billion liters to 28.3 billion liters in the 2009/10 harvest year. On the demand side, we expect growth in the domestic market of approximately 3 billion liters, due to the combination of: 1) stable flex-fuel vehicle sales volume in relation to 2008 (approximately 2.3 million units); and 2) higher ethanol consumption driven by the growing share of flex-fuel vehicles in the domestic fleet, which grew from 400,000 vehicles in 2004 to 7.1 million in December 2008. As a result, we expect domestic ethanol consumption of approximately 25 billion liters in 2009/10, with only 3 billion liters directed to exports. Note that this forecast volume of ethanol exports represents a historical low for the industry.



Operating Performance

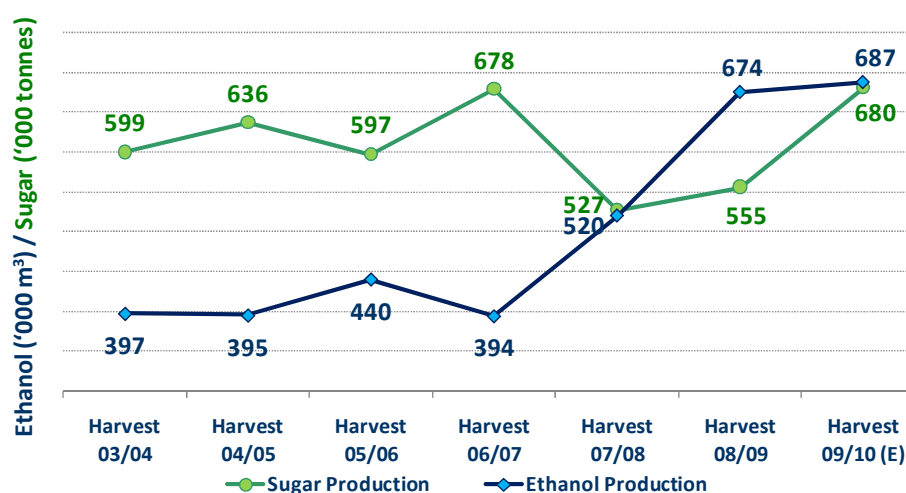
Operating Highlights

Operating Data	12M09	12M08	Chg. %
Crushed Sugarcane ('000 tonnes)	12,001	10,218	17.4%
Own	7,212	6,673	8.1%
Third Parties	4,789	3,545	35.1%
Mechanized Harvest (%)	81.4%	75.0%	6.4 p.p
Production			
Sugar ('000 tonnes)	555	527	5.4%
Anhydrous Ethanol ('000 m ³)	287	306	-6.1%
Hydrous Ethanol ('000 m ³)	387	214	80.8%
RNA - Ribonucleic Acid	274	391	-54.5%
Energy ('000 MWh)	89.4	-	n.m.

GUIDANCE 2009/10 HARVEST YEAR

Product	Production Volume	4Q09 Inventories	Availability for Sale in 2010
Sugar ('000 tonnes)	680	141	821
Ethanol ('000 m ³)	687	53	740

Grupo São Martinho's Sugar and Ethanol Production Evolution





4Q09 Results – 2008/09 Harvest

Financial Performance

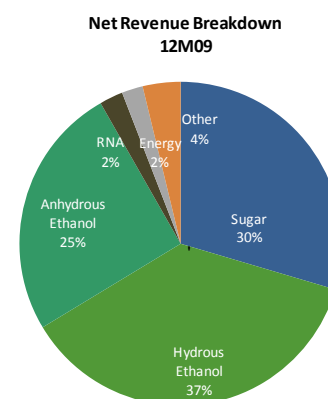
Operating Revenue

Net Revenues Breakdown						
R\$ Thousand	4Q09	4Q08	Chg.% 4Q09 x 4Q08	12M09	12M08	Chg.% 12M09 x 12M08
Domestic Market	164,556	133,649	23.1%	498,360	394,164	26.4%
Sugar	7,965	23,330	-65.9%	23,386	85,234	-72.6%
Hydrous Ethanol	106,159	34,846	204.7%	261,576	117,349	122.9%
Anhydrous Ethanol	44,657	72,887	-38.7%	167,767	167,610	0.1%
Energy	893	-	n.m.	16,445	-	n.m.
Other	4,883	2,586	88.8%	29,186	23,970	21.8%
Export Market	102,701	97,851	5.0%	276,083	318,255	-13.3%
Sugar	80,725	51,268	57.5%	205,716	188,615	9.1%
Hydrous Ethanol	14,462	8,269	74.9%	23,083	27,679	-16.6%
Anhydrous Ethanol	-	34,214	n.m.	29,098	90,375	-67.8%
RNA	7,515	4,099	83.3%	18,186	11,587	57.0%
Net Revenue	267,258	231,500	15.4%	774,443	712,420	8.7%
Sugar	88,690	74,598	18.9%	229,102	273,849	-16.3%
Hydrous Ethanol	120,620	43,116	179.8%	284,658	145,028	96.3%
Anhydrous Ethanol	44,657	107,101	-58.3%	196,864	257,985	-23.7%
RNA	7,515	4,099	83.3%	18,186	11,587	57.0%
Energy	893	-	n.m.	16,445	-	n.m.
Other	4,883	2,586	88.8%	29,186	23,970	21.8%

Net Revenue

São Martinho's net revenue in 4Q09 grew by 15.4% over 4Q08, reflecting the improvement in sugar and ethanol prices, since sales volumes (in TRS equivalent) remained stable between the two quarters.

In fiscal 2009, the Group's net revenue grew by 8.7% to R\$774.4 million on the previous fiscal year, mainly reflecting the price improvement in all products, led by sugar, for which prices increased 21.3%.





4Q09 Results – 2008/09 Harvest

Sales Performance						
Products	4Q09	4Q08	Chg.% 4Q09 x 4Q08	12M09	12M08	Chg.% 12M09 x 12M08
Domestic Market						
Sugar (tonnes)	12,519	53,438	-76.6%	46,970	200,201	-76.5%
Hydrous Ethanol (m ³)	142,283	49,420	187.9%	368,530	179,409	105.4%
Anhydrous Ethanol (m ³)	54,314	92,577	-41.3%	201,040	216,443	-7.1%
Energy (MWh)	10,061	-	n.m.	105,564	-	n.m.
Export Market						
Sugar (tonnes)	120,780	105,705	14.3%	370,665	405,546	-8.6%
Hydrous Ethanol (m ³)	11,958	10,044	19.1%	20,909	35,269	-40.7%
Anhydrous Ethanol (m ³)	-	37,210	n.m.	35,302	106,726	-66.9%
RNA (Kg)	96,200	117,000	-17.8%	313,790	312,000	0.6%
Consolidated						
Sugar (tonnes)	133,299	159,143	-16.2%	417,635	605,746	-31.1%
Hydrous Ethanol (m ³)	154,241	59,465	159.4%	389,439	214,678	81.4%
Anhydrous Ethanol (m ³)	54,314	129,787	-58.2%	236,342	323,169	-26.9%
Energy (MWh)	10,061	-	n.m.	105,564	-	n.m.
RNA (Kg)	96,200	117,000	-17.8%	313,790	312,000	0.6%

Average Prices						
	4Q09	4Q08	Chg.% 4Q09 x 4Q08	12M09	12M08	Chg.% 12M09 x 12M08
Domestic Market						
Sugar (R\$/tonnes)	636.24	436.58	45.7%	497.89	425.74	16.9%
Hydrous Ethanol (R\$/m ³)	746.11	705.09	5.8%	709.78	654.09	8.5%
Anhydrous Ethanol (R\$/m ³)	822.21	787.31	4.4%	834.49	774.39	7.8%
Energy (R\$/MWh)	88.77	-	n.m.	155.79	-	n.m.
Export Market						
Sugar (R\$/tonnes)	668.36	485.01	37.8%	554.99	465.09	19.3%
Hydrous Ethanol (R\$/m ³)	1,209.38	705.30	71.5%	1,103.96	751.19	47.0%
Anhydrous Ethanol (R\$/m ³)	-	750.49	n.m.	824.26	787.87	4.6%
RNA (R\$/Kg)	78.12	35.04	123.0%	57.96	37.14	56.1%
Consolidated						
Sugar (R\$/tonnes)	665.35	468.75	41.9%	548.57	452.09	21.3%
Hydrous Ethanol (m ³)	782.02	705.12	10.9%	730.94	670.04	9.1%
Anhydrous Ethanol (m ³)	822.21	776.75	5.9%	832.96	778.84	6.9%
Energy (R\$/MWh)	88.77	-	n.m.	155.79	-	n.m.
RNA (R\$/Kg)	78.12	35.04	123.0%	57.99	37.14	56.1%

Sugar

Net revenue from sugar sales increased by 18.9% to R\$88.7 million in 4Q09, compared with R\$74.6 million in 4Q08. The increase primarily reflects the increases in both domestic and export prices, which partially offset the 16.2% drop in sales volumes. The main factor driving the price increases was the 33% depreciation in the Brazilian real against the dollar between the two quarters.

In fiscal 2009, the Group's revenue from sugar sales fell by 16.3% on the previous fiscal year to R\$229.1 million, impacted by the 31.1% drop in sales volumes. The lower sugar revenue reflects our decision to terminate our membership at Copersucar at the close of the 2007/08 harvest. As part of the termination agreement, we sold all our sugar and ethanol inventories to the cooperative, which led to higher sales volume in 4Q08. In 4Q09, during which we sold



approximately 25% of our sugar production, sales advanced normally, with no extraordinary events.

Ethanol

Hydrous

Net revenue from hydrous ethanol sales totaled R\$120.6 million in 4Q09, up 179.8% on the R\$43.1 million recorded in 4Q08, fueled chiefly by the year-on-year increase of 187.9% in domestic ethanol sales volume. This variation was due to the combination of higher hydrous ethanol production (startup of Boa Vista Mill) and the growing demand driven by the expansion in the flex-fuel fleet.

In fiscal 2009, hydrous ethanol net revenue climbed 96.3% against the previous fiscal year, due to the same reasons described above.

Anhydrous

Net revenue from anhydrous ethanol sales in the quarter totaled R\$44.6 million, down 58.3% in relation to 4Q08, impacted primarily by the 58.2% reduction in sales volume.

The lower sales volume is related to the excess production of anhydrous ethanol in the 2008/09 harvest year (15.5% increase), which was not accompanied proportionally by demand growth. As a result, the solution found by most mills was to transform the anhydrous ethanol into hydrous ethanol in order to meet the growing demand for hydrous ethanol.

In fiscal 2009, anhydrous ethanol net revenue recorded a 23.7% drop on the previous fiscal year to R\$196.8 million, mainly impacted by the reduction in export volumes from 106,700 m³ in fiscal 2008 to 35,300 m³ this harvest year. Domestic sales volumes remained slightly below the previous harvest year at 201,000 m³, down 7.1% on the previous harvest year.

The lower anhydrous ethanol exports in fiscal 2009 is related to the higher ethanol supplies in the U.S. market in the period, which reduced the need for Brazilian ethanol imports.

Ribonucleic Acid (RNA) Sodium Salt

RNA net revenue totaled R\$7.5 million in 4Q09, up by 83.3% on the same period in 2008. The main factors for this strong increase were: 1) the increase in RNA prices in U.S. dollar terms (40%, taking effect as of the 2008/09 harvest); and 2) the devaluation in the Brazilian real in the period, since all RNA production is exported.

In fiscal 2009, RNA net revenue grew by 57.0% year on year, also impacted by the higher prices in U.S. dollar as of the 2008/09 harvest. Meanwhile, RNA sales volume remained virtually stable, increasing a slight 0.6%.

Electric Power

Following the startup of crushing at our greenfield project (the Boa Vista Mill) and certain investments made at the São Martinho Mill, starting in fiscal 2009, we substantially increased our sales of electricity.

In 4Q09, electricity net revenue totaled R\$893,000, generated by the delivery of 10,061 MWh at an average price of R\$88.77/MWh. Note that this is only a residual result, since most electricity generation occurs during the crushing months (from April to December).



4Q09 Results – 2008/09 Harvest

In fiscal 2009, electric power net revenue reached R\$16.4 million, generated by the sale of 105,564 MWh at an average price of R\$155.79/MWh.

Other Products and Services

Net revenue from the “Other Products and Services” line totaled R\$4.9 million in 4Q09, an increase of 88.8% year on year. This increase was led by higher sales of inputs to sugarcane suppliers. In line with its policy of maintaining long-term relationships with its suppliers, the São Martinho Group occasionally buys high quantities of inputs and sells them to suppliers at cost. This practice is possible due to the large scale of the Group, which currently manages approximately 115,000 hectares of land.

Inventories

Inventories	4Q09	4Q08	Chg.% 4Q09 x 4Q08
Sugar (Tonnes)	141,240	4,860	n.m.
Hydrous (m ³)	31,299	-	n.m.
Anhydrous (m ³)	22,043	4,643	374.8%

The substantial build in inventories in 4Q09 versus 4Q08 is mainly due to the Company's decision to terminate its membership at Copersucar in March 2008. As part of the termination agreement, we sold to the cooperative our entire sugar and ethanol inventories at the companies Usina São Martinho and Usina Iracema to, ending fiscal 2008 with virtually zero volume in our inventories.

In 4Q09, we adopted the strategy of selling a large portion of our ethanol inventories, given the strong downward trend in ethanol prices (as commented in the section “Ethanol Industry Overview”). As a result, we maintained only 8% of our production in inventory to satisfy our contracts in April 2009, since crushing began only after April 20, 2009.

As for sugar, the increase in inventories is related to our commercial strategy to concentrate sales in prices quoted for October 2008 and March 2009, due to the higher prices. As a result, a portion of shipments occurred only in April 2009, with the respective revenue to be recognized only in the 1Q10 financial statements.

Cost of Goods Sold

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

Breakdown of Cost of Goods Sold (COGS) - Cash						
R\$ Thousand	4Q09	4Q08	Chg.%	12M09	12M08	Chg.%
Agricultural Costs	125,588	105,622	18.9%	356,158	333,699	6.7%
Suppliers	57,687	46,101	25.1%	151,987	144,211	5.4%
Partnerships	12,286	7,088	73.3%	31,821	28,648	11.1%
Own Sugarcane	55,615	52,433	6.1%	172,351	160,840	7.2%
Industrial	20,944	16,378	27.9%	57,510	52,256	10.1%
Other Products	10,309	7,292	41.4%	47,762	30,361	57.3%
Total COGS (*)	156,840	129,292	21.3%	461,431	416,316	10.8%
Santa Luiza e Aquidaban Reconciliation	-	8,353	n.m.	-	33,949	n.m.
Total COGS	156,840	137,645	13.9%	461,431	450,264	2.5%
TRS Sold (000 Tonnes)	497	497	0.0%	1,514	1,569	-3.5%
Unit Cost (Sugar and Ethanol Cash COGS / TRS Sold)	295	262	12.4%	273	268	2.1%

(*) Excludes the partial consolidation of Usina Santa Luiza and Agropecuária Aquidaban.



As shown above, Cash COGS in 4Q09 was 13.9% higher year on year, at R\$19.2 million. The main impacts are concentrated in the higher costs with suppliers and partners due to the 30.2% increase in the Consecana price in the period, reflecting the strong variation in sugar prices.

In fiscal 2009, our Cash COGS increased by only 2.5% in relation to fiscal 2008, despite the increase of 13.9% in the Consecana price and the inflation of 7% measured in the period. Following the termination of operations at the Santa Luíza Mill, our agricultural and industrial costs fell due to scale gains at the São Martinho Mill, which absorbed the sugarcane previously crushed at the Santa Luíza Mill.

In addition, the higher costs in the “Other Products” line are directly related to the revenue line “Other Products and Services”. The São Martinho Group purchases high quantities of inputs and resells them to suppliers at cost. This practice is sporadic and is part of the group's policy to maintain long-term relationships with its sugarcane suppliers.

Note: The comparison in the table above (line-by-line) is compromised by the fact that the costs of Santa Luíza and Agropecuária Aquidaban were not broken down by type in fiscal 2008.

Selling Expenses

Selling Expenses Breakdown						
R\$ Thousand	4Q09	4Q08	Chg.%	12M09	12M08	Chg.%
Port Costs	1,023	2,828	-63.8%	3,968	11,818	-66.4%
Packaging	-	306	n.m.	-	1,506	n.m.
Freight	7,916	7,837	1.0%	28,373	25,928	9.4%
Sales Commission	1,055	-	n.m.	2,637	-	n.m.
Other - non recurring	-	-	n.m.	-	698	n.m.
Selling Expenses (*)	9,994	10,971	-8.9%	34,979	39,950	-12.4%
TRS Sold ('000 Tonnes)	497	467	6.4%	1,501	1,466	2.4%
Santa Luíza e Aquidaban reconciliation	-	511	n.m.	-	2,674	n.m.
Selling Expenses	9,994	11,482	-13.0%	34,979	42,624	-17.9%
TRS Sold ('000 Tonnes)	497	497	0.0%	1,514	1,569	-3.5%
% of Net Revenues	3.7%	5.0%	-1.2 p.p.	4.5%	6.0%	-1.5 p.p.

(*) Excludes the partial consolidation of Usina Santa Luíza and Agropecuária Aquidaban.

Selling expenses in the quarter fell by 13.0% on 4Q08, mainly reflecting the lower ethanol export volume in the period.

In fiscal 2009, selling expenses fell by 17.9% in relation to fiscal 2008, impacted by declines in sugar and ethanol export volumes of 8.6% and 60.4%, respectively.



General and Administrative Expenses

General and Administrative Expenses Breakdown (Excluding Depreciation)						
In R\$ Thousand	4Q09	4Q08	Chg.%	12M09	12M08	Chg.%
Personnel	9,653	4,947	95.1%	31,127	21,886	42.2%
Taxes, Fees and Contributions	1,998	1,806	10.6%	11,716	8,017	46.1%
Provisions for Contingencies	4,196	3,775	11.2%	17,539	11,523	52.2%
General Expenses and Third-Party Services	7,352	3,625	102.8%	24,457	13,334	83.4%
Copersucar Share	-	1,821	n.m	-	10,911	n.m
Management Fee	1,794	1,795	-0.1%	8,472	8,172	3.7%
Total General and Administrative Expenses (*)	24,993	17,769	40.7%	93,311	73,844	26.4%
Santa Luiza e Aquidaban Reconciliation	-	4,783	n.m	-	12,056	n.m
Total General and Administrative Expenses	24,993	22,551	10.8%	93,311	85,899	8.6%

(*)Excludes the partial consolidation of Usina Santa Luiza and Agropecuária Aquidaban.

G&A expenses totaled R\$24.9 million in 4Q09, up 10.8% on 4Q08. This result was positively impacted by lower costs with the administrative structures of Copersucar and the Santa Luiza Mill. The main negative impact was the increase in personnel expenses, which primarily reflected the higher number of employees due to the startup of the Boa Vista Mill in Goiás state and the R\$3.7 million in expenses with third-party services related to non-recurring expenses with consulting services.

G&A expenses in fiscal 2009 increased by 8.6% in relation to fiscal 2008, impacted by labor liabilities involving former employees of the Santa Luiza Mill and the higher expenses with third-party services involving the non-recurring expenses with consulting services.

Other Operational Revenue (Expenses)

Other Operating Revenues (Expenses) Reconciliation						
In R\$ Thousand	4Q09	4Q08	Chg.%	12M09	12M08	Chg.%
Provision Reversal (Copersucar)	-	-	n.m.	-	7,389	n.m.
Dividends (Coffee Sale)	27,310	-	n.m.	27,310	-	n.m.
Sale of Real State (Copersucar)	-	-	n.m.	-	1,813	n.m.
Provision Reversal of PIS/COFINS (Copersucar)	-	-	n.m.	23,771	-	n.m.
ICMS Installment	-	-	n.m.	-	(17,607)	n.m.
IPO Expenses	-	-	n.m.	-	(206)	n.m.
Goodwill Amortization	(1,844)	(1,555)	18.5%	(7,884)	(2,607)	202.4%
Others	1,591	175	808.3%	3,699	2,077	78.1%
Other Operating Revenues (Expenses)	27,059	(1,380)	n.m.	46,898	(9,141)	n.m.

The main impact in the line "Other Operating Revenue (Expenses)" versus 4Q08 was due to the transfer of R\$27.3 million as dividends by Copersucar as a result of the sale of the asset Café Pilão. The effects of these funds on our cash flow have already occurred, and represent non-recurring revenue with no cash flow effect in the fiscal year.

In fiscal 2009, in addition to the impact described above, we effected a reversal of the provision for contingencies made by Copersucar, which were transferred to São Martinho and subsidiaries, and of the PIS and Cofins taxes levied on financial revenue generated at the time when the São Martinho Group mills were members of Copersucar (with no cash impact, since it will be offset in the future by previously booked liabilities).

The reversal was made by Copersucar and passed on to cooperative members due to the high probability of favorable rulings in higher courts, given the precedent in similar cases, according to the legal counsel for the proceedings.



4Q09 Results – 2008/09 Harvest

EBITDA

EBITDA Reconciliation						
R\$ Thousand	4Q09	4Q08	Chg.%	12M09	12M08	Chg.%
Adjusted EBITDA	77,023	54,726	40.7%	189,792	132,813	42.9%
<i>Adjusted EBITDA Margin</i>	<i>28.8%</i>	<i>24.4%</i>	<i>4.4 p.p.</i>	<i>24.5%</i>	<i>18.8%</i>	<i>5.7 p.p.</i>
Pricing Adjustment Net Revenue	-	(7,473)	n.m.	-	(7,473)	n.m.
Pricing Adjustment Sales Expenses	-	-	n.m.	-	698	n.m.
Non Recurring Operating Revenues (Expenses)	(27,310)	1,069	n.m.	(58,238)	11,358	n.m.
Non Cash Items Launched in the COGS	3,033	(7,886)	n.m.	4,851	(661)	n.m.
EBITDA	101,300	69,016	46.8%	243,179	128,892	88.7%
<i>EBITDA Margin</i>	<i>37.9%</i>	<i>29.8%</i>	<i>8.1 p.p.</i>	<i>31.4%</i>	<i>18.1%</i>	<i>13.3 p.p.</i>
(-) Depreciation and Amortization	(64,221)	(59,965)	7.1%	(202,506)	(191,215)	5.9%
(-) Financial Revenue (Expense), net	(11,845)	(7,848)	50.9%	(172,489)	(8,948)	n.m.
(=) Operating Income	25,234	1,203	n.m.	(131,816)	(71,271)	85.0%

Adjusted EBITDA

The São Martinho Group recorded adjusted EBITDA in 4Q09 of R\$77.0 million, up 40.7% in relation to 4Q08. The main factors for this increase were: 1) the 41.9% increase in sugar prices fueled by the combination of better international prices and the depreciation in the Brazilian real against the dollar; and 2) the 10.2% increase in ethanol sales volume.

In fiscal 2009, adjusted EBITDA posted a year-on-year increase of 42.9%, due to: 1) the increase of 21.3% in the average sugar sales price; 2) the increase of 16.3% in ethanol sales volume due to the startup of the Boa Vista Mill; and 3) the sale of 105,564 MW/h of energy, which provided additional revenue of R\$16.4 million.

EBITDA (Adjustment for Non-Cash Items)

The main adjustments made to EBITDA in 4Q09 and fiscal 2009 are detailed below:

- 1) Positive adjustment to EBITDA – “Non-cash items booked in COGS”: 4Q09: R\$3.0 million and fiscal 2009: R\$4.8 million.

Reversal of provisions with no-cash effect related to the valuation of ethanol inventories at market value. Due to the sharp fall in prices of anhydrous and hydrous ethanol, our unit production costs (including depreciation) exceeded market prices. Therefore, in accordance with the accounting standards, we constituted a provision for the loss.

- 2) Negative adjustment to EBITDA – “Non-recurring Operating Income”: 4Q09: R\$27.3 million and fiscal 2009: R\$58.2 million.

In 4Q09, we received from Copersucar R\$27.3 million as “dividends” from the sale of the asset Café Pilão. The effects of these funds on our cash flow have already occurred, and represent non-recurring revenue with no cash flow effect in the fiscal year.

In fiscal year 2009, in addition to the effect described above, the main adjustment to our EBITDA occurred in 3Q09 with the R\$27.3 million reversal of the provision for PIS and Cofins tax contingencies, which was performed by Copersucar and transferred to São Martinho and subsidiaries (with no cash impact, since it will be offset in the future by previously booked liabilities).



4Q09 Results – 2008/09 Harvest

Exposure to Currency and Sugar Derivatives

On March 31, 2009, the São Martinho Group held the following positions in the derivative market to hedge the cash flow from fluctuations in the U.S. dollar and international sugar prices.

U.S. Dollar

On March 31, 2009, the São Martinho Group held a US\$53.6 million short position in US\$ currency futures through non-deliverable forwards (NDFs) at an average price of R\$2.2986/US\$, with maturities through March 2010.

Sugar

On December 31, 2009, the São Martinho Group held positions in derivatives and prices fixed with clients and in the futures market in the following volumes:

- 1) Purchase of puts for 118,110 tons of sugar at an average price of US\$ 12.60 cents/pound, combined with the same amount in the sale of calls, at an average price of US\$14.00 cents/pounds, both maturing between May and July 2009.
- 2) Approximately 19,863 tons of sugar was hedged through sales contracts for future delivery between May and July 2009, with prices fixed with clients at an average price of US\$13.42 cents/pound.
- 3) Acquisition of sugar futures contracts equivalent to 7,061 tons at an average price of US\$12.42 cents/pound, with maturity in May 2009.
- 4) In addition, 192,993 tons of sugar was priced through sale contracts for delivery between April and August 2009, at an average price of US\$12.88 cents/pound on the New York Stock Exchange (ICE Futures US).

Net Financial Result

Net Financial Result Breakdown						
R\$ Thousand	4Q09	4Q08	Chg.%	12M09	12M08	Chg.%
Financial Revenue	3,820	7,940	-51.9%	14,811	42,380	-65.1%
Financial Expense	(21,882)	(21,125)	3.6%	(97,077)	(74,794)	29.8%
Hedge Result - Sugar	(1,385)	-	n.m.	9,579	-	n.m.
Exchange Variation	9,465	7,236	n.m.	(90,241)	31,675	n.m.
Copersucar Monetary Variation	(1,863)	(1,548)	20.4%	(9,561)	(7,241)	32.0%
Net Financial Result (*)	(11,845)	(7,497)	58.0%	(172,489)	(7,980)	n.m.
Santa Luiza e Aquidaban Reconciliation	-	(350)	n.m.	-	(967)	n.m.
Net Financial Result	(11,845)	(7,848)	50.9%	(172,489)	(8,948)	n.m.

(*) Excludes the partial consolidation of Usina Santa Luiza and Agropecuária Aquidaban.

São Martinho's net financial expenses increased by 50.9% in 4Q09 in relation to 4Q08. The main factor behind the higher expenses was the increase of R\$378.4 million in net debt in the period.

In fiscal 2009, net financial expenses totaled R\$172.5 million, heavily impacted by the foreign exchange loss of R\$90.2 million resulting from the Company's dollar-denominated debt and short positions in NDFs.



4Q09 Results – 2008/09 Harvest

On March 31, 2009, the Company's dollar-denominated debt and short positions in NDFs stood at approximately US\$248.8 million. Given the current exchange rate (US\$1.00 = R\$1.95), approximately R\$87.1 million should already be reversed, which represents 97% of the accounting loss incurred in fiscal 2009.

In addition, the item "Copersucar Monetary Restatement" refers exclusively to the monetary restatement with no cash effect of the liabilities related to the contingencies currently involved in legal disputes filed by legal counsel at Copersucar.

Note: Due to the adoption of the criteria determined by CPC 14, the São Martinho Group adjusted on September 30, 2008 the opening balances of its assets and liabilities involving derivative financial instruments to provide better comparability with the quarter ended March 31, 2009. Prior to September 30, 2008, the Company adopted the procedure of booking the effects of derivative financial instruments at the time of their respective maturity.

Working Capital

Working Capital R\$ - Million	4Q08	3Q09	4Q09	Chg. 4Q09 x 3Q09	Chg. 4Q09 x 4Q08
ASSETS	309,856	552,405	394,920	-157,485	-85,064
Accounts Receivable	94,225	35,476	45,544	10,068	48,681
Inventories	173,625	467,776	296,404	-171,372	-122,779
Tax Receivable	42,006	49,153	52,972	3,819	-10,966
LIABILITIES	88,833	123,950	120,786	-3,164	-31,953
Suppliers	55,705	88,341	76,150	-12,191	-20,445
Payroll and Social Contribution	23,158	26,506	34,932	8,426	-11,774
Tax Payable	9,970	9,103	9,704	601	266
WORKING CAPITAL	221,023	428,455	274,134	-154,321	-53,111

As shown above, the São Martinho Group invested working capital of R\$274.1 million in its operations in 4Q09, for an increase of R\$53.1 million in relation to 4Q08.

This increase in working capital is basically due to the build in inventories, since in 4Q08, as part of the termination agreement with Copersucar, we sold our entire inventory to the cooperative.

Note that the build in finished-product inventories in 4Q09 is concentrated in sugar. Considering that the products have already been sold and will be entirely shipped between April 2009 and June 2009, next quarter we expect to post stronger sales in relation to the 35,570 tons of sugar sold in 1Q09.

Net Income (Loss)

The São Martinho Group posted net income of R\$33.1 million in 4Q09, compared to R\$0.7 million in 4Q08. The main reasons for this improvement were: 1) the increase of 41.9% in sugar prices in local currency terms, given the combination of better export prices and the depreciation in the Brazilian real versus the U.S. dollar; and 2) the increase of 10.2% in ethanol sales volume.

In fiscal 2009, São Martinho posted a net loss of R\$71.9 million, primarily impacted by the net financial expenses in the period of R\$172.5 million, as detailed in the section "Net Financial Result".



4Q09 Results – 2008/09 Harvest

Debt with Copersucar

On March 31, 2009, the Company recognized debt of R\$218.5 million with Copersucar. In view of the terms negotiated in the process to terminate the membership at Copersucar, we will continue to book under long-term liabilities in the line "Obligations - Copersucar" all liabilities related to the contingencies currently being resolved judicially that were filed by legal counsel at Copersucar. These obligations continue to be secured by sureties in the amount of R\$140.2 million on a consolidated basis.

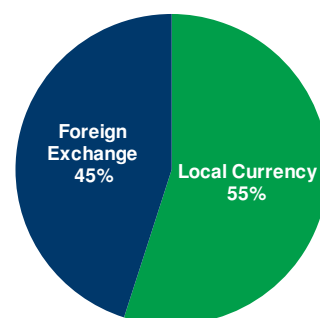
Indebtedness

Indebtedness R\$ Thousand	Mar/09	Mar/08	Chg. %
PESA	79,858	82,818	-3.6%
Rural Credit	42,809	62,174	-31.1%
BNDES / FINAME	523,396	371,925	40.7%
Working Capital	32,671	36,361	-10.1%
ACC (Advances on Foreign Exchange Contracts)	214,280	-	n.m.
PPE (Export prepayment)	237,706	-	n.m.
Others	881	1,120	-21.3%
Total Gross Debt (Market)	1,131,601	554,398	104.1%
<u>Other Financial Liabilities - Copersucar</u>			
Copersucar's Financial Indebtedness	-	84,169	n.m.
Total Copersucar's Debt	-	84,169	n.m.
Gross Debt	1,131,601	638,567	77.2%
Cash and Cash Equivalents	190,063	72,534	162.0%
Net Debt	941,538	566,033	66.3%
Net Debt ex. PESA	861,680	483,215	78.3%

On March 31, 2009, São Martinho's consolidated gross debt stood at R\$1,131 million, an increase of 77.2% from a year earlier.

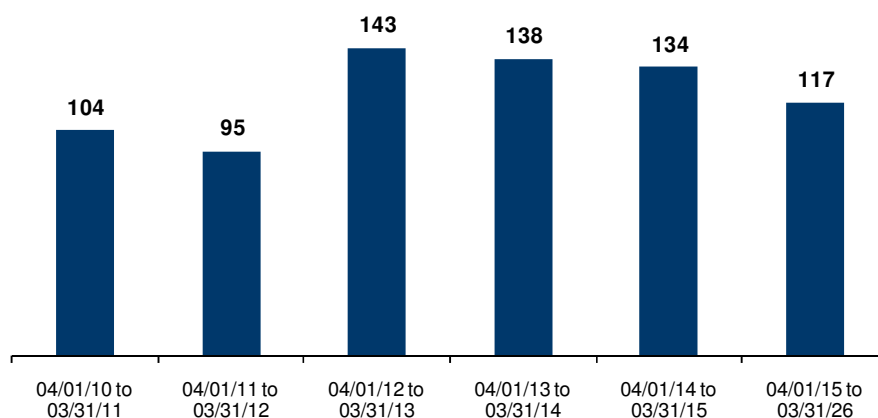
On the same date, cash and cash equivalents amounted to R\$190.0 million, increasing by 162% from the balance of R\$72.5 million recorded on March 31, 2008. The main reasons for this R\$378.5 million increase in net debt (excluding loans restructured under the PESA program) were: 1) the total investment of R\$258.8 million in the Boa Vista Mill over the last 12 months; and 2) the accounting impact (with no cash effect) resulting from the foreign exchange loss of R\$114.8 million.

4Q09 Debt Breakdown





Long Term Debt Repayment Schedule - R\$ MM



The above schedule includes all our PESA bank Debt

CAPEX

In R\$ Thousand						
<i>Capex (Maintenance)</i>	4Q09	4Q08	Chg.%	12M09	12M08	Chg.%
Sugarcane Planting	30,347	23,654	28.3%	81,967	62,429	31.3%
Industrial / Agricultural	63,079	45,758	37.9%	102,158	91,467	11.7%
Sub Total	93,426	69,412	34.6%	184,125	153,896	19.6%
<i>Upgrading, Mechanization and Expansion</i>						
Industrial / Agricultural	-	9,673	n.m.	3,374	20,463	-83.5%
Other	123	251	-51.2%	11,120	1,114	898.2%
Sub Total	123	9,924	-98.8%	14,494	21,577	-32.8%
<i>Boa Vista Mill (Greenfield)</i>						
Sugarcane Planting	13,099	18,913	-30.7%	63,159	64,355	-1.9%
Industrial / Agricultural	28,447	74,271	-61.7%	195,655	279,373	-30.0%
Sub Total	41,546	93,184	-55.4%	258,814	343,728	-24.7%
Total	135,095	172,519	-21.7%	457,433	519,201	-11.9%

The investments of the São Martinho Group in fiscal 2009 were mainly allocated to the expansion of crushing capacity at the Boa Vista Mill, which in the 2009/10 harvest will crush around 2.2 million tons.

Maintenance Capex in fiscal 2009 totaled R\$184.1 million, up 19.6% over 2008. The main Capex increase was in planting, since we expanded the number of hectares rehabilitated in the period. For the coming fiscal year, we expect to invest approximately R\$160 million in maintenance Capex, returning to the historical level of expenses.



Upcoming Events

4Q09 Earnings Conference Call

Portuguese

Date: 07/01/2009

Time: 2:00 pm (Brasília)/ 1:00 p.m. (US EST)

Telephone: +55 (11) 2188-0188

Replay: +55 (11) 2188-0188

Code: São Martinho

Webcast with Slides: www.saomartinho.ind.br/ri

English

Date: 07/01/2009

Time: 3:30 pm (Brasília)/ 2:30 p.m. (US EST)

Telephone: +1 (973) 935-8893

Replay: +1 (706) 645-9291

Code: 14050139

Webcast with Slides: www.saomartinho.ind.br/ir

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Disclaimer

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

About São Martinho

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



Income Statement

São Martinho S.A. - Income Statement						
In R\$ Thousand	4Q09	4Q08	Chg. %	12M09	12M08	Chg. %
	Jan/09 - Mar/09	Jan/08 - Mar/08		Apr/08 - Mar/09	Apr/07 - Mar/08	
Gross Revenue	300,185	257,236	16.7%	867,629	787,424	10.2%
Deductions from Gross Revenue	(32,927)	(25,736)	27.9%	(93,186)	(75,004)	24.2%
Net Revenue	267,258	231,500	15.4%	774,443	712,420	8.7%
Cost of Goods Sold (COGS)	(219,805)	(185,314)	18.6%	(637,041)	(623,583)	2.2%
Gross Profit	47,453	46,186	2.7%	137,402	88,837	54.7%
<i>Gross Margin (%)</i>	<i>17.8%</i>	<i>20.0%</i>	<i>-2.2 p.p</i>	<i>17.7%</i>	<i>12.5%</i>	<i>5.3 p.p</i>
Operating Expenses	(10,374)	(37,135)	-72.1%	(96,729)	(151,160)	-36.0%
Sales Expenses	(9,994)	(11,482)	-13.0%	(34,979)	(42,624)	-17.9%
General and Administrative Expenses	(25,645)	(22,478)	14.1%	(100,176)	(91,223)	9.8%
Management Fees	(1,794)	(1,795)	-0.1%	(8,472)	(8,172)	3.7%
Other Operating Expenses, Net	27,059	(1,380)	n.m.	46,898	(9,141)	n.m.
Operating Profit, before financial effects	37,079	9,051	309.7%	40,673	(62,323)	n.m.
Financial Result, Net	(11,845)	(7,848)	50.9%	(172,489)	(8,948)	n.m.
Financial Revenue	16,976	16,279	4.3%	52,431	78,677	-33.4%
Financial Expenses	(32,048)	(24,280)	32.0%	(154,748)	(88,084)	75.7%
Monetary and Exchange Variation - Assets	19,327	1,214	n.m.	44,653	9,374	376.3%
Monetary and Exchange Variation - Liabilities	(16,100)	(1,061)	n.m.	(114,825)	(8,915)	n.m.
Income (Loss) Before Income and Social Contribution Taxes	25,234	1,203	n.m.	(131,816)	(71,271)	85.0%
Income Tax and Social Contribution - Current	-	(913)	n.m.	(954)	(2,601)	-63.3%
Income Tax and Social Contribution - Deferred	7,316	425	n.m.	54,510	25,078	117.4%
Net Income (Loss) Before Minority Interest	32,550	715	n.m.	(78,260)	(48,794)	60.4%
Minority Interest	604	-	n.m.	6,395	-	n.m.
Net Income	33,154	715	n.m.	(71,865)	(48,794)	47.3%
<i>Net Margin (%)</i>	<i>12.4%</i>	<i>0.3%</i>	<i>12.1 p.p</i>	<i>-9.3%</i>	<i>-6.8%</i>	<i>-2.4 p.p</i>
Net Income (Loss) per Share (in R\$)	0.29	0.01	n.m.	(0.64)	(0.43)	47.3%



Balance Statement (Assets)

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

R\$ Thousand

ASSETS	Mar/09	Mar/08
SHORT-TERM ASSETS		
Cash and Cash Equivalents	190,063	72,534
Accounts Receivable	45,544	-
Accounts Receivable - Copersucar	-	94,225
Derivatives Financial Instruments	6,110	-
Inventories	296,404	173,625
Tax Receivable	52,972	42,006
Other Assets	10,900	15,350
TOTAL SHORT-TERM ASSETS	601,993	397,740
LONG-TERM ASSETS		
Related Parties	3,424	208
Fixed Assets Destined for Sale	520	31,649
Deferred Income Tax and Social Contribution	130,973	95,397
Accounts Receivable - Copersucar	24,092	-
Recoverable Taxes	67,578	17,986
Other Assets	354	8,228
Property Plant and Equipment		
Investments	3,482	167
Fixed Assets	2,481,605	2,292,158
Intangible	40,887	39,006
Deferred	39,784	34,084
TOTAL LONG-TERM ASSETS	2,792,699	2,518,883
TOTAL ASSETS	3,394,692	2,916,623



Balance Statement (Liabilities)

São Martinho S.A. - Consolidated Balance Sheet - LIABILITIES		
R\$ Thousand		
LIABILITIES	Mar/09	Mar/08
SHORT TERM		
Loans and Financing	401,115	144,761
Derivatives Financial Instruments	6,269	-
Suppliers	76,150	55,705
Accounts Payable - Copersucar	2,203	77,446
Payroll and Social Contribution	34,932	23,158
Tax Payable	9,704	9,970
Related Companies	3,277	153
Other Liabilities	25,858	1,620
TOTAL	559,508	312,813
LONG TERM LIABILITIES		
Loans and Financing	730,486	409,637
Accounts Payable - Copersucar	216,369	232,056
Tax Installments	8,963	9,136
Income Tax and Social Contribution	208,477	224,683
Provision for Contingencies	74,127	70,165
Other Liabilities	3,318	1,557
TOTAL	1,241,740	947,234
MINORITY SHAREHOLDERS	18,243	7,611
SHAREHOLDERS' EQUITY		
Capital Stock	360,000	360,000
Capital Reserve	1,117,599	1,161,846
Legal Reserve	5,079	5,079
Capital Budget Reserve	94,422	97,656
Treasury Shares	(1,899)	-
Accumulated Profit (Losses)	-	24,384
TOTAL	1,575,201	1,648,965
TOTAL LIABILITIES	3,394,692	2,916,623



4Q09 Results – 2008/09 Harvest

Cash Flow

São Martinho S.A. - Statement of Cash Flows		
In R\$ Thousand	4Q09	12M09
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income in the period	33,154	(71,865)
Adjustments to reconcile net income to the cash generated on operating activities:		
Depreciation and amortization	64,221	202,506
Residual cost of investment written off	4,684	4,684
Residual cost of fixed assets - write off	2,629	9,691
Financial expenses and exchange variation - related parties, loans and financing and tax payable	19,495	205,924
Provision for contingencies	2,068	12,252
Reversion of the provision for investment losses	(4,684)	-
Write-off (provision) for deferred income tax and social contribution	(6,997)	(54,191)
Adjustment to present value	1,471	4,544
Minority interest	(604)	(6,395)
(Increase) decrease in operating assets:		
Accounts receivable - Copersucar	(8,809)	46,432
Inventories	118,692	(86,019)
Tax receivable	(5,107)	(60,558)
Related parties	(3,165)	(3,216)
Goods for sale	15,764	15,764
Derivative financial instrument	(312)	(6,110)
Other short term assets	(1,984)	4,450
Other non-current assets	5,479	(17,235)
Increase (decrease) in operating liabilities:		
Suppliers	(12,191)	20,422
Wages and social contribution	8,426	11,774
Tax payable	(16)	(4,243)
Tax Installments	(634)	(2,555)
Related parties	2,978	2,825
Other short term liabilities	(2,542)	(15,468)
Provision for contingencies	(10,925)	6,269
Derivative financial instruments	17,549	24,238
Other liabilities	(317)	1,761
Cash flows from operating activities	238,323	245,681
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Investments	65	(3,315)
Fixed assets and deferred acquisition	(137,012)	(431,960)
Cash flows from investment activities	(136,947)	(435,275)
CASH FLOWS FROM FINANCING ACTIVITIES		
Financing - third parties	23,166	774,480
Financing (payments) - Copersucar	(28,733)	(102,615)
Financing (payments) - third parties	(50,448)	(379,870)
Acquisition of own stock for holding in treasury	(78)	(1,899)
Minority interest	-	17,027
Cash flows from financing activities	(56,093)	307,123
INCREASE IN CASH AND CASH EQUIVALENTS BALANCE	45,283	117,529
CASH AND CASH EQUIVALENTS		
Initial balance	144,780	72,534
Final balance	190,063	190,063
INCREASE IN CASH AND CASH EQUIVALENTS BALANCE	45,283	117,529
ADDITIONAL INFORMATION		
Interest paid during the quarter	10,970	48,259
	20,331	20,331
Suppliers payable related to fixed assets acquisition	727	4,658