(A free translation of the original in Portuguese)

São Martinho S.A.

Parent Company and Consolidated Financial Statements at March 31, 2011 and Independent Auditor's Report

(A free translation of the original in Portuguese)

Independent Auditor's Report

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

We have audited the accompanying financial statements of São Martinho S.A. ("Parent company"), which comprise the balance sheet as at March 31, 2011 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We have also audited the accompanying consolidated financial statements of São Martinho S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at March 31, 2011 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with accounting practices adopted in Brazil, and for the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

São Martinho S.A.

Opinion on the parent company financial statements

In our opinion, the parent company financial statements referred to above present fairly, in all material respects, the financial position of São Martinho S.A. as at March 31, 2011, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of São Martinho S.A. and its subsidiaries as at March 31, 2011, and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil.

Emphasis of matter

As discussed in Note 2 to these financial statements, the parent company financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of São Martinho S.A., these practices differ from IFRS applicable to separate financial statements only in relation to the measurement of investments in subsidiaries and jointly-controlled entities based on equity accounting, while IFRS requires measurement based on cost or fair value.

Other matters
Statements of value added

We also have audited the parent company and consolidated statements of value added for the year ended March 31, 2011, the presentation of which is required by the Brazilian corporate legislation for listed companies, but is considered supplementary information for IFRS purposes. These statements were subject to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Ribeirão Preto, June 28, 2011

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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

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São Martinho S.A.

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

Assets	Note	Parent company March 31, 2011	Parent company March 31, 2010	Parent company April 1, 2009	Consolidated March 31, 2011	Consolidated March 31, 2010	Consolidated April 1, 2009
Current assets							
Cash and cash equivalents	**7**	116,461	24,200	28,676	225,067	130,634	190,063
Trade receivables	**8**	50,439	10,956	9,980	59,673	41,628	45,544
Derivative financial instruments	**29**	5,967	32,219	942	5,967	58,404	4,670
Inventories	**9**	116,042	22,525	31,191	139,106	105,069	179,314
Taxes recoverable	**10**	12,650	10,774	8,266	33,520	59,748	41,545
Income tax and social contribution	**25**	1,023	5,002	5,596	5,037	12,026	11,427
Dividends receivable			10,329				
Other assets	**12**	4,958	1,449	2,641	5,692	6,086	10,900
		307,540	117,454	87,292	474,062	413,595	483,463
Non-current assets							
Long-term receivables							
Related parties	**11**	4,833	9,118	16,420	33	211	3,424
Deferred income tax and social contribution	**25**	86,068	51,005	39,260	132,676	148,038	170,224
Trade receivables - Copersucar		9,749	1,073	6,435	9,939	4,020	24,092
Taxes recoverable	**10**	14,354	6,195	8,158	37,220	47,390	67,578
Judicial deposits	**28**	30,564	5,624	4,827	32,367	28,580	32,644
Other assets	**12**	5,619	3,434	3,434	7,101	3,731	4,321
		151,187	76,449	78,534	219,336	231,970	302,283
Investments	**13**	1,179,411	1,371,773	1,244,838			
Biological assets	**14**	342,152	89,693	109,811	435,532	461,952	406,872
Property, plant and equipment	**15**	1,328,183	792,422	794,900	2,864,761	3,042,759	3,015,073
Intangible assets	**16**	35,846	208	262	36,726	37,167	37,887
		3,036,779	2,330,545	2,228,345	3,556,355	3,773,848	3,762,115
Total assets		3,344,319	2,447,999	2,315,637	4,030,417	4,187,443	4,245,578

Liabilities and equity	Note	Parent company March 31, 2011	Parent company March 31, 2010	Parent company April 1, 2009	Consolidated March 31, 2011	Consolidated March 31, 2010	Consolidated April 1, 2009
Current liabilities							
Borrowings	**17**	80,291	87,811	87,054	140,982	326,746	401,115
Derivative financial instruments	**29**	25,910			25,910		4,829
Trade payables	**18**	46,642	16,985	16,916	61,096	74,172	76,150
Payables to Copersucar	**19**	2,040	589	589	2,203	2,203	2,203
Salaries and social charges		37,015	9,036	7,300	44,000	41,546	34,932
Taxes payable		18,294	3,005	4,286	20,343	16,602	9,704
Income tax and social contribution	**25**	829			829		
Related parties	**11**	33	3,944	15,632	705	123	3,277
Dividends payable	**22(e)**	9,180	6,469		9,180	6,469	
Advances from customers		14,455	421	1,704	14,475	439	10,875
Other liabilities	**21**	21,398	1,855	5,781	21,137	12,914	14,983
		256,087	130,115	139,262	340,860	481,214	558,068
Non-current liabilities							
Borrowings	**17**	335,790	46,910	41,099	570,711	628,393	730,486
Payables to Copersucar	**19**	201,650	51,229	57,507	207,645	194,042	216,369
Taxes payable in installments	**20**	54,910	14,371	8,963	55,833	47,213	8,963
Deferred income tax and social contribution	**25**	461,942	277,106	268,153	817,127	843,762	822,943
Provision for contingencies	**28**	70,043	17,423	13,666	74,284	67,889	106,771
Other liabilities	**21**	10,411	1,454	2,160	10,471	15,539	3,318
		1,134,746	408,493	391,548	1,736,071	1,796,838	1,888,850
Equity	**22**						
Share capital		455,900	360,000	360,000	455,900	360,000	360,000
Carrying value adjustments		1,304,969	1,403,668	1,399,007	1,304,969	1,403,668	1,399,007
Revenue reserves		194,516	218,631	101,002	194,516	218,631	101,002
Treasury shares		(1,899)	(1,899)	(1,899)	(1,899)	(1,899)	(1,899)
Retained earnings (accumulated deficit)			(71,009)	(73,283)		(71,009)	(73,283)
		1,953,486	1,909,391	1,784,827	1,953,486	1,909,391	1,784,827
Non-controlling interests							13,833
Total liabilities and equity		3,344,319	2,447,999	2,315,637	4,030,417	4,187,443	4,245,578

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

São Martinho S.A.

Statement of Income
Years Ended March 31
All amounts in thousands of reais unless otherwise stated (A free translation of the original in Portuguese)

	Note	Parent company		Consolidated	
		2011	**2010**	**2011**	**2010**
Revenue	31	569,836	267,838	1,295,046	1,183,286
Cost of sales	32	(382,639)	(242,967)	(895,702)	(895,775)
Gross profit		187,197	24,871	399,344	287,511
Operating income (expenses)					
Selling expenses	32	(19,671)	(9,649)	(58,205)	(61,453)
General and administrative expenses	32	(43,912)	(26,816)	(101,130)	(96,120)
Equity in the earnings of subsidiaries	13	79,002	129,005		
Other income (expenses), net	33	(15,025)	(4,442)	(4,244)	(791)
		394	88,098	(163,579)	(158,364)
Operating profit		187,591	112,969	235,765	129,147
Finance result	34				
Finance income		22,501	41,711	39,473	104,629
Finance costs		(42,674)	(76,239)	(101,607)	(171,209)
Monetary and foreign exchange variations, net		6,556	8,788	23,465	83,297
		(13,617)	(25,740)	(38,669)	16,717
Profit before taxation		173,974	87,229	197,096	145,864
Income tax and social contribution on net income	25(b)				
For the year		(25,193)		(59,496)	(21,014)
Deferred		(6,493)	16,450	4,688	(18,852)
Profit for the year		142,288	103,679	142,288	105,998
Profit attributable to:					
Stockholders of the Company					103,679
Non-controlling interests					2,319
					105,998
Basic and diluted earnings per share - R$	35			1.26	0.92

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

São Martinho S.A.

Statement of Comprehensive Income
Years Ended March 31
All amounts in thousands of reais unless otherwise stated (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2011	2010	2011	2010
Profit for the year	142,288	103,679	142,288	105,998
Other comprehensive income				
Gains (losses) on derivative transactions - hedge accounting	(61,121)	45,821	(61,121)	45,821
Total comprehensive income for the year	81,167	149,500	81,167	151,819
Profit attributable to:				
Stockholders of the Company				149,500
Non-controlling interests				2,319
				151,819

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São Martinho S.A.

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

		Attributable to stockholders of the Parent company											
			Carrying value adjustments										
			Deemed cost		Results of derivative transactions - hedge accounting		Revenue reserves						
	Note	Share capital	Own	Subsidiaries	Own	Subsidiaries	Legal reserve	Capital budget	Additional dividends	Treasury shares	Retained earnings (accumulated deficit)	Total	Non-controlling interests	Total equity
At April 1, 2009		360,000	437,094	961,913			5,079	95,923		(1,899)	(73,283)	1,784,827	13,833	1,798,660
Realization of the deemed cost surplus	22(c)		(13,665)	(27,359)							41,024			
Gains on derivative transactions - hedge accounting	22(c)				25,458	20,363						45,821		45,821
Adjustment due to increase in ownership interest	1.2			(136)								(136)	(16,152)	(16,288)
Profit for the year											103,679	103,679	2,319	105,998
Allocation of profit:														
Transfer to reserves	22(d)						4,652	104,139			(108,791)			
Mandatory minimum dividend	22(e)										(6,469)	(6,469)		(6,469)
Additional dividend proposed	22(e)								8,838		(8,838)			
Distribution of interest on capital	22(e)										(18,331)	(18,331)		(18,331)
At March 31, 2010		360,000	423,429	934,418	25,458	20,363	9,731	200,062	8,838	(1,899)	(71,009)	1,909,391		1,909,391
Prior-year additional dividends paid									(8,838)			(8,838)		(8,838)
Realization of the deemed cost surplus	22(c)		(21,087)	(16,995)							38,082			
Losses on derivative transactions - hedge accounting	22(c)				(40,758)	(20,363)						(61,121)		(61,121)
Capital increase with reserve	22(d)	95,900						(95,900)						
Merger of the deemed cost of USM	1.7		105,694	(105,694)										
Adjustment due to decrease in holding in subsidiary				504								504		504
Profit for the year											142,288	142,288		142,288
Allocation of profit:														
Transfer to reserves	22(d)						5,468	54,093			(59,561)			
Mandatory minimum dividend	22(e)										(9,180)	(9,180)		(9,180)
Additional dividend proposed	22(e)								21,062		(21,062)			
Distribution of interest on capital	22(e)										(19,558)	(19,558)		(19,558)
At March 31, 2011		455,900	508,036	812,233	(15,300)		15,199	158,255	21,062	(1,899)		1,953,486		1,953,486

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

São Martinho S.A.

Statement of Cash Flows
Years Ended March 31
All amounts in thousands of reais (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2011	**2010**	**2011**	**2010**
Cash flows from operating activities				
Profit for the year	142,288	103,679	142,288	105,998
Adjustments				
Depreciation and amortization	95,881	37,412	143,587	154,527
Harvested biological assets (depreciation)	47,012	46,943	186,773	179,381
Changes in the fair value of biological assets	11,516	24,373	34,298	(7,241)
Equity in the earnings of subsidiaries	(79,002)	(129,005)		
Capital gain on investment in jointly-controlled subsidiary	(8,533)		(24,666)	
Residual cost of investment and property, plant and equipment disposals	2,244	1,161	5,200	3,017
Interest, monetary and foreign exchange variations, net	13,757	20,801	56,279	(27,237)
Recording (reversal) of provision for contingencies, net	20,494	2,163	22,394	8,008
Deferred income tax and social contribution	6,493	(16,450)	(4,688)	18,852
Installment program - Law 11941		5,358		(3,659)
Provision for inventory losses			3,799	(6,347)
Adjustments to present value and others	1,686	1,404	(1,743)	2,980
	253,836	97,839	563,521	428,279
Changes in assets and liabilities				
Trade receivables	(12,981)	(1,026)	(25,068)	3,178
Inventories	127,651	14,721	(41,955)	101,108
Taxes recoverable	12,882	93	28,636	2,833
Related parties	(5,406)	7,561	340	59
Other assets	(1,503)	6,554	(6,129)	25,147
Trade payables	(93,425)	(4,963)	(4,927)	(32,936)
Salaries and social charges	(2,796)	1,321	6,269	3,932
Taxes payable	16,307	(680)	26,649	25,984
Taxes payable in installments	2,002	(878)	3,467	(335)
Provision for contingencies - settlements	(8,584)	(1,323)	(18,033)	(7,581)
Other liabilities	10,230	(5,915)	17,707	(378)
Cash from operations	298,213	113,304	550,477	549,290
Interest paid	(13,796)	(23,339)	(50,594)	(82,860)
Income tax and social contribution paid	(11,233)	(1,191)	(23,878)	(21,163)
Net cash provided by operating activities	273,184	88,774	476,005	445,267
Cash flows from investing activities				
Financial resources used in investments	410		410	(22,460)
Additions to property, plant and equipment and intangible assets	(91,686)	(36,440)	(223,103)	(165,384)
Additions to biological assets (crop planting and treatment)	(96,159)	(51,075)	(235,828)	(228,586)
Receipt of loans to related parties	3	3,275		
Cash and cash equivalents of merged subsidiary - USM	65,004			
Increase in cash and cash equivalents due to decrease in investment in NF			143,165	
Dividends and interest on capital received	119,576	11,965		
Net cash used in investing activities	(2,852)	(72,275)	(315,356)	(416,430)
Cash flows from financing activities				
Derivative financial instruments	(6,504)	(12,214)	(34,789)	(4,488)
Borrowings received - third parties	51,458	135,000	571,483	610,008
Repayment of borrowings - Copersucar	(3,189)	(7,324)	(5,807)	(26,491)
Repayment of borrowings - third parties	(184,971)	(101,008)	(562,583)	(648,964)
Payment of loans from related parties - loans		(17,098)	(103)	
Advances for future capital increase			448	
Payment of dividends and interest on capital	(34,865)	(18,331)	(34,865)	(18,331)
Net cash used in financing activities	(178,071)	(20,975)	(66,216)	(88,266)
Increase (decrease) in cash and cash equivalents	92,261	(4,476)	94,433	(59,429)
Cash and cash equivalents at the beginning of the year	24,200	28,676	130,634	190,063
Cash and cash equivalents at the end of the year	116,461	24,200	225,067	130,634

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

São Martinho S.A.

Statement of Value Added
Years Ended March 31
All amounts in thousands of reais (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2011	**2010**	**2011**	**2010**
Revenue				
Gross sales of products and goods	607,002	292,109	1,384,139	1,279,697
Revenue from the construction of own assets	150,227	65,727	309,649	285,418
Reversal of the provision for doubtful trade receivables			(15)	
Other income	4,343	2,698	6,202	5,402
	761,572	360,534	1,699,975	1,570,517
Inputs acquired from third parties				
Cost of products and goods sold	(152,335)	(67,831)	(362,830)	(362,609)
Materials, energy, outsourced services and others	(186,596)	(139,337)	(457,470)	(431,428)
Recovery (impairment) of assets			(3,781)	3,603
	(338,931)	(207,168)	(824,081)	(790,434)
Gross value added	422,641	153,366	875,894	780,083
Depreciation and amortization	(95,881)	(37,412)	(143,587)	(154,527)
Harvested biological assets (depreciation)	(47,012)	(46,943)	(186,773)	(179,381)
Net value added generated by the entity	279,748	69,011	545,534	446,175
Value added received through transfer				
Equity in the earnings of subsidiaries	79,002	129,005		
Finance income	49,642	67,053	120,324	270,851
Other	8,323	79	25,375	(3,338)
Total value added to distribute	416,715	265,148	691,233	713,688
Distribution of value added				
Personnel and payroll charges				
Direct remuneration	79,865	46,282	171,049	182,816
Benefits	33,656	11,363	59,855	51,092
Government Severance Indemnity Fund for Employees (FGTS)	6,937	4,138	15,074	15,112
Management fees	7,539	5,060	10,742	10,562
Taxes and contributions				
Federal	49,508	387	90,292	73,316
State	23,575	603	34,869	22,461
Municipal	67	33	306	261
Less: state tax incentives			(8,554)	(9,581)
Creditors				
Interest	24,435	15,313	70,267	70,106
Rentals	2,552	229	2,845	503
Foreign exchange differences	20,585	16,554	57,386	82,925
Other	25,708	61,507	44,814	108,117
Interest on capital	19,558	18,331	19,558	18,331
Dividends	9,180	6,469	9,180	6,469
Profits retained for the year	113,550	78,879	113,550	78,879
Non-controlling interests				2,319
Value added distributed	416,715	265,148	691,233	713,688

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

1 OPERATIONS

1.1 General Information

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

Approximately 55% of the sugar cane used in the production of the products derives from the Company's own plantations, from that of stockholders, related companies and agricultural partnerships, and the remaining 45% from third-party suppliers.

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

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

As part of its strategic objectives, the Company maintains investments in the following subsidiaries and jointly-controlled subsidiaries - Notes 2.2 and 13.1:

- Vale do Mogi Empreendimentos Imobiliários S.A. ("Vale do Mogi"), current corporate name of Usina São Martinho S.A. ("USM");
- Nova Fronteira Bioenergia S.A. ("NF") and its subsidiaries:
  - Usina Boa Vista S.A. ("UBV"); and
  - SMBJ Agroindustrial S.A. ("SMBJ");
- Omtek Indústria e Comércio Ltda. ("Omtek");
- SMA Indústria Química S.A. ("SMA"); and
- Usina Santa Luiza S.A. ("USL")

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

The issue of these financial statements was approved by the Company's Board of Directors on June 28, 2011.

1.2 Acquisition by USM of the investment held by Mitsubishi Corporation in UBV

On November 24, 2009, USM acquired 24,199,999 common shares of UBV from Mitsubishi Corporation ("MC"), (equivalent to 10% of its capital), thus increasing its ownership interest in UBV's share capital to 51.55%(and to 100% on a consolidated basis), for R$ 24,329, of which R$ 7,036 was paid on signing the agreement and R$ 17,293 to be paid over a five-year period. As a result, the Group no longer has the account "Non-controlling interests" in its consolidated financial statements.

The balance payable will be restated based on the variation of the U.S. dollar, plus interest of approximately 3% p.a.

All amounts in thousands of reais unless otherwise stated

1.3 Capital increase and holding in UBV

At the Board of Directors' Meeting held on February 26, 2010, an increase of R$ 172,288 in UBV's capital was approved through the subscription of 172,288,000 new common shares, increasing the subsidiary's capital from R$ 242,000 to R$ 414,288. The payment was made by USM through the capitalization of advances for future capital increase.

As a result of this change, the Company reduced its holding in UBV from 48.45% to 28.30%. This decrease in the percentage holding generated a gain calculated based on the accumulated losses of UBV up to March 31, 2009, which had no net effect on the Company's equity since this amount is equivalent to the loss recorded by the wholly-owned subsidiary USM, calculated as follows:

Company's holding in UBV at March 31, 2009	48.45%
Company's holding in UBV at March 31, 2010	28.30%
Loss of percentage holding due to non-payment of capital	20.15%
Losses of UBV up to March 31, 2009	(108,063)
Gain arising from the decrease in holding in UBV	21,772

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

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

1.5 Formation and capital increase in NF

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

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

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

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

All amounts in thousands of reais unless otherwise stated

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

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

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

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

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

All amounts in thousands of reais unless otherwise stated

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

At the Extraordinary General Meeting held on December 1, 2010, the stockholders approved the partial spin-off of the assets and liabilities of USM, based on an appraisal report at book value as of October 31, 2010, conducted by independent appraisers, with the net assets spun-off being merged by the Company. The objective of this transaction was to reorganize the operating activities of the companies, centralizing in the Company the operating activities of processing, production and sale of sugar, ethanol and its by-products, as well as the cogeneration of electricity, and the properties (land) were concentrated in USM. This transaction will improve the operational efficiency, especially in the financial and tax areas, and optimize the access to capital, aiming at higher levels of competitiveness and productivity. After the partial spin-off of its assets and liabilities, USM changed its corporate name to Vale do Mogi Empreendimentos Imobiliários S.A. The net assets spun off by USM and merged by the Company, including the equity variations up to November 30, 2010, as well as the effects arising from the adoption of the new CPCs/IFRS were as follows:

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the "deemed cost" of land and buildings, machinery, and industrial and agricultural equipment and vehicles on the transition date to IFRS/CPCs, and financial assets and financial liabilities (including derivative instruments) and biological assets at fair value through profit or loss.

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

(a) Consolidated financial statements

The consolidated financial statements have been prepared and are being presented in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPCs).

The consolidated financial statements have also been prepared and are being presented in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board. These are the first financial statements presented by the Company in accordance with CPCs and IFRS. The main differences between the accounting practices earlier adopted in Brazil (former BR GAAP) and CPCs/IFRS, including the reconciliation of equity and profit or loss, are described in Note 38.

(b) Parent company financial statements

The individual financial statements of the parent company have been prepared in accordance with accounting practices adopted in Brazil issued by the CPC and are disclosed together with the consolidated financial statements.

2.2 Consolidation

(a) Consolidated financial statements

The following accounting policies are applied in the preparation of the consolidated financial statements.

(i) Subsidiaries and jointly-controlled subsidiaries

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

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

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

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

Company	Main activities
Vale do Mogi (former USM) - 100% holding.	Agricultural activity: sugar cane processing from own production and production purchased from third parties; production and sale of sugar, ethanol and their byproducts; cogeneration of electricity; agricultural production and investments in other companies. After the spin-off described in Note 1.7, the company is engaged in leasing land and conducting agricultural partnerships.
Omtek - 100% holding.	Sodium salt processing and sale in the foreign market. The operating cycle is the same as that of the parent company, which is responsible for supplying (under specific conditions) sugar cane molasses, steam and electricity, which are the inputs necessary for the company's production.
SMA - 50% holding in capital.	Production and sale of high-performance renewable chemicals, as well as other related products.
USL - 41.67 % holding in capital.	Rendering of warehousing services.

All amounts in thousands of reais unless otherwise stated

Company	Main activities
NF - 62.89% holding in capital, based on paid-up capital.	Investments in other Brazilian or foreign companies, as well as management and trading of its own assets.
UBV - wholly-owned subsidiary of NF. At March 31, 2010, the Company held 28.30% (100% including the holding of USM).	Agricultural activity: sugar cane processing from own production and production purchased from third parties; production and sale of ethanol and by-products; cogeneration of electricity and agricultural production.
SMBJ - wholly-owned subsidiary of NF and wholly-owned subsidiary of USM at March 31, 2010.	Agricultural activity: sugar cane processing from own production and production purchased from third parties; production and sale of sugar, ethanol and their byproducts; cogeneration of electricity; agribusiness production; import and export of goods, products and raw materials; and investments in other companies.

The summarized statements of the companies proportionally consolidated (jointly-controlled subsidiaries) by the Company, which, up to November 2010, were consolidated by USM are as follows.

- NF - 100% holding in capital up to November 2010 (direct and indirectly). In December, after the transaction described in Note 1.5 above, the entire holding of the São Martinho Group in this company was centralized in the Company, which now holds 50.95% of the investment, considering all the subscribed shares, and 62.89% considering all the paid-up shares up to March 31, 2011. Up to November 2010, the related proportional consolidation was carried out through USM (currently Vale do Mogi) (Note 1.7). The main account groups of this jointly-controlled subsidiary presented the following balances:

	3/31/2011
Current assets	240,266
Non-current assets:	
Long-term receivables	95,482
Investments, biological assets, property, plant and equipment and intangible assets	801,400
Total assets	1,137,148
Current liabilities	138,172
Non-current liabilities	375,124
Equity	623,852
Total liabilities and equity	1,137,148
Net sales revenue	153,875
Operating costs and expenses	(136,379)
Operating loss before taxation	(3,687)
Loss for the year	(820)

All amounts in thousands of reais unless otherwise stated

The financial statements of NF are consolidated prior to the consolidation made by the Company, using accounting practices and consolidation criteria consistent with those used by the Company, and comprise the following subsidiaries:

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

- SMA - 50% holding in capital (proportional consolidation). The main account groups of this jointly-controlled subsidiary presented the following balances:

	3/31/2011
Current assets	107
Non-current assets	
Property, plant and equipment and intangible assets	1,370
Total assets	1,477
Current liabilities	1,434
Equity	43
Total liabilities and equity	1,477

- Usina Santa Luiza S.A. ("USL") - 41.67% holding (proportional consolidation). Up to November 2010, the related proportional consolidation was carried out through USM (currently Vale do Mogi) (Note 1.7). The main account groups of this jointly-controlled subsidiary present the following balances:

	3/31/2011	3/31/2010
Current assets	4,424	4,476
Non-current assets:		
Long-term receivables	1,041	294
Investments, property, plant and equipment and intangible assets	6,743	7,310
Total assets	12,208	12,080
Current liabilities	1,761	1,447
Non-current liabilities	21,388	24,624
Advances for future capital increase	3,800	3,400
Net capital deficiency	(14,741)	(17,391)
Total liabilities and net capital deficiency	12,208	12,080
Net sales revenue	646	1,184
Operating costs and expenses	(1,186)	(9,762)
Operating loss	(859)	(9,762)
Loss for the year	(150)	(13,340)

All amounts in thousands of reais unless otherwise stated

- Mogi - 46.02% holding in capital (proportional consolidation) up to October 2010, when the company's assets and liabilities were fully spun off (Note 1.6). The main account groups of this jointly-controlled subsidiary presented the following balances:

	9/30/2010	3/31/2010
Current assets	18	1
Non-current assets:		
Long-term receivables	389	529
Property, plant and equipment	57,140	57,147
Total assets	57.547	57.677
Current liabilities	100	3
Equity	57,447	57,674
Total liabilities and equity	57.547	57,677
Loss for the period/year	(22)	(170)

(ii) Transactions and non-controlling interests

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

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

(b) Parent company financial statements

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income, and presented as " Monetary and foreign exchange variations, net (Note 34)", except when deferred in equity as qualifying cash flow hedges.

2.5 Cash and cash equivalents

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

2.6 Financial assets

2.6.1 Classification

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

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

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables comprise "Trade receivables and other assets" and a portion of "Cash and cash equivalents" in the balance sheet (Notes 7 and 8).

2.6.2 Recognition and measurement

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

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

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

2.6.3 Offsetting financial instruments

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

2.6.4 Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

The Company first assesses whether objective evidence of impairment exists.

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

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

2.7 Derivative financial instruments

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

Up to February 2010, the Company and its subsidiaries did not designate any instruments as hedges for accounting purposes, even though they used derivatives for protection, and for this reason the related changes in fair value of derivatives were recorded in the statement of income within "Finance result". As from March 1, 2010, the Company and its subsidiaries opted to use hedge accounting to record their derivative financial instruments used for protection.

The Group's derivatives used for hedge accounting comprise only cash flows, with transactions described in Note 29.

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

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

The fair value of derivative instruments is disclosed in Note 29.

2.8 Trade receivables

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

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

2.9 Inventories

Inventories are stated at average purchase or production cost, adjusted by the provision for reduction to replacement and/or realizable values, when necessary. The cost of finished products comprises expenses incurred on purchase and general production expenses. Costs incurred in the maintenance of sugar cane crops (crop treatment) are appropriated to the harvests under development and recorded in "Biological assets" - Note 14.

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

2.10 Current and deferred income tax and social contribution on net income

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

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

2.11 Judicial deposits

Judicial deposits are monetarily restated and presented in non-current assets. The related liabilities in dispute are described in Note 28.

2.12 Investments

Investments in subsidiaries and jointly-controlled subsidiaries are recorded on the equity method of accounting, based on financial statements prepared as of the same base date as the Company's financial statements, as stated in Note 13.

2.13 Biological assets

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

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

The significant assumptions used to determine the fair value of these biological assets are described in Note 14.

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

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

2.14 Property, plant and equipment

Property, plant and equipment are recorded at purchase or construction cost, increased by the deemed cost surplus of land, machinery and industrial and agricultural equipment and vehicles, when applicable. Depreciation is calculated on the straight-line method at the average annual rates mentioned in Note 15. Land is not depreciated.

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

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

The Company opted to state certain of its property, plant and equipment items at deemed cost on the transition date to CPCs/IFRS (April 1, 2009). The effects of the adoption of the deemed cost increased property, plant and equipment in relation to equity, net of deferred taxes (Note 15 (a)).

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

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

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

2.15 Intangible assets

(i) Goodwill/negative goodwill

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

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

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

(ii) Computer programs (software)

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

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

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

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

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

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

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

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

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

2.16 Impairment of non-financial assets

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

2.17 Leases

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

2.18 Provisions

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

2.19 Borrowings

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

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

2.20 Other current and non-current assets and liabilities

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

2.21 Revenue recognition and determination of profit

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

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

(i) Sales of goods

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

(ii) Interest income

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

(iii) Other income and expenses/costs

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

3.1 Critical accounting estimates and assumptions

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

(a) Provision for doubtful trade receivables

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

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

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

(c) Fair value of biological assets

The fair value of the biological assets of the Company and its subsidiaries represents the present value of estimated net cash flows relating to these biological assets, determined by application of assumptions established in discounted cash flow models, as mentioned in Note 14.

(d) Income tax, social contribution on net income and other taxes

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

(e) Fair value of derivatives and other financial instruments

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

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

(f) Provision for contingencies

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

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

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

4 ACCOUNTING PRONOUNCEMENTS AND INTERPRETATIONS OF STANDARDS THAT ARE NOT YET EFFECTIVE

(a) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company and its subsidiaries

The following standards and amendments to existing standards have been published and are mandatory for the accounting periods of the Company and its subsidiaries beginning on or after April 1, 2011 or later periods, but the Company and its subsidiaries have not early adopted them.

- IAS 24 (revised), "Related party disclosures", issued in November 2009, which supersedes IAS 24, "Related party disclosures", issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. Earlier application, in whole or in part, is permitted.

  The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Company and its subsidiaries will apply the revised standard as from April 1, 2011. When the revised standard is applied, the Company and its subsidiaries will need to disclose any transactions between its subsidiary and associated companies.

- IFRS 9, "Financial instruments", issued in November 2009. This standard is the first step in the process to replace IAS 39, "Financial instruments: recognition and measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the accounting of the Company and its subsidiaries for their financial assets. The standard is not applicable until January 1, 2013 but is available for early adoption.

- IFRS 10, "Consolidated financial statements". This standard establishes principles for the preparation and presentation of consolidated financial statements when an entity controls one or more entities. IFRS 10 replaces the consolidation requirements of SIC-12, "Consolidation - Special Purpose Entities", and IAS 27, "Consolidated and separate financial statements", and is effective for years beginning on or after January 1, 2013. Earlier application is permitted. The Company is analyzing the impact of the adoption of IFRS 10 on its consolidated financial statements.

- IFRS 11, "Joint arrangements". This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 11 replaced IAS 31 "Interests in joint ventures" and SIC-13 "Jointly controlled entities - non-monetary contributions by venturers", and is effective for years beginning on or after January 1, 2013. Earlier application is permitted. The Company is analyzing the possible effects arising from the adoption of this standard.

- IFRS 12, "Disclosure of interests in other entities". This is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is analyzing the possible effects arising from the adoption of this standard.

- IFRS 13, "Fair value measurement". This standard establishes new guidance on fair value measurement and disclosure requirements for International Financial Reporting Standards (IFRS) and generally accepted accounting principles in the United States (US GAAP). IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is analyzing the possible effects arising from the adoption of this standard.

- "Prepayments of a minimum funding requirement" (amendments to IFRIC 14). The amendments correct an unintended consequence of IFRIC 14, "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction". Without the amendments, entities are not permitted to recognize as an asset certain voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning on or after January 1, 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The Company is analyzing the possible effects arising from the adoption of this standard.

- IFRIC 19, "Extinguishing financial liabilities with equity instruments", effective July 1, 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Company and its subsidiaries will apply the interpretation as from April 1, 2011. It is not expected to have any impact on the financial statements.

(b) Improvements to IFRSs in 2010

The amendments are generally applicable for annual periods beginning after January 1, 2011 unless otherwise stated. Although permitted by IASB, early adoption is not available in Brazil. The improvements are related to the following standards:

- IFRS 1, "First-time adoption of International Financial Reporting Standards";
- IFRS 3, "Business combinations";
- IFRS 7, "Financial instruments";
- IAS 1, "Presentation of financial statements";
- IAS 27, "Consolidated and separate financial statements";
- IAS 34, "Interim financial reporting"; and
- IFRIC 13, "Customer loyalty programs".

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

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

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

5.2 Foreign exchange risk

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

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

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

All amounts in thousands of reais unless otherwise stated

5.2.1 Assets and liabilities subject to foreign exchange variations

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

Current assets	**R$**	**Thousands of US$ equivalents**
Cash and cash equivalents (banks - demand deposits)	9,153	5,623
Trade receivables	15,562	9,560
Total assets	24,715	15,183
Liabilities		
Current liabilities:		
Borrowings	(4,998)	(3,069)
Derivative financial instruments	(19,943)	(12,245)
Trade payables	(45)	(28)
Other liabilities	(18,695)	(11,478)
Non-current liabilities:		
Borrowings	(290,539)	(178,387)
Total liabilities	(334,220)	(205,207)
Net exposure - liabilities	(309,505)	(190,024)

These assets and liabilities were adjusted and recorded in the financial statements at March 31, 2011 at the exchange rate in effect on that date, of R$ 1.6279 per US$ 1.00 for assets and R$ 1.6287 per US$ 1.00 for liabilities.

The balance of short-term borrowings, totaling R$ 4,998, refers mainly to Advances on Foreign Exchange Contracts (ACC), maturing in April 2011, which are linked to product exports. The balance of long-term borrowings, of R$ 290,539, refers mainly to U.S. dollar-denominated export prepayment loans, raised by the Company with international financial institutions, maturing in four (4) years.

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

5.3 Volatility risk of commodity price

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

At March 31, 2011, the prices of 101,051 metric tons of sugar were hedged by forecast sales contracts for future delivery for the period between April 2011 and March 2012, priced at an average of 22.70 ¢/lb (cents per pound weight) with the New York - ICE Futures US Exchange.

5.4 Cash flow and fair value interest rate risk

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

5.5 Credit risk

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

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

5.6 Liquidity risk

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

Surplus cash held by the operating entities over and above the balance required for working capital management is invested in interest-earning current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At March 31, 2011, the Company and its subsidiaries had financial investments consisting mainly of repurchase agreements backed by government securities and fixed-income funds, indexed to the Interbank Deposit Certificates (CDI) interest rate, with high liquidity and trading in the market, in the amount of R$ 204,130 (2010 - R$ 38,512), that are expected to readily generate cash inflows for managing liquidity risk.

All amounts in thousands of reais unless otherwise stated

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

	Parent company			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At March 31, 2011				
Borrowings	80,291	72,062	243,015	20,713
Derivative financial instruments	25,910			
Trade payables	46,642			
Related parties	33			
Other liabilities	21,398	4,845	5,566	
At March 31, 2010				
Borrowings	87,811	21,014	14,646	11,250
Derivative financial instruments				
Trade payables	16,985			
Related parties	3,944			
Other liabilities	1,855	1,454		
At April 1, 2009				
Borrowings	87,054	12,030	16,153	12,916
Trade payables	16,916			
Related parties	15,632			
Other liabilities	5,781	2,160		

	Consolidated			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At March 31, 2011				
Borrowings	140,982	130,467	371,715	68,529
Derivative financial instruments	25,910			
Trade payables	61,096			
Related parties	705			
Other liabilities	21,137	4,598	5,873	
At March 31, 2010				
Borrowings	326,746	157,192	402,223	68,978
Derivative financial instruments				
Trade payables	74,172			
Related parties	123			
Other liabilities	12,914	5,805	9,734	
At April 1, 2009				
Borrowings	401,115	104,332	375,256	250,898
Derivative financial instruments	4,829			
Trade payables	76,150			
Related parties	3,277			
Other liabilities	14,983	3,318		

All amounts in thousands of reais unless otherwise stated

5.7 Sensitivity analysis

In accordance with CVM Instruction 475, the sensitivity analysis below has been prepared by the Company showing the effects of changes in the fair values of financial instruments relating to pricing and hedging against foreign exchange rate fluctuations and of other financial assets and liabilities in foreign currency at March 31, 2011, considered by management as the major risk to which the Company is exposed. This analysis considers management expectations with respect to the future scenario projected. For this reason, this analysis has not been reviewed by the independent auditors.

Parent company:		Probable scenario		Possible scenarios	
Transaction	Risk	Average rate/ price	Effect on the statement of income and cash flows	Deterioration 25%	Deterioration 50%
Trade receivables	US$ devaluation	1.55	(683)	(4,046)	(7,410)
Short and long-term borrowings	US$ appreciation	1.60	4,141	(57,455)	(119,051)
Forward contracts - foreign currency - NDF	US$ appreciation	1.55	9,494	(4,323)	(18,139)
Trade payables	US$ appreciation	1.58	345	(2,505)	(5,356)
Forward contracts - sugar - NDF	Increase in the commodity price	21.39	22,046	(7,357)	(36,760)
Futures market - sale - ethanol	Increase in the commodity price	1,154.56	(29)	(5,086)	(10,143)
Futures market - purchase - sugar	Decrease in the commodity price	25.69	(9,191)	(23,816)	(39,886)
Futures market - sale - sugar	Increase in the commodity price	24.76	19,276	(4,686)	(25,579)
"Call" sale - sugar	Increase in the commodity price	27.59	2,916	2,802	2,687
"Call" purchase - sugar	Decrease in the commodity price	26.50	(540)	(540)	(540)
"Put" sale - sugar	Increase in the commodity price	21.21	(279)	(409)	(538)
"Put" purchase - sugar	Decrease in the commodity price	23.92	3,587	1,890	193

All amounts in thousands of reais unless otherwise stated

Consolidated		**Probable scenario**		**Possible scenarios**	
Transaction	**Risk**	**Average rate/ price**	**Effect on the statement of income and cash flows**	**Deterioration 25%**	**Deterioration 50%**
Cash and banks	US$ devaluation	1.55	(796)	(4,718)	(8,639)
Trade receivables	US$ devaluation	1.55	(752)	(4,455)	(8,157)
Short and long-term borrowings	US$ appreciation	1.60	4,305	(68,503)	(141,311)
Forward contracts - foreign currency - NDF	US$ appreciation	1.55	9,494	(4,323)	(18,139)
Trade payables	US$ appreciation	1.58	345	(2,505)	(5,356)
Forward contracts - sugar - NDF	Increase in the commodity price	21.39	22,046	(7,357)	(36,760)
Futures market - sale - ethanol	Increase in the commodity price	1,154.56	(29)	(5,086)	(10,143)
Futures market - purchase - sugar	Decrease in the commodity price	25.69	(9,191)	(23,816)	(39,886)
Futures market - sale - sugar	Increase in the commodity price	24.76	19,276	(4,686)	(25,579)
"Call" sale - sugar	Increase in the commodity price	27.59	2,916	2,802	2,687
"Call" purchase - sugar	Decrease in the commodity price	26.50	(540)	(540)	(540)
"Put" sale - sugar	Increase in the commodity price	21.21	(279)	(409)	(538)
"Put" purchase - sugar	Decrease in the commodity price	23.92	3,587	1,890	193

5.8 Capital risk management

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

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

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

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

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

5.9 Measurement of fair value

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

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

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

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

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

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

All amounts in thousands of reais unless otherwise stated

	Parent company		
As per balance sheet	**Level 1**	**Level 2**	**Total**
At March 31, 2011			
Assets - derivative financial instruments			
Ethanol futures	14		14
Sugar options	129		129
U.S. dollar options		221	221
Foreign exchange forward contracts		3,894	3,894
Liabilities - derivative financial instruments			
Sugar futures	(2,634)		(2,634)
Sugar forward contracts		(23,276)	(23,276)
At March 31, 2010			
Assets - derivative financial instruments			
Sugar futures	6,351		6,351
Sugar options	1,195		1,195
Foreign exchange forward contracts		947	947
Sugar forward contracts		22,391	22,391
At April 1, 2009			
Assets - derivative financial instruments			
Sugar futures	174		174
Sugar options	569		569

All amounts in thousands of reais unless otherwise stated

	Consolidated		
As per balance sheet	**Level 1**	**Level 2**	**Total**
At March 31, 2011			
Assets - derivative financial instruments			
Ethanol futures	14		14
Sugar options	129		129
U.S. dollar options		221	221
Foreign exchange forward contracts		3,894	3,894
Liabilities - derivative financial instruments			
Sugar futures	(2,634)		(2,634)
Sugar forward contracts		(23,276)	(23,276)
At March 31, 2010			
Assets - derivative financial instruments			
Sugar futures	8,661		8,661
Sugar options	1,195		1,195
Foreign exchange forward contracts		2,682	2,682
Sugar forward contracts		41,696	41,696
At April 1, 2009			
Assets - derivative financial instruments			
Sugar futures	330		330
Sugar options	492		492
Liabilities - derivative financial instruments			
Foreign exchange forward contracts		(4,829)	(4,829)

All amounts in thousands of reais unless otherwise stated

6 FINANCIAL INSTRUMENTS BY CATEGORY

Parent company

Assets as per balance sheet	Loans and receivables	Assets at fair value through profit or loss	Derivatives used for hedging	Total
At March 31, 2011				
Cash and cash equivalents	18,791	97,670		116,461
Trade receivables	50,439			50,439
Derivative financial instruments	1,709		4,258	5,967
Related parties	4,833			4,833
Judicial deposits	30,564			30,564
Other assets	10,577			10,577
At March 31, 2010				
Cash and cash equivalents	24,200			24,200
Trade receivables	10,956			10,956
Derivative financial instruments	1,335	1,195	29,689	32,219
Related parties	9,118			9,118
Judicial deposits	5,624			5,624
Other assets	4,883			4,883
At April 1, 2009				
Cash and cash equivalents	28,676			28,676
Trade receivables	9,980			9,980
Derivative financial instruments	199	569	174	942
Related parties	16,420			16,420
Judicial deposits	4,827			4,827
Other assets	6,075			6,075

All amounts in thousands of reais unless otherwise stated

				Parent company
Liabilities as per balance sheet	**Liabilities at fair value through profit or loss**	**Derivatives used for hedging**	**Other financial liabilities**	**Total**
At March 31, 2011				
Borrowings	76,156		339,925	416,081
Derivative financial instruments		25,910		25,910
Trade payables			46,642	46,642
Related parties			33	33
Other liabilities			31,809	31,809
At March 31, 2010				
Borrowings	26,216		108,505	134,721
Trade payables			16,985	16,985
Related parties			3,944	3,944
Other liabilities			1,855	1,855
At April 1, 2009				
Borrowings	27,544		100,609	128,153
Trade payables			16,916	16,916
Related parties			15,632	15,632
Other liabilities			5,781	5,781

All amounts in thousands of reais unless otherwise stated

				Consolidated
Assets as per balance sheet	**Loans and receivables**	**Assets at fair value through profit or loss**	**Derivatives used for hedging**	**Total**
At March 31, 2011				
Cash and cash equivalents	20,937	204,130		225,067
Trade receivables	59,673			59,673
Derivative financial instruments	1,709		4,258	5,967
Related parties	33			33
Judicial deposits	32,367			32,367
Other assets	12,793			12,793
At March 31, 2010				
Cash and cash equivalents	92,122	38,512		130,634
Trade receivables	41,628			41,628
Derivative financial instruments	4,170	1,195	53,039	58,404
Related parties	211			211
Judicial deposits	28,580			28,580
Other assets	9,817			9,817
At April 1, 2009				
Cash and cash equivalents	137,279	52,784		190,063
Trade receivables	45,544			45,544
Derivative financial instruments	3,848	492	330	4,670
Related parties	3,424			3,424
Judicial deposits	32,644			32,644
Other assets	15,221			15,221

All amounts in thousands of reais unless otherwise stated

				Consolidated
Liabilities as per balance sheet	**Liabilities at fair value through profit or loss**	**Derivatives used for hedging**	**Other financial liabilities**	**Total**
At March 31, 2011				
Borrowings	76,367		635,326	711,693
Derivative financial instruments		25,910		25,910
Trade payables			61,096	61,096
Related parties			705	705
Other liabilities			31,608	31,608
At March 31, 2010				
Borrowings	75,784		879,355	955,139
Trade payables			74,172	74,172
Related parties			123	123
Other liabilities			28,453	28,453
At April 1, 2009				
Borrowings	79,780		1,051,821	1,131,601
Derivative financial instruments		4,829		4,829
Trade payables			76,150	76,150
Related parties			3,277	3,277
Other liabilities			18,301	18,301

7 CASH AND CASH EQUIVALENTS

		Parent company		
	Remuneration	**March 31, 2011**	**March 31, 2010**	**April 1, 2009**
Cash and banks		18,791	24,200	28,676
Financial investments				
. Agribusiness Credit Note (LCA)	40% of the Interbank Deposit Certificate (CDI) interest rate - weighted average rate	3,008		
. Bank Deposit Certificate (CDB)	100.71% of the Interbank Deposit Certificate (CDI) interest rate - weighted average rate	17,103		
. Debentures repurchase agreements	100.95% of the Interbank Deposit Certificate (CDI) interest rate - weighted average rate	77,559		
		116,461	24,200	28,676

All amounts in thousands of reais unless otherwise stated

	Remuneration	Consolidated March 31, 2011	March 31, 2010	April 1, 2009
Cash and banks		20,937	92,122	137,279
Financial investments				
. Agribusiness Credit Note (LCA)	40% (2010 - 70%) of the CDI interest rate - weighted average rate	3,008	35,034	36,904
. Bank Deposit Certificate (CDB)	100.75% of the Interbank Deposit Certificate (CDI) interest rate - weighted average rate	82,494		
. Debentures repurchase agreements	101.02% (2010 - 99.44%) of the CDI interest rate - weighted average rate	115,780	3,478	14,528
. Interest-bearing account SWEEP	U.S. dollar variation + variable rate from 1.45% to 2.25% p.a.			1,352
. Funds - Financial Treasury Bills (LFT)	100% of the Special System for Settlement and Custody (Selic) interest rate	2,848		
		225,067	130,634	190,063

Cash and bank balances include deposits in current accounts which are available for immediate use. These balances are a result of the strategies and the normal flow of operations of the Company and its subsidiaries.

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

8 TRADE RECEIVABLES

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

	Parent company			Consolidated		
	March 31, 2011	March 31, 2010	April 1, 2009	March 31, 2011	March 31, 2010	April 1, 2009
Local customers	36,303	8,202	9,980	44,111	32,525	44,235
Foreign customers	14,136	2,754		15,562	9,103	1,309
	50,439	10,956	9,980	59,673	41,628	45,544

At March 31, 2011 and 2010 and April 1, 2009, management did not identify the need to record a provision for doubtful trade receivables.

All amounts in thousands of reais unless otherwise stated

As of March 31, 2011, trade receivables totaling R$ 14,716 (2010 - R$ 2,961; April 1, 2009 - R$ 857) were past due but not impaired. These relate to a number of customers for whom there is no history of default. The ageing analysis of these trade receivables is as follows:

	Parent company			Consolidated		
Past due and not provided for:	**March 31, 2011**	**March 31, 2010**	**April 1, 2009**	**March 31, 2011**	**March 31, 2010**	**April 1, 2009**
up to 30 days	14,593	2,920	745	16,027	4,605	3,544
from 31 to 60 days		10			41	1,426
over 61 days	123	31	112	313	109	169
Falling due:						
up to 30 days	33,514	7,714	7,998	41,082	36,443	33,720
from 31 to 60 days	2,185	243	983	2,185	289	3,608
over 61 days	24	38	142	66	141	3,077
	50,439	10,956	9,980	59,673	41,628	45,544

The past due amounts mainly refer to export transactions which are billed for immediate payment and take on average 30 days to be collected. The average collection period for trade receivables was 23 days (25 days - consolidated).

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

9 INVENTORIES

	Parent company		
	March 31, 2011	**March 31, 2010**	**April 1, 2009**
Finished products and work in process	66,674	13,756	21,090
Advances - purchases of sugar cane	19,931	2,225	3,144
Inputs, indirect, maintenance and other materials	29,437	6,544	6,957
	116,042	22,525	31,191

	Consolidated		
	March 31, 2011	**March 31, 2010**	**April 1, 2009**
Finished products and work in process	72,477	43,144	102,986
Sodium salt - RNA	8,033	1,499	6,572
Advances - purchases of sugar cane	23,986	31,023	42,562
Inputs, indirect, maintenance and other materials	38,510	29,504	33,642
Provision for reduction of inventories to realizable value	(3,900)	(101)	(6,448)
	139,106	105,069	179,314

All amounts in thousands of reais unless otherwise stated

To guarantee payment of part of the obligations assumed at the time of the withdrawal from Copersucar on March 31, 2008, the Company pledged 25,757 m^3 of fuel ethanol in favor of Copersucar.

10 TAXES RECOVERABLE

The balance of taxes recoverable can be summarized as follows:

	Parent company		
	March 31, 2011	March 31, 2010	April 1, 2009
COFINS, including credits on purchases of property, plant and equipment	18,162	9,803	10,538
ICMS, including credits on purchases of property, plant and equipment	4,438	5,180	3,737
PIS, including credits on purchases of property, plant and equipment	3,950	1,955	2,102
Other	454	31	47
	27,004	16,969	16,424
Current assets	(12,650)	(10,774)	(8,266)
Non-current assets	14,354	6,195	8,158

COFINS - Social Contribution on Revenues
ICMS - Value-added Tax on Sales and Services
PIS - Social Integration Program

	Consolidated		
	March 31, 2011	March 31, 2010	April 1, 2009
COFINS, including credits on purchases of property, plant and equipment	42,116	67,540	62,777
ICMS, including credits on purchases of property, plant and equipment	18,819	24,591	31,245
PIS, including credits on purchases of property, plant and equipment	9,236	14,074	12,946
Other	569	933	2,155
	70,740	107,138	109,123
Current assets	(33,520)	(59,748)	(41,545)
Non-current assets (mainly credits from purchases of property, plant and equipment)	37,220	47,390	67,578

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

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

All amounts in thousands of reais unless otherwise stated

11 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

a) Parent Company and Consolidated balances

						Parent company
	March 31, 2011		March 31, 2010		April 1, 2009	
	Non-current assets	Current liabilities	Non-current assets	Current liabilities	Non-current assets	Current liabilities
Subsidiaries and related parties:						
Vale do Mogi (formerly USM)	203		447	922	4,614	9,716
Omtek	2,962		46	3,005	11,768	
UBV	80	33	8,625	17	38	5,916
USL	1,586					
Monte Sereno Agrícola Ltda.	2					
Subtotal	4,833	33	9,118	3,944	16,420	15,632
Stockholders, arising from purchases of sugar cane - trade payables		877		254		193
	4,833	910	9,118	4,198	16,420	15,825

						Consolidated
	March 31, 2011		March 31, 2010		April 1, 2009	
	Non-current assets	Current liabilities	Non-current assets	Current liabilities	Non-current assets	Current liabilities
Jointly-controlled subsidiaries and related parties:						
SMA		693				
Mogi				123		26
SMBJ	30	12				
Agropecuária Vale do Corumbatai S.A.			6			
Agropecuária Caieira do Norte S.A.			2			
Imobiliária Paramirim S.A.			5			
Monte Sereno Agrícola Ltda.	2		9			
SM Participações S.A.			2			
USL	1					3,251
SC			21		1,393	
Usina da Barra S.A. - Açúcar e Álcool			26		1,856	
Subtotal	33	705	71	123	3,249	3,277
Stockholders, arising from loans			140		175	
Stockholders, arising from purchases of sugar cane - trade payables		4,541		1,396		959
	33	5,246	211	1,519	3,424	4,236

The balances with subsidiaries at March 31, 2011 and 2010 and April 1, 2009 refer to loan agreements due every December 31, extendable for one additional year, subject to charges equivalent to 100% of the Interbank Deposit Certificate (CDI) interest rate, and other intercompany commercial transactions.

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

All amounts in thousands of reais unless otherwise stated

b) Parent company transactions in the year

						March 31, 2011
	Finance income	Finance costs and administrative expenses	Sales revenue	Expenses apportioned by subsidiary	Expenses reimbursed by subsidiaries	Purchases of products and services
USM			8	2,808	2,509	421
Omtek			7,918		86	43
UBV	11		134		3,298	
USL					68	
Stockholders						
- rental of properties		195				
- rendering of services		693				
- purchases of sugar cane						3,243
	11	888	8,060	2,808	5,961	3,707

						March 31, 2010
	Finance income	Finance costs and administrative expenses	Sales revenue	Expenses apportioned by subsidiary	Expenses reimbursed by subsidiaries	Purchases of products and services
USM	8	973	2,462	4,246	2,393	68
Omtek	72		6,453		59	
UBV	91	646	3		1,092	16,112
Stockholders						
- rental of properties		73				
- rendering of services		157				
- purchases of sugar cane						1,428
	171	1,849	8,918	4,246	3,544	17,608

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

The expenses apportioned by subsidiary refer to expenditures with the shared services center incurred by USM up to November 2010, and later refer to the Company. The expenses reimbursed by subsidiaries refer to expenditures of the Board of Directors and the corporate office. The apportionments are supported by agreements between the parties.

c) Consolidated transactions in the year

	March 31, 2011	March 31, 2010
Stockholders		
- rental of properties	334	73
- rendering of services	1,368	1,364
- purchases of sugar cane	9,013	7,802
	10,715	9,239

All amounts in thousands of reais unless otherwise stated

d) Key management compensation

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

	Parent company		Consolidated	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Wages and salaries	184	511	254	511
Fees and bonuses	7,539	5,060	10,742	10,562
Social security contributions	1,183	1,003	1,694	2,033
Private pension plan	152	121	325	311
Profit sharing program		74		74
Other	21	50	28	79
	9,079	6,819	13,043	13,570

12 OTHER ASSETS

	Parent company			Consolidated		
	March 31, 2011	March 31, 2010	April 1, 2009	March 31, 2011	March 31, 2010	April 1, 2009
Prepaid expenses	2,191	178	922	2,767	1,473	6,216
Sundry advances	2,234	1,238	1,698	2,333	4,575	4,616
Other investments	5,347	3,430	3,430	5,418	3,540	3,482
Other receivables	805	37	25	2,275	229	907
	10,577	4,883	6,075	12,793	9,817	15,221
Current assets	(4,958)	(1,449)	(2,641)	(5,692)	(6,086)	(10,900)
Non-current assets	5,619	3,434	3,434	7,101	3,731	4,321

All amounts in thousands of reais unless otherwise stated

13 INVESTMENTS

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

13.1 Subsidiaries and jointly-controlled subsidiaries

							March 31, 2011
	Vale do Mogi	Omtek	NF	SMA	UBV	USL	Total
In subsidiaries:							
Shares/quotas held (thousands)	23,500	27,971	426,635	50		11,898	
Percentage holding	100.00%	100.00%	62.89%	50.00%		41.67%	
Capital	59,540	27,971	684,870	100		3,541	
Equity (net capital deficiency)	762,432	24,614	623,852	43		(14,741)	
Profit (loss) for the year	88,433	(8,338)	(820)	(57)		(156)	
Changes in investments:							
At March 31, 2010	1,263,806	18,906			89,061		1,371,773
Interest on capital received	(15,680)						(15,680)
Additional dividends distributed	(93,567)						(93,567)
Merger of spun-off net assets - Note 1.7	(444,085)	15,884	287,855	20		(7,592)	(147,918)
Capital increase with advances (AFAC)					8,377		8,377
Gain (loss) on revaluation reserve of subsidiaries, due to increase (decrease) in holding	2,101	(2,055)			(46)		
Payment of capital through the transfer of shares of UBV's capital			96,246		(96,246)		
Sale of shares - Note 1.5			(410)				(410)
Capital gain on the transaction described in Note 1.5			8,943				8,943
Equity loss arising from carrying value adjustments	(37,228)				(23)		(37,251)
Capital gain (loss) due to decrease in participation in accumulated results up to March 31, 2010	(1,348)	(449)			1,797		
Equity in the earnings of subsidiaries	88,433	(7,672)	(293)	1	(2,917)	1,450	79,002
Reclassification to current liabilities related to investment with net capital deficiency						6,142	6,142
At March 31, 2011	762,432	24,614	392,341	21	3		1,179,411

				March 31, 2010
	Vale do Mogi	UBV	Omtek	Total
In subsidiaries:				
Shares/quotas held (thousands)	23,500	117,243	13,925	
Percentage holding	100%	28.30%	99.99%	
Capital	60,000	414,288	13,925	
Equity	1,263,806	314,694	18,906	
Profit (loss) for the year	128,194	5,389	(793)	
Changes in investments:				
At April 1, 2009	1,158,777	66,361	19,700	1,244,838
Interest on capital received	(11,965)			(11,965)
Dividends provided	(10,332)			(10,332)
Gain (loss) on revaluation reserve of subsidiaries, due to increase (decrease) in holding	590	(726)		(136)
Capital gain (loss) due to decrease in participation in accumulated results up to March 31, 2009	(21,772)	21,772		
Equity gain arising from carrying value adjustments	20,338	25		20,363
Equity in the earnings of subsidiaries	128,170	1,629	(794)	129,005
At March 31, 2010	1,263,806	89,061	18,906	1,371,773

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

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

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

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

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

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

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

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

All amounts in thousands of reais unless otherwise stated

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

			Net balance at:		
	Goodwill	Accumulated amortization / write-off	March 31, 2011	March 31, 2010	April 1, 2009
Expected future profitability - intangible assets	39,688	(5,673)	34,015	34,015	34,015
Revaluation surplus of assets held for sale	27,415	(27,362)	53	92	208
Tax benefit related to the portion of expected future profitability - deferred taxes	20,446	(10,938)	9,508	13,585	17,524
	87,549	(43,973)	43,576	47,692	51,747

Taking into consideration the exemptions to full retrospective application for the first-time adoption of the CPCs/IFRS, mentioned in Note 38.1.2, the related goodwill was still calculated as the difference between the amount paid and the carrying amount, and did not suffer impacts or changes, since it was recorded before April 1, 2009.

14 BIOLOGICAL ASSETS

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

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

Key assumptions used for measuring the fair value:

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

a) Cash inflows obtained from the multiplication of (i) the estimated production, measured in kilograms of ATR (Total Sugar Recoverable), and (ii) the futures market price of sugar cane, which is estimated based on public data and estimates of sugar and ethanol future prices; and

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

All amounts in thousands of reais unless otherwise stated

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

	Consolidated	
	2011	2010
Estimated harvest area (ha)	109,053	111,296
Expected productivity (t/ha)	84.64	82.72
Amount of ATR per metric ton of sugar cane (kg)	137.47	137.26
Estimated average price of ATR (R$)	0.4323	0.4145

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

The model and assumptions used to determine the fair value represent the best estimates made by management on the financial statement date and are reviewed on a quarterly basis and, if necessary, adjusted.

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

	Parent company		Consolidated	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Biological assets at the beginning of the year	89,693	109,811	461,952	406,872
Decrease due to loss of holding in subsidiary - NF			(42,296)	
Increase due to merger of assets - USM	214,376			
Increases arising from crop planting and treatments	96,159	51,075	235,828	228,586
Change in fair value	(11,516)	(24,373)	(34,298)	7,241
Decreases resulting from harvest	(46,560)	(46,820)	(185,654)	(180,747)
Biological assets at the end of the year	342,152	89,693	435,532	461,952

(a) Operating lease and future sugar cane purchase commitments

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

All amounts in thousands of reais unless otherwise stated

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

	Consolidated
Less than 1 year	92,233
Later than 1 year and no later than 5 years	273,905
Later than 5 years	121,136
	487,274

15 PROPERTY, PLANT AND EQUIPMENT

								Parent company
	Land	**Buildings and premises**	**Industrial equipment and facilities**	**Vehicles**	**Agricultural machinery and implements**	**Other**	**Construction in progress**	**Total**
At April 1, 2009	550,675	22,298	149,554	17,824	41,371	3,152	10,026	794,900
Purchases		10	19,161	242	2,921	521	18,813	41,668
Disposals (residual)	(871)		(95)	(380)	(333)	(2)		(1,681)
Transfers			7,623	184	670	5	(8,482)	
Depreciation		(1,822)	(29,990)	(4,183)	(5,980)	(490)		(42,465)
At March 31, 2010	549,804	20,486	146,253	13,687	38,649	3,186	20,357	792,422
Total cost	549,804	28,555	196,512	24,864	55,429	8,123	20,357	883,644
Accumulated depreciation		(8,069)	(50,259)	(11,177)	(16,780)	(4,937)		(91,222)
Net book value	549,804	20,486	146,253	13,687	38,649	3,186	20,357	792,422
At March 31, 2010	549,804	20,486	146,253	13,687	38,649	3,186	20,357	792,422
Purchases			61,452	39	8	353	31,215	93,067
Disposals (residual)	(1,245)		(375)	(624)				(2,244)
Transfers	400	1,351	5,965	1,756	8,309	1,054	(18,835)	
Assets merged from USM	55,450	45,405	255,960	31,151	69,699	4,443	30,402	492,510
Depreciation		(2,518)	(32,436)	(4,885)	(6,918)	(815)		(47,572)
At March 31, 2011	604,409	64,724	436,819	41,124	109,747	8,221	63,139	1,328,183
Total cost	604,409	89,724	691,279	80,821	169,219	32,492	63,139	1,731,083
Accumulated depreciation		(25,000)	(254,460)	(39,697)	(59,472)	(24,271)		(402,900)
Net book value	604,409	64,724	436,819	41,124	109,747	8,221	63,139	1,328,183
Net book value of:								
Historical cost	21,139	18,351	165,878	31,806	54,902	8,221	63,139	363,436
Surplus	583,270	46,373	270,941	9,318	54,845			964,747
	604,409	64,724	436,819	41,124	109,747	8,221	63,139	1,328,183
Average depreciation rates		4.67%	9.07%	23.13%	12.80%	11.72%		

All amounts in thousands of reais unless otherwise stated

									Consolidated
	Land	Buildings and premises	Industrial equipment and facilities	Vehicles	Agricultural machinery and implements	Leasehold improvements	Other	Construction in progress	Total
At April 1, 2009	1,745,554	183,927	709,885	78,581	164,670	17,032	10,795	104,629	3,015,073
Purchases	536	187	82,396	6,737	12,144	11,609	2,745	79,798	196,152
Disposals (residual)	(899)		(333)	(371)	(725)		(689)		(3,017)
Transfers		19,974	18,126	5,954	5,650	553	15	(50,272)	
Depreciation		(7,669)	(116,419)	(15,032)	(21,089)	(3,395)	(1,845)		(165,449)
At March 31, 2010	1,745,191	196,419	693,655	75,869	160,650	25,799	11,021	134,155	3,042,759
Total cost	1,745,191	223,652	911,574	115,322	221,909	31,116	34,736	134,155	3,417,655
Accumulated depreciation		(27,233)	(217,919)	(39,453)	(61,259)	(5,317)	(23,715)		(374,896)
Net book value	1,745,191	196,419	693,655	75,869	160,650	25,799	11,021	134,155	3,042,759
At March 31, 2010	1,745,191	196,419	693,655	75,869	160,650	25,799	11,021	134,155	3,042,759
Purchases		10	83,626	441	128	10,787	1,225	132,359	228,576
Disposals (residual)	(1,652)	(9)	(536)	(1,094)	(1,908)		(1)		(5,200)
Transfers	803	23,854	67,327	13,832	22,172	1,557	2,527	(132,072)	
Decrease in holding in NF	(12,037)	(50,675)	(87,028)	(10,803)	(16,600)	(9,870)	(1,632)	(31,068)	(219,713)
Depreciation		(7,308)	(126,585)	(15,191)	(23,337)	(7,347)	(1,893)		(181,661)
At March 31, 2011	1,732,305	162,291	630,459	63,054	141,105	20,926	11,247	103,374	2,864,761
Total cost	1,732,305	195,298	907,636	107,488	212,383	27,911	36,619	103,374	3,323,014
Accumulated depreciation		(33,007)	(277,177)	(44,434)	(71,278)	(6,985)	(25,372)		(458,253)
Net book value	1,732,305	162,291	630,459	63,054	141,105	20,926	11,247	103,374	2,864,761
Net book value of:									
Historical cost	116,536	108,127	356,094	53,647	86,105	20,926	11,247	103,374	856,056
Surplus	1,615,769	54,164	274,365	9,407	55,000				2,008,705
	1,732,305	162,291	630,459	63,054	141,105	20,926	11,247	103,374	2,864,761
Average depreciation rates		3.83%	7.85%	16.78%	11.39%	20.00%	12.46%		

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

Under the terms of certain borrowing agreements entered into by the Company and its subsidiaries, property, plant and equipment totaling R$ 669,818 at March 31, 2011 (consolidated) was pledged as collateral. These assets are mainly represented by industrial equipment and facilities, and agricultural machinery and implements. In addition, land totaling R$ 536,586 (R$ 1,012,918 - consolidated) was pledged as collateral for securitized rural credits, recorded in current and long-term liabilities.

At March 31, 2011, 12,626.70 ha. and 1,085.12 ha. of the land of Vale do Mogi and of the Company, respectively, were pledged in guarantee for UBV transactions.

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

The Company and its subsidiaries capitalized finance charges of R$ 7,233 in the year ended March 31, 2011 (2010 - R$ 8,176).

(a) Deemed cost

As permitted by Technical Interpretation - ICPC 10, the Company, including the merged assets of USM, and certain subsidiaries opted for the adoption of the deemed cost in the application of the new accounting practices (IFRS / CPCs). In this context, the appointment of a specialized company was approved, as well as the result of the review of the useful lives and the corresponding amounts of the deemed cost (market value) for the main groups of property, plant and equipment.

All amounts in thousands of reais unless otherwise stated

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

At March 31, 2011, the total residual surplus of property, plant and equipment (arising from previous revaluations and restated at the deemed cost), net of the related depreciation and disposals, as well as the reviewed average depreciation rates, by group/nature of assets, are presented in the table above. The deemed cost adjustments in the opening balance of the transition year are stated in Note 38.2.

16 INTANGIBLE ASSETS

	Parent company			Consolidated		
	March 31, 2011	March 31, 2010	April 1, 2009	March 31, 2011	March 31, 2010	April 1, 2009
Goodwill - expected future profitability	38,826			38,826	38,826	38,826
Accumulated amortization	(4,811)			(4,811)	(4,811)	(4,811)
Software	5,148	2,034	2,032	6,858	6,874	6,827
Accumulated amortization	(3,317)	(1,826)	(1,770)	(4,147)	(3,722)	(2,955)
	35,846	208	262	36,726	37,167	37,887

The goodwill attributed to the expected future profitability, derived from the spin-off of USL's net assets, which were merged by USM, is no longer being amortized as from the fiscal year beginning April 1, 2009, as mentioned in Note 13.2.

All amounts in thousands of reais unless otherwise stated

17 BORROWINGS

				Parent company		
Type	**Charges**	**Guarantees**	**Maturity**	**March 31, 2011**	**March 31, 2010**	**April 1, 2009**
In local currency:						
Securitized rural credits	General Market Price Index (IGP-M) + weighted average interest of 4.59% p.a., paid annually	(a)	Annual installments with maturities between Sep 2018 and Jul 2020	76,154	26,216	27,544
Rural credit	Weighted average fixed interest rate of 11.25% p.a. paid on final maturity of the contracts	(b)	Single installment with final maturity between Apr 2011 and Oct 2011	11,721	27,577	1,922
Rural credit	Fixed interest rate of 6.75% p.a. paid on final maturity of the contract	(b)	Single installment with final maturity in Jun 2011	3,469		17,847
FINAME/BNDES - Automatic loan	Quarterly Long-term Interest Rate (TJLP) + weighted average interest of 2.66% p.a. paid monthly	(c)	Monthly installments with maturities between Apr 2011 and Jul 2014	33,415	17,002	22,386
FINAME/BNDES - Automatic loan	Weighted average fixed rate of 5.20% p.a. paid monthly	(d)	Monthly installments with maturities between Apr 2011 and Aug 2015	40,266	4,615	6,643
Other securitized credits	Fixed interest rate of 3% p.a. paid annually	(e)	Annual installments with final maturity in Oct 2025	71	75	78
Working capital	Variation of 130.00 % CDI OVER CETIP (average rate for interbank loans for one day registered with CETIP) paid on final maturities of the contracts		Single installment with final maturity between May 2010 and Jun 2010		17,143	17,030
Leases	Fixed rate of 7.51% p.a. paid monthly	(f)	Monthly installments with final maturity between Apr 2001 and Apr 2013	460	49	61
In foreign currency:						
ACC (Advances on foreign exchange contracts)	Fixed rate of 2.20% p.a. + US$ variation paid on final maturity of the contracts	(g)	Single installment with final maturity in Apr 2011	4,983	42,044	34,642
Export prepayment - PPE	Weighted average interest of 2.46% p.a. + US$ variation paid on final maturities	(l)	Semiannual installments with maturities between Feb 11 and Jun 15	245,527		
FINAME/BNDES - Automatic loan	Currency basket (U.S. dollar, Euro and Yen) + fixed rate of 7.12% p.a. paid monthly	(b)	Monthly installments with maturities between Apr 11 and Mar 12	15		
Total				416,081	134,721	128,153
Current liabilities				(80,291)	(87,811)	(87,054)
Non-current liabilities				335,790	46,910	41,099

All amounts in thousands of reais unless otherwise stated

						Consolidated
Type	Charges	Guarantees	Maturity	March 31, 2011	March 31, 2010	April 1, 2009
In local currency:						
Securitized rural credits	General Market Price Index (IGP-M) + weighted average interest of 4.61% p.a., paid annually	(a)	Annual installments with maturities between Sep 2018 and Jul 2020	76.367	75.784	79.780
Rural credit	Weighted average fixed interest rate of 11.25% p.a. paid on final maturity of the contracts	(b)	Single installment with final maturities between Apr 2011 and Jan 2012	22.252	48.020	20.835
Rural credit	Weighted average fixed interest rate of 6.75% p.a. paid on final maturity of the	(k)	Single installment with final maturity in Jun 2011	3.469		21.974
FINAME/BNDES - Automatic loan	Quarterly Long-term Interest Rate (TJLP) + weighted average interest of 2.92% p.a. paid monthly	(c) and (h)	Monthly installments with maturities between Apr 2011 and Jul 2014	42.174	72.618	69.578
FINEM - DIRECT	Quarterly Long-term Interest Rate (TJLP) + weighted average interest of 2.9% p.a. paid monthly	(h)	Monthly installments with maturities between Apr 2011 and Feb 2019	184.828	318.159	363.920
FINEM - DIRECT	Quarterly Long-term Interest Rate (TJLP) + weighted average interest of 4.55% p.a. paid monthly	(h)	Monthly installments with maturities between Mar 2012 and Feb 2019	38.819		
FINAME/BNDES - Automatic loan	Weighted average fixed interest rate of 5.31% p.a. paid monthly	(d) and (i)	Monthly installments with maturities between Apr 2011 and Aug 2015	41.588	32.206	32.148
FINAME (FCO)	Weighted average fixed interest rate of 11.5% p.a. paid monthly	(i)	Monthly installments with maturities between Apr 2011 and Nov 2019	6.104		
Other securitized credits	Fixed interest rate of 3% p.a. paid annually	(e)	Single installment with maturity in Oct 2025	71	75	78
Working capital	Variation of 129.26% CDI OVER CETIP (average rate for interbank loans for one day registered with CETIP) paid on final maturities of the contracts		Single installment with maturities between Apr 2010 and Aug 2010		25.562	32.671
Working capital	Weighted average fixed interest rate of 6.75% p.a. paid on final maturity of the		Single installment with final maturity in Nov 2010		17.905	
Leases	Weighted average fixed rate of 7.49% p.a. paid monthly	(f)	Monthly installments with maturities between Jan 2011 and May 2013	484	703	881
In foreign currency:						
FINAME/BNDES - Automatic loan	Currency basket (U.S. dollar, Euro and Yen) + fixed rate of 7.12% p.a. paid monthly	(b)	Monthly installments with maturities between Jan 2011 and Mar 2012	15	36	63
FINEM - DIRECT	Currency basket (US Dollar, Euro and Yen) + weighted average fixed rate of 6.54% p.a. paid monthly	(j)	Quarterly installments with maturities between Apr 2011 and Jul 2019	45.012	38.592	57.687
ACC (Advances on foreign exchange contracts)	Weighted average interest of 2.2% p.a. + US$ variation paid on final maturities	(g)	Single installment with final maturity in Apr 2011	4.983	146.979	214.280
Export prepayment - PPE	LIBOR + fixed rate of 2.46% p.a. + US$ variation paid on final maturities	(l)	Semiannual installments with maturities between Aug 2011 and Jun 2015	245.527	178.500	237.706
Total				711.693	955.139	1.131.601
Current liabilities				(140.982)	(326.746)	(401.115)
Non-current liabilities				570.711	628.393	730.486

All amounts in thousands of reais unless otherwise stated

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

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

	Description of the guarantees offered for borrowings at March 31, 2011	Carrying or contractual value
(a)	Mortgage -15,190 ha of land	531,807
(b)	Promissory note	42,351
(c)	Statutory lien of industrial equipment	28,826
	Statutory lien of agricultural equipment	64,709
	Promissory note	36,979
(d)	Statutory lien of industrial equipment	41,193
	Statutory lien of agricultural equipment	62,853
	Promissory note	11,093
(e)	Mortgage - 79 ha of land	4,779
(f)	Promissory note	178
(g)	Promissory note	69,113
(h)	Mortgage - 11,481 ha of land	391,399
	Statutory lien of industrial equipment	304,535
	Statutory lien of agricultural equipment	17,747
	Promissory note	7,105
(i)	Mortgage - 199 ha of land	6,158
	Statutory lien of industrial equipment	141,313
	Statutory lien of agricultural equipment	3,771
	Promissory note	3,313
(j)	Mortgage - 2,311 ha of land	78,775
	Statutory lien of agricultural equipment	4,871
(l)	Company surety	
(l)	Consolidated financial covenants: maintenance of a principal minimum percentage with a projected flow of receivables and minimum ratio between the net debt and the Earnings before interest, tax, depreciation and amortization (EBITDA). At March 31, 2011 and 2010 and April 1, 2009, the Company was in compliance with all the covenants of financing agreements.	

All amounts in thousands of reais unless otherwise stated

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

Long-term borrowings have the following maturities:

	March 31, 2011	
	Parent	Consolidated
From 4/1/12 to 3/31/2013	71,101	130,467
From 4/1/13 to 3/31/2014	93,075	152,510
From 4/1/14 to 3/31/2015	85,515	142,259
From 4/1/15 to 3/31/2016	57,687	76,946
From 4/1/16 to 3/31/2017	7,708	21,121
From 4/1/17 to 3/31/2026	20,704	47,408
	335,790	570,711

The carrying amounts and fair value of borrowings are similar.

Based on Brazilian Central Bank Resolution 2471/98 and other existing legal provisions, in 1998, 1999 and 2000, the Company and USL securitized debts with financial institutions, by means of the purchase of National Treasury Notes (CTN) in the secondary market, as collateral for the payment of the principal. This securitized financing, recorded as "Securitized agricultural credits", will be automatically settled on the maturity dates on the redemption of the CTNs, which are under the custody of the creditor financial institutions. These certificates are not negotiable and are exclusively intended for paying this debt. The companies' disbursements during the 20 years in which this securitization is effective is limited to the annual payment of amounts equivalent to the application of variable percentages of between 3.9% and 4.96% per annum on the securitized amount, monetarily adjusted based on the General Market Price Index (IGP-M), limited to 9.5% per annum up to the annual payment date. This obligation was recorded in the financial statements at March 31, 2011 and 2010 and April 1, 2009, based on the amount of future disbursements adjusted to present value.

18 TRADE PAYABLES

	Parent company			Consolidated		
	March 31, 2011	March 31, 2010	April 1, 2009	March 31, 2011	March 31, 2010	April 1, 2009
Sugar cane	26.448	3.558	5.877	31.794	26.322	25.485
Materials, services and other	20.194	13.427	11.039	29.302	47.850	50.665
	46.642	16.985	16.916	61.096	74.172	76.150

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

All amounts in thousands of reais unless otherwise stated

19 PAYABLES TO COPERSUCAR (Cooperative)

Copersucar provided funds to companies during their period as cooperative members through bills of exchange, for the purpose of financing their operations. The funds were obtained by the Cooperative in the market and transferred to the cooperative members for short-term settlement, and from temporary cash surpluses arising from injunctions in lawsuits claiming the suspension of liabilities. These cash surpluses relate to provisions for contingencies recorded by the Cooperative in long-term liabilities. However, in the event of unfavorable outcomes in lawsuits in which the Cooperative obtained an injunction, the Company may be required to reimburse, within 120 days, the amount that was transferred to it. The main amounts included in these liabilities arise from Excise Tax (IPI), whose constitutionality and legality has been challenged in court by the Cooperative, totaling R$ 65,962 and R$ 14,886, as of March 31, 2011 and 2010, respectively (R$ 68,495 and R$ 59,253, respectively, in the consolidated) and from tax liabilities included in the Tax Recovery Program (REFIS) Copersucar, as shown below, in the amount of R$ 86,051 (Parent company and Consolidated).

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

	Parent company		
	March 31, 2011	**March 31, 2010**	**April 1, 2009**
Bill of Exchange - Updated based on the SELIC	70,096	34,679	38,749
REFIS - Copersucar - Updated based on the SELIC	86,051		
Bill of Exchange - Onlending of resources not subject to charges	44,272	11,409	11,409
Bill of Exchange - Updated based on the TJLP		4,027	5,057
Bill of Exchange - Updated based on US$ variation + interest of 4.53% p.a.	3,271	1,703	2,881
Total	203,690	51,818	58,096
Current liabilities	(2,040)	(589)	(589)
Non-current liabilities	201,650	51,229	57,507

	Consolidated		
	March 31, 2011	**March 31, 2010**	**April 1, 2009**
Bill of Exchange - Updated based on the SELIC	75,001	134,540	149,244
REFIS - Copersucar - Updated based on the SELIC	86,051		
Bill of Exchange - Onlending of resources not subject to charges	45,225	43,935	43,935
Bill of Exchange - Updated based on the TJLP	110	11,798	15,288
Bill of Exchange - Updated based on US$ variation + interest of 4.53% p.a.	3,461	5,972	10,105
Total	209,848	196,245	218,572
Current liabilities	(2,203)	(2,203)	(2,203)
Non-current liabilities	207,645	194,042	216,369

All amounts in thousands of reais unless otherwise stated

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

Additionally, Copersucar also enrolled in the installment payment benefits of Law the 11941/09 and is awaiting the determination of the total amounts by the Federal Revenue Secretariat. The amount to be included in the installment payment program was allocated to the cooperative and ex-cooperative members during the year ended March 31, 2011, according to the resolution of the Board of Directors of Copersucar. The amount attributed to the Company and its subsidiaries, net of the reversal of the provision for contingencies and other adjustments regarding Copersucar, in the net amount of R$ 7,752, was recorded in "Other income (expenses), net".

In accordance with the terms of the withdrawal from Copersucar, as from the date thereof, the Company and USL will remain liable for the liabilities recorded under "Payables to Copersucar" in non-current liabilities, without any change in maturity dates, until the matters that gave rise to these liabilities and are under judicial dispute handled by the Cooperative's legal counsel are finally and definitively judged by the courts. Such liabilities continue to be collateralized by bank guarantees in the amount of R$ 162,698 (R$ 175,152 - consolidated).

20 TAXES PAYABLE IN INSTALLMENTS

	Parent company			Consolidated		
	March 31, 2011	March 31, 2010	April 1, 2009	March 31, 2011	March 31, 2010	April 1, 2009
Value-added Tax on Sales and Services (ICMS)	8,848	9,524	10,161	8,848	9,524	10,161
REFIS installment program - Law 11941	50,815	6,440		52,075	41,628	
	59,663	15,964	10,161	60,923	51,152	10,161
Current liabilities (taxes payable)	(4,753)	(1,593)	(1,198)	(5,090)	(3,939)	(1,198)
Non-current liabilities	54,910	14,371	8,963	55,833	47,213	8,963

All amounts in thousands of reais unless otherwise stated

In October and November 2009, the Company and its subsidiaries Omtek and USL applied for the Tax Recovery Program (REFIS), established by Law 11941, of May 27, 2009, with benefits of reduction of interest, fines and legal charges. The total amount of the debts, net of discounts, relating to this installment payment program was R$ 8,028 (R$ 42,039 in the consolidated), of which R$ 1,803 was paid in cash and R$ 6,224 (R$ 40,236 in the consolidated) is payable in 180 installments.

Most of the lawsuits included in the installment payment program were being challenged in court and, according to the legal advisors' judgment, had a related provision for contingencies. As a consequence of the enrollment in REFIS, the Company and its subsidiaries must pay the installments without any delay exceeding three months, as well as waive their legal claims and any plea of rights on which these lawsuits are based, subject to immediate rescission of the installment program and, consequently, loss of the benefits (discounts and payment terms).

The impact on the results of operations is recorded in "Other income (expenses), net", as follows:

(a) In the year ended March 31, 2010:

	Parent company	Consolidated
Total debts included in the installment payment program	(10,457)	(60,001)
Provision for contingencies reversed	867	43,895
Discounts obtained in the program	2,429	17,962
Total impact in the statement of income for March 2010	(7,161)	1,856

All amounts in thousands of reais unless otherwise stated

(b) In the year ended March 31, 2011:

In the current year, the Company and its subsidiaries made further inclusions in the REFIS, basically social security debts, which were also charged to "Other income (expenses), net". However, the effect on the results for this year arises mainly from the adjustments regarding Copersucar, as mentioned in Note 19.

21 OTHER LIABILITIES

	Parent company			Consolidated		
	March 31, 2011	March 31, 2010	April 1, 2009	March 31, 2011	March 31, 2010	April 1, 2009
Sales to be billed	7,187	442	4,070	10,663	2,103	6,845
Revenues to be appropriated	1,458	2,158	2,858	2,913	2,158	2,858
Social security contributions payable in installments	728			728	882	1,162
Net capital deficiency of subsidiary	6,142					
Mitsubishi Corporation	11,748			11,748	16,224	
Other	4,546	709	1,013	5,556	7,086	7,436
	31,809	3,309	7,941	31,608	28,453	18,301
Current liabilities	(21,398)	(1,855)	(5,781)	(21,137)	(12,914)	(14,983)
Non-current liabilities	10,411	1,454	2,160	10,471	15,539	3,318

The net capital deficiency in subsidiary refers to the recognition of the investment in the subsidiary USL, as mentioned in Note 11.1.

The outstanding balance with Mitsubishi Corporation arises from the acquisition of the investment in UBV, as mentioned in Note 1.2.

22 EQUITY

(a) Share capital

At March 31, 2011 and 2010, the capital was divided into 113,000,000 common shares, without par value.

(b) Treasury shares

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

The Company repurchased 139,000 common shares for R$ 1,899, at a minimum price per share of R$ 9.30 and a maximum price of R$ 19.20, resulting in an average price of R$ 13.65. At March 31, 2011, the market value of these shares was R$ 3,557 (R$ 2,264 at March 31, 2010).

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

(c) Carrying value adjustments

- **Deemed cost**

This corresponds to the deemed cost surplus of land, buildings and premises, equipment and industrial installations, vehicles and machinery, and agricultural implements, as described in Note 15(a). The amounts are recorded net of tax effects and their realization is based on the depreciation, write-off or sale of the related assets, and the realized amounts are transferred to "Retained earnings".

- **Hedge accounting fair value**

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

(d) Legal and capital budget reserves

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

Up to March 31, 2010, the capital budget reserve comprised the retention of the remaining balance of retained earnings of prior years and was recorded with the objective of covering the investments in increasing the production capacity and in several projects intended for improving processes, based on a budget approved at the General Meeting of stockholders held on July 30, 2010.

On September 17, 2010, the amount of R$ 95,900 was capitalized due to a resolution of the stockholders at the General Meeting, since the related investments had already been made.

At March 31, 2011, management proposed a new appropriation to this reserve with the remaining balance of the profit for the year, to be approved, together with the related investment plan, at the next General Meeting. In addition, management proposed the capitalization of the amount attributed to this reserve in the prior year, which should be approved at a future General Meeting since the related investments were made during the year.

(e) Dividends and interest on capital

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

The Annual General Meeting of stockholders held on July 30, 2010 approved an additional dividend distribution of R$ 8,838 (R$ 0.0783 per share), totaling a dividend distribution of R$ 30,933 (R$ 0.2741 per share), corresponding to 35% of the profit for the previous year (under former BR GAAP) after appropriation of the legal reserve.

All amounts in thousands of reais unless otherwise stated

As permitted by Law 9249/95, in September 2010, the subsidiary USM (currently Vale do Mogi) calculated and distributed interest on capital to the Company based on the Long-term Interest Rate (TJLP) effective for the period, in the gross amount of R$ 15,680. In December 2010, the Company calculated and distributed interest on capital based on the Long-term Interest Rate (TJLP) effective for the period, in the gross amount of R$ 19,559.

The interest on capital received from the subsidiary USM was recorded as finance income, and the interest on capital paid to the Company's stockholders as finance costs, as required by tax legislation. Subsequently, the interest on capital received was credited to the investment account, and the interest on capital paid was charged to retained earnings, in compliance with CVM Resolution 247/96. Additionally, interest on capital was considered in the calculation of the mandatory minimum dividend.

The mandatory minimum dividend was calculated as follows:

	2011	**2010**
Profit for the year (2010 - according to former BR GAAP - Note 38)	142.288	93.032
Absorption of accumulated deficit	(32.927)	
	109.361	93.032
Appropriation to legal reserve - 5%	(5.468)	(4.652)
Calculation basis for distribution of the mandatory minimum dividend	103.893	88.380
Mandatory minimum dividend - 25% (2011 - R$ 0.2301 per share)	25.973	22.095
Interest on capital paid as dividend, net of Withholding Income Tax (IRRF) (2011 - R$ 0.1488 per share)	(16.793)	(15.626)
Amount of mandatory minimum dividend payable (2011 - R$ 0.0813 per share)	9.180	6.469

At the Board of Directors' Meeting held on June 27, 2011, the directors proposed an additional distribution of dividends in the amount of R$ 21,062 (R$ 0.1866 per share) to be approved at the Annual General Meeting.

(f) Stock Option Plan

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

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

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

23 EMPLOYEE AND MANAGEMENT BENEFITS PLAN

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

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

The contributions for the years ended March 31, 2011 and 2010, recorded as operating costs or expenses in the consolidated statement of income, amounted to R$ 1,663 and R$ 1,534, respectively.

24 PROFIT SHARING PROGRAM

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

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

The amounts of profit sharing for the years ended March 31, 2011 and 2010, recorded as operating costs or expenses in the consolidated statement of income, amounted to R$ 20,535 and R$ 13,368, respectively.

All amounts in thousands of reais unless otherwise stated

25 INCOME TAX AND SOCIAL CONTRIBUTION ON NET INCOME

a) Income tax and social contribution are as follows:

	Parent company			Consolidated		
Tax credits	**March 31, 2011**	**March 31, 2010**	**April 1, 2009**	**March 31, 2011**	**March 31, 2010**	**April 1, 2009**
In current assets - prepayments						
. Income tax and social contribution to be offset	1,023	5,002	5,596	5,037	12,026	11,427
In non-current assets - deferred credits						
. Income tax on tax losses	14,296	22,481	22,247	33,442	51,352	58,146
. Social contribution on tax losses	5,220	8,166	8,632	12,113	19,337	23,125
Taxes on temporary differences of:						
. Provision for contingencies	17,127	5,215	3,912	17,363	19,170	23,955
. Biological assets (changes in fair value)	16,718	11,481	3,194	27,750	22,231	24,692
. Tax benefit on merged goodwill	9,509			9,509	13,970	17,523
. Pre-operating expenses (deferred, written-off)				7,982	14,350	15,332
. Derivative financial instruments	13,784	2,799	144	13,784	5,550	2,016
. Other	9,414	863	1,131	10,733	2,078	5,435
	86,068	51,005	39,260	132,676	148,038	170,224
Tax liabilities						
In current liabilities - current liabilities						
. Income tax and social contribution payable	829			829		
In non-current liabilities - deferred liabilities						
Taxes on temporary differences of:						
. Surplus of property, plant and equipment (deemed cost)	(329,797)	(228,236)	(234,256)	(684,793)	(705,054)	(724,964)
. Accelerated tax-incentive depreciation	(107,366)	(23,192)	(21,152)	(107,366)	(95,755)	(77,724)
. Securitized financing	(12,574)	(9,210)	(8,830)	(12,740)	(9,784)	(9,016)
. Adjustments to present value	(8,371)	(3,333)	(3,894)	(8,393)	(9,417)	(11,086)
. Derivative financial instruments	(3,834)	(13,114)		(3,835)	(23,699)	
. Other		(21)	(21)		(53)	(153)
	(461,942)	(277,106)	(268,153)	(817,127)	(843,762)	(822,943)

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

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

	Estimated realization	
Years ended March 31:	**Parent company**	**Consolidated**
2012	45,365	50,870
2013	11,685	18,359
2014	7,487	14,465
2015	6,973	14,391
2016	6,289	14,329
2017 and thereafter	8,269	20,262
	86,068	132,676

All amounts in thousands of reais unless otherwise stated

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

b) Reconciliation of income tax and social contribution

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

	March 31, 2011		March 31, 2010	
Parent company:	**Income tax**	**Social contribution**	**Income tax**	**Social contribution**
Profit before taxation	173,974	173,974	87,229	87,229
Standard rates of tax - %	25%	9%	25%	9%
	(43,494)	(15,658)	(21,807)	(7,851)
Reconciliation to the effective rate:				
Permanent differences				
Equity in the earnings of subsidiaries	19,755	7,111	32,251	11,611
Capital gain (loss) on investments	2,133	768		
Interest on capital	971	350	1,592	573
Tax benefits - REFIS installment program - Law 11941			339	122
Other permanent differences	(3,216)	(1,156)	(297)	(107)
PAT and donations with incentives	750		24	
Income tax and social contribution	(23,101)	(8,585)	12,102	4,348
Income tax and social contribution	(31,686)		16,450	

All amounts in thousands of reais unless otherwise stated

	March 31, 2011		March 31, 2010	
Consolidated:	**Income tax**	**Social contribution**	**Income tax**	**Social contribution**
Profit before taxation	197,096	197,096	145,864	145,864
Standard rates of tax - %	25%	9%	25%	9%
	(49,274)	(17,739)	(36,466)	(13,128)
Reconciliation to the effective rate:				
Permanent differences				
Tax incentives - non-taxable ICMS	1,994	718	2,395	862
Deferred taxes, not recorded	66	23	(922)	(332)
Interest on capital	4,890	1,760	4,583	1,650
Tax benefits - REFIS installment program - Law 11941			4,199	1,512
Write-off of deferred taxes in subsidiary - USL			(1,117)	(402)
Other permanent differences	227	82	(2,491)	(897)
PAT and donations with incentives	2,445		688	
Income tax and social contribution	(39,652)	(15,156)	(29,131)	(10,735)
Income tax and social contribution	(54,808)		(39,866)	

26 INVESTMENT SUBSIDIES

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

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

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

The incentive amounts credited to operations for the years ended March 31, 2011 and 2010 were R$ 7,975 and R$ 9,581, respectively.

27 COMMITMENTS

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

27.1 Riparian forests and land for legal reserve

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

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

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

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

27.2 Ethanol supply agreement

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

27.3 Grating of right of preference for the purchase of ethanol

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

27.4 Sureties

The Company is the guarantor of the borrowings contracted by UBV in the amount of R$ 462,383.

All amounts in thousands of reais unless otherwise stated

28 PROVISION FOR CONTINGENCIES

28.1 Probable losses

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

							Parent company
	March 31, 2010	Merged balance USM	Additions	Reversals	Utilizations	Monetary restatement	March 31, 2011
Tax	3,072	651	4,982		(109)	131	8,727
Civil and environmental	7,912	1,321	9,999	(643)	(4,636)	545	14,498
Labor	6,439	43,774	1,825	(2,944)	(4,665)	2,389	46,818
	17,423	45,746	16,806	(3,587)	(9,410)	3,065	70,043
(-) Judicial deposits	(5,624)	(25,205)	(1,808)		2,594	(521)	(30,564)
	11,799	20,541	14,998	(3,587)	(6,816)	2,544	39,479

							Consolidated
	March 31, 2010	Decrease in holding in UBV	Additions	Reversals	Utilizations	Monetary restatement	March 31, 2011
Tax	4,191	(35)	5,725		(1,222)	811	9,470
Civil and environmental	10,429	(16)	10,039	(1,523)	(4,916)	1,111	15,124
Labor	53,269	(317)	7,969	(7,316)	(9,591)	5,676	49,690
	67,889	(368)	23,733	(8,839)	(15,729)	7,598	74,284
(-) Judicial deposits	(28,580)	58	(6,761)		4,263	(1,347)	(32,367)
	39,309	(310)	16,972	(8,839)	(11,466)	6,251	41,917

The nature of the main lawsuits included in the above provisions at March 31, 2011 were as follows (Parent Company and Consolidated):

Tax lawsuits:

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

Civil and environmental lawsuits:

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

Labor lawsuits:

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

All amounts in thousands of reais unless otherwise stated

28.2 Possible losses (contingent liabilities)

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

Tax lawsuits:

Consolidated				Stage				
Subject		Number of lawsuits	Administrative	Trial court	Appeals court	Lower court	Higher court	Total
(i)	Social security contributions	24	101,174		12,243			113,417
(ii)	Calculation of IRPJ/CSLL	2	48,198					48,198
	Negative balance of IRPJ	3		91		212	1,446	1,749
	Offset of credits - PIS	2	3,601			1,674		5,275
	Offset of federal taxes	2	209			1,408		1,617
	Other tax cases	48	10,420	1,202		1,569		13,191
		81	163,602	1,293	12,243	4,863	1,446	183,447

(i) The lawsuits refer to the levy of the Social Security Contribution on export revenue, under the allegation that the exports carried out through the intermediation of a cooperative are not included in the exemption established in article 149, paragraph 2, of the federal constitution.

(ii) The lawsuits refer to the exclusion in the calculation basis of income tax and social contribution of expenses related to securitized financing, as well as expenses arising from the benefit of accelerated tax-incentive depreciation.

In addition, in accordance with the terms negotiated for the withdrawal from Copersucar, the Company, USM and USL remain liable for the payment of any obligations, proportionate to their interest in Copersucar in previous harvests, which result from tax assessments that may arise and that relate to periods in which the Company and its subsidiaries were cooperative members. The State Finance authorities have issued tax assessments against Copersucar with respect to Value-added Tax on Sales and Services (ICMS) on fuel and industrial ethanol sales made by Copersucar up to December 31, 2008, as principal taxpayer or substitute taxpayer of the distribution companies. The adjusted amount, calculated proportionately to the interest of the Company and its subsidiaries in the Cooperative, amounts to R$ 126,245. Legal counsel assesses the outcome in these lawsuits as a possible loss.

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

Civil and environmental lawsuits:

Consolidated			Stage			
Subject	Number of lawsuits	Administrative	Trial court	Lower court	Higher court	Total
Environmental	48	1,671	1,306	1,201	4,676	8,854
Civil						
Indemnities	30		2,875	207	25	3,107
Review of contracts	11			23		23
Rectification of area and land registration	3		9			9
Permits for obtaining research license	6					
Regulatory	1	64				64
	99	1,735	4,190	1,431	4,701	12,057

All amounts in thousands of reais unless otherwise stated

29 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

Derivatives designated for hedge accounting are recorded at their fair value in the balance sheet. The effective variations in the fair value of the designated derivatives, which qualify for hedge accounting, are recorded in "Carrying value adjustments" in equity, net of deferred taxes, and recorded in the statement of income in "Net sales", when the revenue of the related hedged sale is recognized, which occurs in the month the sold products are shipped. The ineffective portion of the variations is recorded as finance income or costs in the same period in which it occurs.

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

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

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

The balances of assets and liabilities at March 31, 2011 and 2010 and January 1, 2009 relating to transactions involving derivative financial instruments, were as follows:

	Parent company			Consolidated		
	March 31, 2011	March 31, 2010	April 1, 2009	March 31, 2011	March 31, 2010	April 1, 2009
Margin deposits	1,709	1,335	199	1,709	4,170	3,848
Potential results - futures - sugar	(2,634)	6,351	174	(2,634)	8,661	330
Potential results - futures - ethanol	14			14		
Potential results - options - sugar	129	1,195	569	129	1,195	492
Potential results - options - U.S. dollar	221			221		
Potential results - forward contracts - foreign exchange	3,894	947		3,894	2,682	(4,829)
Potential results - forward contracts - sugar	(23,276)	22,391		(23,276)	41,696	
	(19,943)	32,219	942	(19,943)	58,404	(159)
Assets - current assets	5,967	32,219	942	5,967	58,404	4,670
Liabilities - current liabilities	(25,910)			(25,910)		(4,829)
	(19,943)	32,219	942	(19,943)	58,404	(159)

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

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

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

All amounts in thousands of reais unless otherwise stated

29.1 Statement of fair value of the derivative financial instruments

At March 31, 2011 and 2010 and April 1, 2009, the analysis of the fair values of the assets and liabilities related to transactions involving derivative financial instruments is as follows:

a) Futures and options contracts:

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

All amounts in thousands of reais unless otherwise stated

Parent company	Volume (Metric ton)	Average price (¢/lb)	Notional amount - R$	Fair value - R$	Payable/ receivable - R$
					March 31, 2010
Products - Sugar #11					
Futures Contracts					
Sales commitment	54,000	19.62	41,602	6,506	6,506
Purchase commitment	1,524	19.19	1,148	(155)	(155)
					6,351
Options Contracts					
Purchased position - sale	14,224	18.27	10,204	1,375	1,375
Purchased position - purchase	25,400	25.50	25,433	11	11
Written position - purchase	39,624	24.04	37,403	(191)	(191)
					1,195

Parent company	Volume (Metric ton)	Average price (¢/lb)	Notional amount - R$	Fair value - R$	Payable/ receivable - R$
					April 1, 2009
Products - Sugar #11					
Futures Contracts					
Sales commitment	15,291	13.24	10,335	84	84
Purchase commitment	7,061	12.42	4,476	90	90
					174
Options Contracts					
Purchased position - sale	62,535	12.55	40,062	(1,020)	(1,020)
Written position - purchase	62,535	14.00	44,688	1,589	1,589
					569

All amounts in thousands of reais unless otherwise stated

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

All amounts in thousands of reais unless otherwise stated

	March 31, 2010				
Consolidated	**Volume (Metric ton)**	**Average price (¢/lb)**	**Notional amount - R$**	**Fair value - R$**	**Payable/ receivable - R$**
Products - Sugar #11					
Futures Contracts					
Sales commitment	74,066	19.58	56,951	8,816	8,816
Purchase commitment	1,524	19.19	1,148	(155)	(155)
					8,661
Options Contracts					
Purchased position - sale	14,224	18.27	10,204	1,375	1,375
Purchased position - purchase	25,400	25.50	25,433	11	11
Written position - purchase	39,624	24.04	37,403	(191)	(191)
					1,195

	April 1, 2009				
Consolidated	**Volume (Metric ton)**	**Average price (¢/lb)**	**Notional amount - R$**	**Fair value - R$**	**Payable/ receivable - R$**
Products - Sugar #11					
Futures Contracts					
Sales commitment	19,863	13.42	13,603	240	240
Purchase commitment	7,061	12.42	4,476	90	90
					330
Options Contracts					
Purchased position - sale	118,110	12.60	75,990	(2,034)	(2,034)
Written position - purchase	118,110	14.00	84,403	2,526	2,526
					492

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

a) Purchased position - sale: purchase of put options that grant the Company the right, but not the obligation, to sell at a previously established price.
b) Purchased position - purchase: purchase of call options that grant the Company the right, but not the obligation, to purchase at a previously established price.
c) Written position - purchase: sale of call options under which the Company has the obligation to comply at the agreed price at the buyer's discretion.
d) Written position - sale: sale of put options under which the Company has the obligation to comply at the agreed price at the buyer's discretion.

All amounts in thousands of reais unless otherwise stated

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

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

					Parent Company -	3/31/2010
Maturity	Position	US$ thousand	Average fixed rate - R$/US$ 1	Notional amount - R$	Fair value - R$	Receivable - R$
Jun-10	Sold	6,847	1.8204	12,465	121	121
Jul-10	Sold	4,057	1.8308	7,427	64	64
Aug-10	Sold	10,537	1.8448	19,439	166	166
Sep-10	Sold	5,977	1.8535	11,078	68	68
Oct-10	Sold	9,925	1.8582	18,443	32	32
Nov-10	Sold	19,000	1.8729	35,586	78	78
Jan-11	Sold	5,000	1.9869	9,935	418	418
		61,343				947

All amounts in thousands of reais unless otherwise stated

					Consolidated -	31/03/2010
Maturity	Position	US$ thousand	Average fixed rate - R$/US$ 1	Notional amount - R$	Fair value - R$	Receivable - R$
jun/10	Sold	8.767	1,8212	15.967	162	162
jul/10	Sold	9.863	1,8274	18.023	123	123
ago/10	Sold	21.834	1,8430	40.240	305	305
set/10	Sold	13.777	1,8870	25.998	600	600
out/10	Sold	26.282	1,8703	49.155	387	387
nov/10	Sold	34.339	1,8848	64.724	528	528
dez/10	Sold	2.240	1,9310	4.325	103	103
jan/11	Sold	23.241	1,9185	44.589	474	474
		140.343				2.682

					Consolidated -	4/1/2009
Maturity	Position	US$ thousand	Average fixed rate - R$/US$ 1	Notional amount - R$	Fair value - R$	Accumulated R$
May-09	Sold	6,000	2.3078	13,847	(157)	(157)
Jun-09	Sold	13,096	2.2780	29,832	(925)	(925)
Jul-09	Sold	1,000	2.4635	2,464	91	91
Aug-09	Sold	2,388	2.3672	5,653	(27)	(27)
Sep-09	Sold	8,400	2.2693	19,062	(1,005)	(1,005)
Oct-09	Sold	5,088	2.3869	12,145	(101)	(101)
Nov-09	Sold	4,900	2.2837	11,190	(632)	(632)
Dec-09	Sold	389	2.1340	830	(107)	(107)
Jan-10	Sold	6,300	2.3070	14,534	(808)	(808)
Mar-10	Sold	6,000	2.2600	13,560	(1,158)	(1,158)
		53,561				(4,829)

All amounts in thousands of reais unless otherwise stated

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

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

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

					Parent Company -	3/31/2010
Maturity	Position	Lots	Average fixed rate - ¢/lb	Notional amount - R$	Fair value - R$	Receivable - R$
May-10	Sold	540	21.81	20,975	5,289	5,289
Jul-10	Sold	1,313	20.45	47,828	10,293	10,293
Oct-10	Sold	960	19.71	33,699	6,102	6,102
Mar-11	Sold	100	20.30	3,615	707	707
		2,913				22,391

					Consolidated -	3/31/2010
Maturity	Position	Lots	Average fixed rate - ¢/lb	Notional amount - R$	Fair value - R$	Receivable - R$
May-10	Sold	765	21.84	29,760	7,567	7,567
Jul-10	Sold	2,514	20.17	90,312	18,297	18,297
Oct-10	Sold	2,306	19.78	81,225	14,967	14,967
Mar-11	Sold	120	20.37	4,354	865	865
		5,705				41,696

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

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

Consolidated (in thousands of reais)					Maturity by month
	May-11	Jul-11	Oct-11	Mar-12	Total
PRODUCTS					
Derivatives designated as hedge					
Fair value of futures purchased - sugar	(1,173)	(290)	(90)		(1,553)
Fair value of futures sold - sugar	(1,978)	116	577	204	(1,081)
Fair value of NDFs sold - sugar	(6,621)	(12,060)	(4,566)	(29)	(23,276)
	(9,772)	**(12,234)**	**(4,079)**	**175**	**(25,910)**
Sugar options					
Fair value of purchased position - sale	439	1,664	1,098		3,201
Fair value of purchased position - purchase	540				540
Fair value of written position - sale	(9)	(87)	(144)		(240)
Fair value of written position - purchase	(746)	(1,286)	(1,340)		(3,372)
	224	**291**	**(386)**		**129**
	(9,548)	**(11,943)**	**(4,465)**	**175**	**(25,781)**

Consolidated (in thousands of reais)						Maturity by period
	1Q11	2Q11	3Q11	4Q11	1Q12	Total
PRODUCTS						
Derivatives designated as hedge						
Fair value of futures sold - ethanol	14					14
FOREIGN CURRENCY						
Derivatives designated as hedge						
Fair value of NDFs sold - foreign exchange	754	851	1,869	362	58	3,894
U.S. dollar options						
Fair value of purchased position - sale		113	174	181	60	528
Fair value of written position - purchase		(58)	(94)	(113)	(42)	(307)
		55	**80**	**68**	**18**	**221**
	768	**906**	**1,949**	**430**	**76**	**4,129**

All amounts in thousands of reais unless otherwise stated

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

	March 31, 2011		March 31, 2010	
Contracts linked to products:	**Parent company**	**Consolidated**	**Parent company**	**Consolidated**
Future contracts	(1,302)	10,602	(2,257)	(5,672)
Options	(3,295)	(7,335)	(9,372)	(13,371)
Forward contracts			(8,694)	(15,303)
Commissions and brokerage fees	(398)	(613)	(406)	(574)
Foreign exchange variations	(516)	(516)	520	(244)
	(5,511)	2,138	(20,209)	(35,164)
Contracts linked to currency:				
Forward contracts	12,819	27,723	884	30,607
Options	169	169		
	12,988	27,892	884	30,607
Contracts linked to debt:				
Swap		(9,602)		
Net effect	7,477	20,428	(19,325)	(4,557)
Effect on the statement of income captions:				
Gross revenue	14,396	41,139	20	164
Finance income	14,539	15,361	40,088	96,425
Finance costs	(20,942)	(35,556)	(59,953)	(100,902)
Foreign exchange and monetary variation gains	102	195	555	1,465
Foreign exchange and monetary variation losses	(618)	(711)	(35)	(1,709)
	7,477	20,428	(19,325)	(4,557)

29.2 Margin deposits given in guarantee

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

	Parent company			Consolidated		
Brokers	**March 31, 2011**	**March 31, 2010**	**April 1, 2009**	**March 31, 2011**	**March 31, 2010**	**April 1, 2009**
Natixis		1,335	199		1,336	152
New Edge	507			507	2,836	3,696
Prudential	1,202			1,202	(2)	
	1,709	1,335	199	1,709	4,170	3,848

All amounts in thousands of reais unless otherwise stated

30 SEGMENT INFORMATION (CONSOLIDATED)

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

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

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

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

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

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

The segment information, used by the main decision-makers, is as follows:

(a) Consolidated result per segment

Year ended March 31, 2011	Sugar	Ethanol	Other products	Non-segmented	Total
Net revenue	702,175	520,958	71,913		1,295,046
Cost of sales	(420,483)	(411,529)	(63,690)		(895,702)
Gross profit	**281,692**	**109,429**	**8,223**		**399,344**
Gross margin	40.1%	21.0%	11.4%		30.8%
Selling expenses	(47,274)	(10,777)	(154)		(58,205)
Other operating expenses				(105,374)	(105,374)
Operating profit	**234,418**	**98,652**	**8,069**	**(105,374)**	**235,765**
Finance income (costs)				(62,134)	(62,134)
Foreign exchange variations, net				23,465	23,465
Profit before taxation	**234,418**	**98,652**	**8,069**	**(144,043)**	**197,096**
Income tax and social contribution				(54,808)	(54,808)
Profit for the year	**234,418**	**98,652**	**8,069**	**(198,851)**	**142,288**

All amounts in thousands of reais unless otherwise stated

Year ended March 31, 2010	Sugar	Ethanol	Other products	Non-segmented	Total
Net revenue	582,253	522,838	78,195		1,183,286
Cost of sales	(373,675)	(461,939)	(60,161)		(895,775)
Gross profit	**208,578**	**60,899**	**18,034**		**287,511**
Gross margin	35.8%	11.6%	23.1%		24.3%
Selling expenses	(46,047)	(15,086)	(320)		(61,453)
Other operating expenses				(96,911)	(96,911)
Operating profit	**162,531**	**45,813**	**17,714**	**(96,911)**	**129,147**
Finance income (costs)				(66,580)	(66,580)
Foreign exchange variations, net				83,297	83,297
Profit before taxation	**162,531**	**45,813**	**17,714**	**(80,194)**	**145,864**
Income tax and social contribution				(39,866)	(39,866)
Profit for the year	**162,531**	**45,813**	**17,714**	**(120,060)**	**105,998**

(b) Consolidated operating assets per segment

The main operating assets of the Company and its subsidiaries were segregated by segment based on the cost centers into which they are included and/or the apportionment criterion that takes into consideration the production of each product in relation to total production; therefore, this allocation may vary from one year to the next.

All amounts in thousands of reais unless otherwise stated

At March 31, 2011

	Sugar	Ethanol	Other products	Total
Trade receivables	22,379	34,024	3,270	59,673
Inventories	65,442	59,811	13,853	139,106
Biological assets	206,760	228,772		435,532
Property, plant and equipment	1,471,068	1,351,584	42,109	2,864,761
Intangible assets	21,700	15,026		36,726
Total	1,787,349	1,689,217	59,232	3,535,798

At March 31, 2010

	Sugar	Ethanol	Other products	Total
Trade receivables	11,695	26,462	3,471	41,628
Inventories	33,127	64,919	7,023	105,069
Biological assets	188,619	273,333		461,952
Property, plant and equipment	1,303,604	1,698,423	40,732	3,042,759
Intangible assets	19,156	18,011		37,167
Total	1,556,201	2,081,147	51,226	3,688,575

At April 1, 2009

	Sugar	Ethanol	Other products	Total
Trade receivables	5,571	28,534	11,439	45,544
Inventories	84,511	65,509	29,294	179,314
Biological assets	162,369	244,503		406,872
Property, plant and equipment	1,334,356	1,641,248	39,469	3,015,073
Intangible assets	19,334	18,553		37,887
Total	1,606,141	1,998,347	80,202	3,684,690

All amounts in thousands of reais unless otherwise stated

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

31 REVENUE

	Parent company		Consolidated	
	2011	2010	2011	2010
Gross sales revenue				
Domestic market	286,197	180,191	670,493	657,291
Foreign market	321,898	112,024	713,894	624,858
	608,095	292,215	1,384,387	1,282,149
Taxes, contributions and deductions on sales	(38,259)	(24,377)	(89,341)	(98,863)
	569,836	267,838	1,295,046	1,183,286

32 EXPENSES BY NATURE

	Parent company		Consolidated	
	2011	2010	2011	2010
Manure, fertilizers, pesticides, inputs	25,997	14,475	83,260	75,177
Sugar cane from third parties	54,367	39,597	273,242	238,253
Fuel, lubricants, tires	17,867	13,594	66,396	65,282
Port costs	2,175	2,606	6,701	7,472
Depreciation and amortization (includes harvested biological assets)	80,644	83,620	305,180	233,681
Taxes and contributions	3,474	2,523	7,603	6,824
Labor, charges, benefits	120,947	66,528	296,368	274,635
Other expenses	17,057	15,630	45,002	52,860
Parts/maintenance services	49,614	21,916	93,417	89,028
Outsourced services	20,459	15,984	58,971	52,391
Expenditures with third-party transportation	26,466	16,462	87,510	88,940
Materials for resale	7,216	18,849	25,564	33,300
	426,283	311,784	1,349,214	1,217,843
Biological assets, investment in crop planting and treatment	(69,816)	(20,067)	(140,052)	(122,834)
Property, plant and equipment, environmental investments and relevant maintenance	(60,816)	(17,749)	(81,100)	(76,493)
Changes in inventories of finished products	150,571	5,464	(73,025)	34,832
Total cost of sales, selling, general and administrative expenses	446,222	279,432	1,055,037	1,053,348

All amounts in thousands of reais unless otherwise stated

33 OTHER INCOME (EXPENSES), NET

	Parent company		Consolidated	
	2011	**2010**	**2011**	**2010**
Profit on the sale of property, plant and equipment	893	837	2,194	1,274
REFIS installment program - Law 11941	(10,039)	(7,160)	(9,945)	1,856
Capital gain (loss) on investments	8,533		24,666	
Provision for contingencies	(13,144)		(13,184)	
Expenditures with corporate restructuring	(3,799)		(11,717)	
Other	2,531	1,881	3,742	(3,921)
	(15,025)	(4,442)	(4,244)	(791)

34 FINANCE RESULT

	Parent company		Consolidated	
Finance income	**2011**	**2010**	**2011**	**2010**
Interest income	7,770	1,233	20,439	5,098
Gains on derivatives	14,539	40,088	15,361	96,425
Other income	192	390	3,673	3,106
	22,501	41,711	39,473	104,629
Finance costs				
Interest expense	(19,659)	(14,342)	(59,887)	(61,917)
Losses on derivatives	(20,942)	(59,953)	(35,556)	(100,902)
Other expenses	(2,073)	(1,944)	(6,164)	(8,390)
	(42,674)	(76,239)	(101,607)	(171,209)
Monetary and foreign exchange variations				
Gains	27,141	25,342	80,851	166,222
Losses	(20,585)	(16,554)	(57,386)	(82,925)
	6,556	8,788	23,465	83,297
Finance costs, net	(13,617)	(25,740)	(38,669)	16,717

35 EARNINGS PER SHARE

(a) Basic

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

	2011	2010
Numerator		
Profit attributable to stockholders of the Company	142,288	103,679
Denominator		
Weighted average number of common shares - in thousands	112,861	112,861
Basic earnings per share		
Basic and diluted earnings per share - R$	1.26	0.92

(b) Diluted

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

36 INSURANCE

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

	Maximum cover (*)	
Risks covered	**Parent company**	**Consolidated**
Civil liability	676,486	840,208
Fire, lightning and explosion of any nature	140,000	196,523
Theft or larceny	2,846	7,449
Natural phenomena, impact of vehicles or aircrafts, etc.	5,500	10,387
Electrical damages	15,936	22,075
Other coverage	10,200	18,322

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

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

37 EVENTS AFTER THE REPORTING PERIOD

On May 30, 2011, the stockholders approved at the Annual General Meeting the merger of the subsidiary Omtek by the Company, with base date April 30, 2011. The restructuring aims at increasing operating efficiency as a result of the centralization and consolidation of the activities of Omtek by the Company and the strengthening of the Company's financial performance, in order to achieve higher levels of competitiveness and productivity.

After this restructuring, the Company will centralize the manufacture, sale, export and import, on its own or third parties account, of chemicals and organic products, as well as the production of additives, ingredients and supplements for animal consumption.

The Company's capital will not change because Omtek is its wholly-owned subsidiary.

38 FIRST-TIME ADOPTION OF IFRS AND CPCS

38.1 Transition basis

38.1.1 Adoption of CPCs 37 and 43 and IFRS 1

The consolidated financial statements for the year ended March 31, 2011 are the first annual statements prepared in conformity with the CPCs and IFRSs. The Company adopted CPCs 37 to 43 and IFRS 1 for the preparation of these consolidated financial statements.

The parent company's individual financial statements for the year ended March 31, 2011 are the first annual individual statements prepared in conformity with the CPCs. The Company applied CPCs 37 to 43 in preparing these individual financial statements.

The transition date is April 1, 2009. Management prepared the opening balance sheets in accordance with the CPCs and IFRSs on that date.

In preparing these financial statements, the Company applied the material compulsory exceptions and certain voluntary exemptions to the full retrospective application.

38.1.2 Exemptions to full retrospective application - elected by the Company

(a) Exemption of the fair value as deemed cost

The Company and certain subsidiaries elected to measure certain items of property, plant and equipment at fair value as at April 1, 2009. The application of this exemption is detailed in Note 38.2(a).

(b) Exemption for business combinations

The Company opted not to remeasure business combinations prior to the transition date at the fair value of assets and liabilities acquired.

(c) Other exemptions not followed by the Company

- Exemption of assets and liabilities of subsidiaries, associates and joint ventures.
- Exemption for cumulative translation differences.
- Exemption for employee benefits.

38.1.3 Exceptions to retrospective application followed by the Company

(a) Exemption for estimates

The estimates used in the preparation of these financial statements as at April 01, 2009 and March 31, 2010 are consistent with the estimates as at the same date made in conformity with the accounting practices previously adopted in Brazil (former BR GAAP).

The other compulsory exceptions have not been applied as there were no significant differences with former BR GAAP:

- Derecognition of financial assets and financial liabilities; and
- Non-controlling interests.

38.2 Reconciliation between the former BR GAAP and IFRS/CPCs

(a) Deemed cost

Management applied the fair value as a deemed cost exemption for the main groups of property, plant and equipment (Note 15). The appraisal reports of the assets, on the base date April 1, 2009, determined the fair value of these items for the Company and the Consolidated, and resulted in surpluses of R$ 282,727 and R$ 895,874, respectively, in relation to the carrying amounts revalued in accordance with the former BR GAAP. The increase in the Company and Consolidated financial statements at March 31, 2010 was R$ 284,295 and R$ 909,386, respectively.

(b) Biological assets

The biological assets of the Company and its subsidiary UBV (represented by sugar cane crops) were recorded, according to the former BR GAAP, at the cost of formation. The related costs were classified in inventories, in the case of crop treatment costs of the current year, or as part of property, plant and equipment, in the case of planting costs (sugar cane stubble). In line with CPC 29, the Company and its subsidiary adjusted, on a retrospective basis as from the transition date, their biological assets to fair value, less estimated selling expenses, and reclassified the corresponding amounts to a specific account in the balance sheet ("Biological assets").

On April 1, 2009, in addition to the reclassification of inventories and property, plant and equipment, the biological assets were subject to negative adjustments, which reduced the corresponding carrying amount to the fair value, in the amounts of R$ 9,395 and R$ 72,624 in the Parent company and Consolidated financial statements, respectively, gross of tax effects. These initial adjustments were recorded with a corresponding entry to accumulated deficit. At March 31, 2010, the amounts previously recognized were partially realized and the new changes in the fair value at the end of the year were recorded, both substantially charged to the statement of income in the account "Cost of sales".

(c) Pre-operating expenses (write-off of deferred assets)

Under the former BR GAAP, up to December 31, 2009 the Company and its subsidiaries capitalized pre-operating expenses in "Deferred charges". Pre-operating expenses that cannot be attributed to the cost of property, plant and equipment or the formation of intangible assets are immediately recognized as expenses. Accordingly, in the Consolidated financial statements, the balances of R$ 42,819 and R$ 40,177, as at April 1, 2009 and March 31, 2010, respectively, and the R$ 2,641 amortization recognized in 2010, were adjusted.

All amounts in thousands of reais unless otherwise stated

These adjustments were recorded with a corresponding entry to retained earnings (accumulated deficit) and mainly refer to the subsidiary UBV.

(d) Deferred income tax and social contribution

The adjustments mentioned in items (a) "Deemed cost", (b) "Biological assets", and (c) "Pre-operating expenses (write-off of deferred assets)", above, had their corresponding deferred tax impacts recorded at the rate of 34% on the respective adjustments, with a corresponding entry to equity at April 1, 2009 (accumulated deficit and carrying value adjustments). At March 31, 2010, the corresponding adjustments in assets and liabilities were charged to the statement of income.

In addition to the effects of these adjustments, the Company and its subsidiaries recorded, at April 1, 2009, deferred taxes on the surplus of the revaluation of land, which reduced the equity ("Carrying value adjustments") of the Company and Consolidated in the amounts of R$ 115,863 and R$ 309,869, respectively. The former BR GAAP did not stipulate the recording of deferred taxes on the surplus of revaluation of land, for this reason, these adjustments had to be made in line with the IFRS, as determined by ICPC 10.

38.2.1 Reconciliation of the parent company's equity at April 1, 2009

	Parent company at April 1, 2009				
Assets	Under former BR GAAP	Deemed cost (a)	Biological assets (b)	Write-off of deferred assets (c)	Under IFRS
Current assets					
Cash and cash equivalents	28,676				28,676
Trade receivables	9,980				9,980
Derivative financial instruments	942				942
Inventories	63,264		(32,073)		31,191
Taxes recoverable	8,266				8,266
Income tax and social contribution	5,596				5,596
Other assets	2,641				2,641
	119,365		(32,073)		87,292
Non-current assets					
Long-term receivables					
Related parties	16,420				16,420
Deferred income tax and social contribution	36,066		3,194		39,260
Trade receivables - Copersucar	6,435				6,435
Taxes recoverable	8,158				8,158
Judicial deposits	4,827				4,827
Other assets	3,434				3,434
	75,340		3,194		78,534
Investments	1,101,249	210,671	(40,094)	(26,988)	1,244,838
Biological assets			109,811		109,811
Property, plant and equipment	599,306	282,727	(87,133)		794,900
Intangible assets	262				262
	1,776,157	493,398	(14,222)	(26,988)	2,228,345
Total assets	1,895,522	493,398	(46,295)	(26,988)	2,315,637

São Martinho S.A.

Notes to the Financial Statements
at March 31, 2011
All amounts in thousands of reais unless otherwise stated

	Parent company at April 1, 2009				
Liabilities and equity	**Under former BR GAAP**	**Deemed cost (a)**	**Biological assets (b)**	**Write-off of deferred assets (c)**	**Under IFRS**
Current liabilities					
Borrowings	87,054				87,054
Trade payables	16,916				16,916
Payables to Copersucar	589				589
Salaries and social charges	7,300				7,300
Taxes payable	4,286				4,286
Related parties	15,632				15,632
Advances from customers	1,704				1,704
Other liabilities	5,781				5,781
	139,262				139,262
Non-current liabilities					
Borrowings	41,099				41,099
Payables to Copersucar	57,507				57,507
Taxes payable in installments	8,963				8,963
Deferred income tax and social contribution	56,163	211,990			268,153
Provision for contingencies	13,666				13,666
Other liabilities	2,160				2,160
	179,558	211,990			391,548
Equity					
Share capital	360,000				360,000
Revaluation reserves	1,117,599	(1,117,599)			
Carrying value adjustments		1,399,007			1,399,007
Revenue reserves	101,002				101,002
Treasury shares	(1,899)				(1,899)
Retained earnings (accumulated deficit)			(46,295)	(26,988)	(73,283)
	1,576,702	281,408	(46,295)	(26,988)	1,784,827
Total liabilities and equity	1,895,522	493,398	(46,295)	(26,988)	2,315,637

All amounts in thousands of reais unless otherwise stated

38.2.2 Reconciliation of the consolidated equity at April 01, 2009

	Consolidated at April 1, 2009				
Assets	**Under former BR GAAP**	**Deemed cost (a)**	**Biological assets (b)**	**Write-off of deferred assets (c)**	**Under IFRS**
Current assets					
Cash and cash equivalents	190,063				190,063
Trade receivables	45,544				45,544
Derivative financial instruments	4,670				4,670
Inventories	296,404		(117,090)		179,314
Taxes recoverable	41,545				41,545
Income tax and social contribution	11,427				11,427
Other assets	10,900				10,900
	600,553		(117,090)		483,463
Non-current assets					
Long-term receivables					
Related parties	3,424				3,424
Deferred income tax and social contribution	130,973		24,692	14,559	170,224
Trade receivables - Copersucar	24,092				24,092
Taxes recoverable	67,578				67,578
Judicial deposits	32,644				32,644
Other assets	4,321				4,321
	263,032		24,692	14,559	302,283
Biological assets			406,872		406,872
Property, plant and equipment	2,481,605	895,874	(362,406)		3,015,073
Intangible assets	37,887				37,887
Deferred charges	42,819			(42,819)	
	2,825,343	895,874	69,158	(28,260)	3,762,115
Total assets	3,425,896	895,874	(47,932)	(28,260)	4,245,578

All amounts in thousands of reais unless otherwise stated

				Consolidated at April 1, 2009	
Liabilities and equity	**Under former BR GAAP**	**Deemed cost (a)**	**Biological assets (b)**	**Write-off of deferred assets (c)**	**Under IFRS**
Current liabilities					
Borrowings	401,115				401,115
Derivative financial instruments	4,829				4,829
Trade payables	76,150				76,150
Payables to Copersucar	2,203				2,203
Salaries and social charges	34,932				34,932
Taxes payable	9,704				9,704
Related parties	3,277				3,277
Advances from customers	10,875				10,875
Other liabilities	14,983				14,983
	558,068				558,068
Non-current liabilities					
Borrowings	730,486				730,486
Payables to Copersucar	216,369				216,369
Taxes payable in installments	8,963				8,963
Deferred income tax and social contribution	208,477	614,466			822,943
Provision for contingencies	106,771				106,771
Other liabilities	3,318				3,318
	1,274,384	614,466			1,888,850
Equity					
Share capital	360,000				360,000
Revaluation reserves	1,117,599	(1,117,599)			
Carrying value adjustments		1,399,007			1,399,007
Revenue reserves	99,501			1,501	101,002
Treasury shares	(1,899)				(1,899)
Retained earnings (accumulated deficit)			(46,295)	(26,988)	(73,283)
	1,575,201	281,408	(46,295)	(25,487)	1,784,827
Non-controlling interests	18,243		(1,637)	(2,773)	13,833
Total liabilities and equity	3,425,896	895,874	(47,932)	(28,260)	4,245,578

All amounts in thousands of reais unless otherwise stated

38.2.3 Reconciliation of the parent company's equity at March 31, 2010

	Parent company at March 31, 2010				
Assets	**Under former BR GAAP**	**Deemed cost (a)**	**Biological assets (b)**	**Write-off of deferred assets (c)**	**Under IFRS**
Current assets					
Cash and cash equivalents	24,200				24,200
Trade receivables	10,956				10,956
Derivative financial instruments	32,219				32,219
Inventories	49,088	(129)	(26,434)		22,525
Taxes recoverable	10,774				10,774
Income tax and social contribution	5,002				5,002
Dividends receivable	10,329				10,329
Other assets	1,449				1,449
	144,017	(129)	(26,434)		117,454
Non-current assets					
Long-term receivables					
Related parties	9,118				9,118
Deferred income tax and social contribution	39,525		11,480		51,005
Trade receivables - Copersucar	1,073				1,073
Taxes recoverable	6,195				6,195
Judicial deposits	5,624				5,624
Other assets	3,434				3,434
	64,969		11,480		76,449
Investments	1,202,539	217,958	(20,869)	(27,855)	1,371,773
Biological assets			89,693		89,693
Property, plant and equipment	605,151	284,295	(97,024)		792,422
Intangible assets	208				208
	1,872,867	502,253	(16,720)	(27,855)	2,330,545
Total assets	2,016,884	502,124	(43,154)	(27,855)	2,447,999

All amounts in thousands of reais unless otherwise stated

	Parent company at March 31, 2010				
Liabilities and equity	Under former BR GAAP	Deemed cost (a)	Biological assets (b)	Write-off of deferred assets (c)	Under IFRS
Current liabilities					
Borrowings	87,811				87,811
Trade payables	16,985				16,985
Payables to Copersucar	589				589
Salaries and social charges	9,036				9,036
Taxes payable	3,005				3,005
Related parties	3,944				3,944
Dividends payable	6,469				6,469
Advances from customers	421				421
Other liabilities	1,855				1,855
	130,115				130,115
Non-current liabilities					
Borrowings	46,910				46,910
Payables to Copersucar	51,229				51,229
Taxes payable in installments	14,371				14,371
Deferred income tax and social contribution	64,627	212,479			277,106
Provision for contingencies	17,423				17,423
Other liabilities	1,454				1,454
	196,014	212,479			408,493
Equity					
Share capital	360,000				360,000
Revaluation reserves	1,068,202	(1,068,202)			
Carrying value adjustments	45,821	1,357,847			1,403,668
Revenue reserves	218,631				218,631
Treasury shares	(1,899)				(1,899)
Retained earnings (accumulated deficit)			(43,154)	(27,855)	(71,009)
	1,690,755	289,645	(43,154)	(27,855)	1,909,391
Total liabilities and equity	2,016,884	502,124	(43,154)	(27,855)	2,447,999

All amounts in thousands of reais unless otherwise stated

38.2.4 Reconciliation of the consolidated equity at March 31, 2010

	Consolidated at March 31, 2010				
Assets	**Under former BR GAAP**	**Deemed cost (a)**	**Biological assets (b)**	**Write-off of deferred assets (c)**	**Under IFRS**
Current assets					
Cash and cash equivalents	130,634				130,634
Trade receivables	41,628				41,628
Derivative financial instruments	58,404				58,404
Inventories	218,183	(826)	(112,288)		105,069
Taxes recoverable	59,748				59,748
Income tax and social contribution	12,026				12,026
Other assets	6,086				6,086
	526,709	(826)	(112,288)		413,595
Non-current assets					
Long-term receivables					
Related parties	211				211
Deferred income tax and social contribution	112,147		22,231	13,660	148,038
Trade receivables - Copersucar	4,020				4,020
Taxes recoverable	47,390				47,390
Judicial deposits	28,580				28,580
Other assets	3,731				3,731
	196,079		22,231	13,660	231,970
Biological assets			461,952		461,952
Property, plant and equipment	2,548,422	909,386	(415,049)		3,042,759
Intangible assets	37,167				37,167
Deferred charges	40,177			(40,177)	
	2,821,845	909,386	69,134	(26,517)	3,773,848
Total assets	3,348,554	908,560	(43,154)	(26,517)	4,187,443

All amounts in thousands of reais unless otherwise stated

	Consolidated at March 31, 2010				
Liabilities and equity	**Under former BR GAAP**	**Deemed cost (a)**	**Biological assets (b)**	**Write-off of deferred assets (c)**	**Under IFRS**
Current liabilities					
Borrowings	326,746				326,746
Trade payables	74,172				74,172
Payables to Copersucar	2,203				2,203
Salaries and social charges	41,546				41,546
Taxes payable	16,602				16,602
Related parties	123				123
Dividends payable	6,469				6,469
Advances from customers	439				439
Other liabilities	12,914				12,914
	481,214				481,214
Non-current liabilities					
Borrowings	628,393				628,393
Payables to Copersucar	194,042				194,042
Taxes payable in installments	47,213				47,213
Deferred income tax and social contribution	224,847	618,915			843,762
Provision for contingencies	67,889				67,889
Other liabilities	15,539				15,539
	1,177,923	618,915			1,796,838
Equity					
Share capital	360,000				360,000
Revaluation reserves	1,068,202	(1,068,202)			
Carrying value adjustments	45,821	1,357,847			1,403,668
Revenue reserves	217,293			1,338	218,631
Treasury shares	(1,899)				(1,899)
Retained earnings (accumulated deficit)			(43,154)	(27,855)	(71,009)
	1,689,417	289,645	(43,154)	(26,517)	1,909,391
Total liabilities and equity	3,348,554	908,560	(43,154)	(26,517)	4,187,443

All amounts in thousands of reais unless otherwise stated

38.2.5 Reconciliation of the parent company's statement of income at March 31, 2010

	Parent company at March 31, 2010				
	Under former BR GAAP	Deemed cost (a)	Biological assets (b)	Write-off of deferred assets (c)	Under IFRS
Revenue	267,838				267,838
Cost of sales	(220,554)	1,959	(24,372)		(242,967)
Gross profit	47,284	1,959	(24,372)		24,871
Operating income (expenses)					
Selling expenses	(9,649)				(9,649)
General and administrative expenses	(26,816)				(26,816)
Equity in the earnings of subsidiaries	103,221	7,423	19,227	(866)	129,005
Other expenses, net	(3,921)	(521)			(4,442)
	62,835	6,902	19,227	(866)	88,098
Operating profit before finance result	110,119	8,861	(5,145)	(866)	112,969
Finance result					
Finance income	41,711				41,711
Finance costs	(76,239)				(76,239)
Monetary and foreign exchange variations, net	8,788				8,788
	(25,740)				(25,740)
Profit before taxation	84,379	8,861	(5,145)	(866)	87,229
Income tax and social contribution					
For the year					
Deferred	8,653	(489)	8,286		16,450
Profit for the year	93,032	8,372	3,141	(866)	103,679

All amounts in thousands of reais unless otherwise stated

38.2.6 Reconciliation of the consolidated statement of income at March 31, 2010

	Consolidated at March 31, 2010				
	Under former BR GAAP	Deemed cost (a)	Biological assets (b)	Write-off of deferred assets (c)	Under IFRS
Revenue	1,183,286				1,183,286
Cost of sales	(916,545)	13,530	7,240		(895,775)
Gross profit	266,741	13,530	7,240		287,511
Operating income (expenses)					
Selling expenses	(61,453)				(61,453)
General and administrative expenses	(99,199)	438		2,641	(96,120)
Other operating income (expenses), net	5,668	(1,282)	(2,514)	(2,663)	(791)
	(154,984)	(844)	(2,514)	(22)	(158,364)
Operating profit before finance result	111,757	12,686	4,726	(22)	129,147
Finance result					
Finance income	104,629				104,629
Finance costs	(171,209)				(171,209)
Monetary and foreign exchange variations, net	83,297				83,297
	16,717				16,717
Profit before taxation	128,474	12,686	4,726	(22)	145,864
Income tax and social contribution					
For the year	(21,014)				(21,014)
Deferred	(11,178)	(4,313)	(2,462)	(899)	(18,852)
Profit for the year	96,282	8,373	2,264	(921)	105,998
Profit attributable to:					
Stockholders of the Company	93,196	8,373	2,264	(154)	103,679
Non-controlling interests	3,086		(877)	110	2,319
	96,282	8,373	1,387	(44)	105,998

All amounts in thousands of reais unless otherwise stated

38.2.7 Effects on equity and the statement of income arising from full adoption of the new accounting standards (CPCs/IFRS), for each quarter of the current and prior years:

									Parent company
	Note	4/1/09	6/30/2009	9/30/2009	12/31/2009	3/31/2010	6/30/2010	9/30/2010	12/31/2010
Equity under former BR GAAP		1,576,702	1,605,568	1,625,776	1,630,544	1,690,755	1,710,793	1,707,685	1,701,165
Adjustments due to the adoption of IFRS/CPCs									
Deemed cost	(a)	70,737	70,893	71,337	71,407	71,687	71,653	71,514	177,201
Biological assets	(b)	(6,201)	(9,768)	(15,231)	(19,463)	(22,285)	(22,989)	(23,738)	(28,577)
Equity effects of the adjustments		143,589	150,196	158,300	158,370	169,234	166,121	162,144	77,658
Equity under IFRS		1,784,827	1,816,889	1,840,182	1,840,858	1,909,391	1,925,578	1,917,605	1,927,447

									Consolidated
	Note	4/1/09	6/30/2009	9/30/2009	12/31/2009	3/31/2010	6/30/2010	9/30/2010	12/31/2010
Equity under former BR GAAP		1,575,201	1,604,108	1,624,357	1,629,166	1,689,418	1,709,497	1,706,430	1,699,951
Adjustments due to the adoption of IFRS/CPCs									
Deemed cost	(a)	281,408	282,478	285,171	286,777	289,645	290,245	290,599	291,563
Biological assets	(b)	(46,295)	(44,597)	(44,635)	(48,131)	(43,154)	(48,414)	(54,442)	(49,285)
Deferred charges written off	(c)	(25,487)	(25,100)	(24,711)	(26,954)	(26,518)	(25,750)	(24,982)	(14,782)
Equity under IFRS, excluding non-controlling interests		1,784,827	1,816,889	1,840,182	1,840,858	1,909,391	1,925,578	1,917,605	1,927,447
Non-controlling interests		(4,410)	(4,650)	(5,013)					
Equity under IFRS		1,780,417	1,812,239	1,835,169	1,840,858	1,909,391	1,925,578	1,917,605	1,927,447

								Parent company
	Note	6/30/2009	9/30/2009	12/31/2009	3/31/2010	6/30/2010	9/30/2010	12/31/2010
Profit under former BR GAAP		28,866	20,208	23,099	20,859	22,923	46,541	53,807
Adjustments due to the adoption of IFRS/CPCs								
Deemed cost	(a)	1,070	2,694	1,741	2,867	600	354	460
Biological assets	(b)	1,700	(37)	(3,499)	4,978	(5,261)	(6,026)	5,159
Deferred charges written off	(c)	429	429	(2,202)	477	810	807	10,239
Profit under IFRS		32,065	23,294	19,139	29,181	19,072	41,676	69,665

								Consolidated
	Note	6/30/2009	9/30/2009	12/31/2009	3/31/2010	6/30/2010	9/30/2010	12/31/2010
Profit under former BR GAAP		28,907	20,249	23,140	20,900	22,964	46,582	53,848
Adjustments due to the adoption of IFRS/CPCs								
Deemed cost	(a)	1,070	2,694	1,741	2,867	600	354	460
Biological assets	(b)	1,412	(450)	(3,675)	4,978	(5,261)	(6,027)	5,158
Deferred charges written off	(c)	436	437	(2,228)	436	769	767	10,199
Non-controlling interests		240	364	161				
Profit under IFRS		32,065	23,294	19,139	29,181	19,072	41,676	69,665

* * *

SÃO MARTINHO REPORTS RECORD NET INCOME OF R$142.3 MILLION IN HARVEST YEAR 10/11

12M11 AND 4Q11 HIGHLIGHTS

- After the adoption of the new accounting practices in 12M11 and 12M10 (retroactively), **adjusted EBITDA in 12M11 came to R$612.6 million (margin of 47.3%)**, representing an **increase of 35.4%** from 12M10. In 4Q11, our adjusted EBITDA totaled R$130.6 million (margin of 46.6%), driven mainly by the combination of 10% growth in domestic ethanol sales and higher sugar and ethanol prices.
- For clarification purposes and in order to ensure a better comparison, excluding the adoption of the new accounting practices, our **adjusted EBITDA in 12M11 would have totaled R$520.6 million (margin of 40.2%), up 45.1% from 12M10.** In 4Q11, our adjusted EBITDA would have come to R$112.3 million (margin of 40.0%), an improvement of 6.5 p.p. on the margin of 33.5% reported in 4Q10.
- As a result of the increase in EBITDA in 2011, **the São Martinho Group recorded net income of R$142.3 million in 12M11,** 37.2% more than in 12M10.
- In 4Q11, **net income was impacted by non-recurring expenses** with no **cash impact totaling R$31.3 million** (adherence to the Refis tax amnesty program, reclassification of tax and labor contingencies, in accordance with CVM CPC 25, and biological assets). As a result, **net income came to R$11.9 million in 4Q11**, representing a decrease of 59.3% in comparison with 4Q10.
- As a result of the strong cash generation in the last 12 months and the conclusion of Petrobrás Biocombustível's first capital injection at Nova Fronteira Bioenergia S.A. (Nova Fronteira), net debt totaled **R$486.6 million in March 2011, down 41% from March 2010.** After the second tranche of the injection by Petrobrás Biocombustível S.A., in the amount of R$163 million, which should be concluded by end-2011, the net debt of the São Martinho group should decline by **approximately R$120 million.**
- On March 31, 2011, we had sugar positions fixed for the **2011/12 harvest year totaling 428,662 metric tons** at a price of **USD 23.00 cents/pound.** This volume corresponds to **approximately 50% of our sugar production capacity** for the 11/12 harvest year.
- **Marking-to-market of the São Martinho Group's land portfolio** (in compliance with IFRS standards) **increased** the value of the land **by 70%.** As a result, on March 31, 2011, the group's land totaled **R$1.7 billion.**
- **We estimate production of** approximately 486,000 cubic meters of ethanol and 860,000 metric tons of sugar in the **11/12 harvest year (already adjusted for our interest in Nova Fronteira S.A.)**, from the crushing of **12.1 million metric tons of sugarcane.** These estimates take into account a conservative scenario in terms of sugarcane availability, in line with UNICA's projections since the beginning of the harvest year.

FINANCIAL HIGHLIGHTS

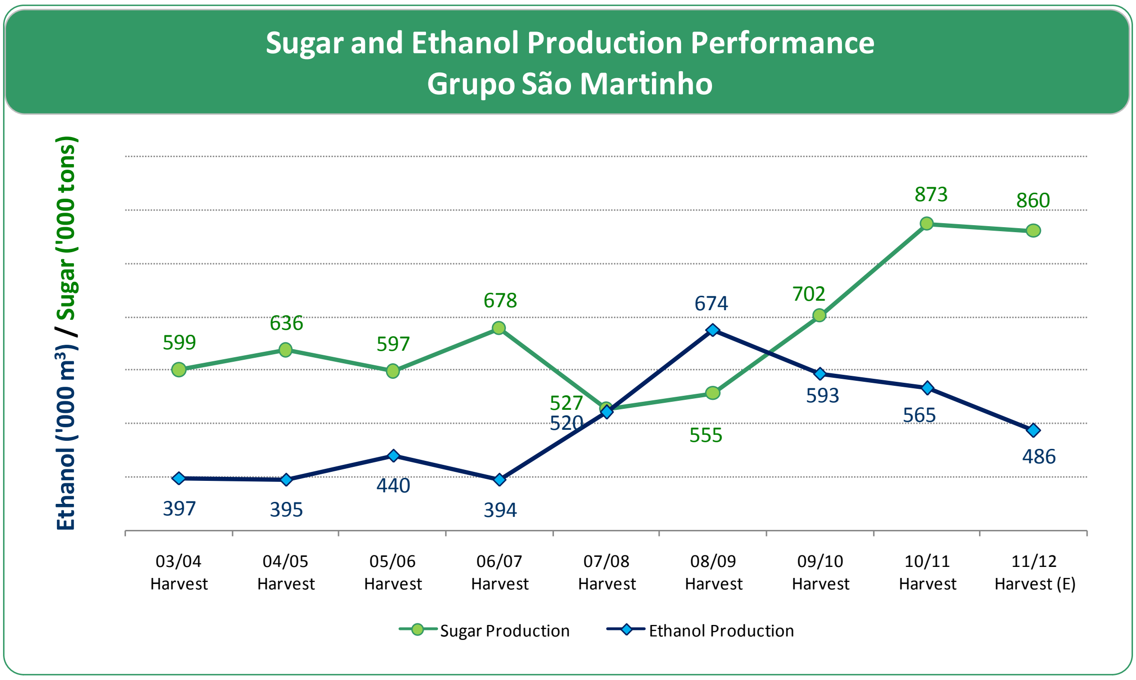
FINANCIAL HIGHLIGHTS (R$ Thousand)	4Q11	4Q10	Chg. (%)	12M11	12M10	Chg. (%)
São Martinho - Consolidated						
Gross Revenue	305,224	379,333	-19.5%	1,384,387	1,282,149	8.0%
Net Revenue	280,558	355,377	-21.1%	1,295,046	1,183,286	9.4%
Adjusted EBITDA	130,654	140,392	-6.9%	612,581	452,373	35.4%
EBITDA Margin	46.6%	39.5%	7.1 p.p.	47.3%	38.2%	9.1 p.p.
Consolidated Balance Sheet Indicators						
Total Assets	4,030,417	4,187,443	-3.7%	4,030,417	4,187,443	-3.7%
Shareholders' Equity	1,953,486	1,909,391	2.3%	1,953,486	1,909,391	2.3%
EBITDA (LTM)	612,581	452,373	35.4%	612,581	452,373	35.4%
Net Debt	486,626	824,505	-41.0%	486,626	824,505	-41.0%
Net Debt / EBITDA (LTM)	0.79 x	1.82 x		0.79 x	1.82 x	
Net Debt / Shareholders' Equity	25%	43%		25%	43%	

OPERATING DATA	12M11	12M10	Chg.(%)
São Martinho - Consolidated			
Crushed Sugarcane (‘000 tons)	13,067	12,923	1.1%
Own	8,511	7,584	12.2%
Third Parties	4,556	5,339	-14.7%
Mechanized Harvest	85.3%	84.4%	0.8 p.p
Production			
Sugar ('000 tons)	873	702	24.4%
Anhydrous Ethanol ('000 m^3)	258	226	14.1%
Hydrous Ethanol ('000 m^3)	307	367	-16.4%
Ribonucleic Acid (RNA) Sodium Salt ('000 Kg)	264	279	-5.3%
Energy ('000 MWh)	163	159	2.7%

GUIDANCE FOR THE 2011/12 HARVEST YEAR

Guidance	São Martinho S.A	Nova Fronteira Bioenergia S.A.	Total	Proportional Grupo São Martinho S.A. (*)
Crushing ('000 tons)	10,650	2,350	13,000	12,128
Sugar ('000 tons)	860	-	860	860
Ethanol ('000 m^3)	351	214	565	486

(*) Considers 62.89% interest in Nova Fronteira Bioenergia S.A.



MAIN IFRS IMPACTS

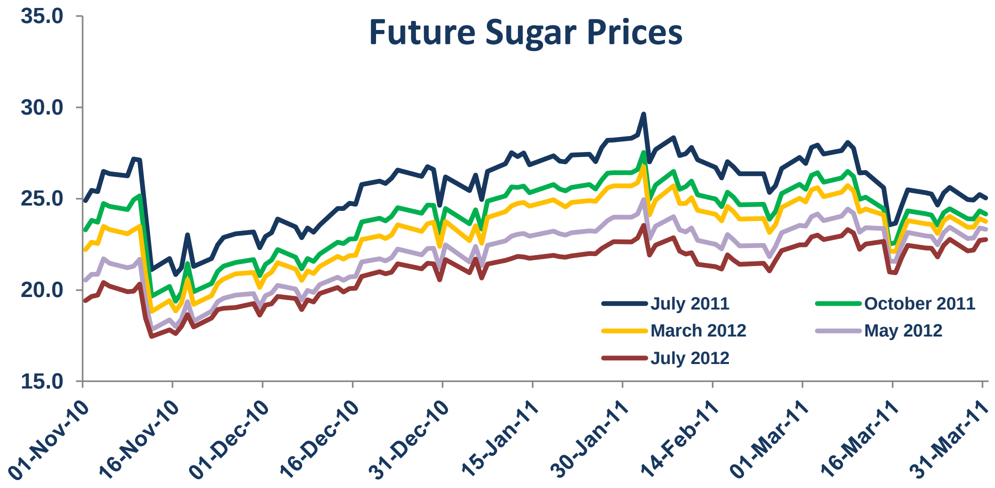
- **Biological Assets (CPC 29):** The biological assets of the São Martinho Group began to be measured at their fair value through the discounted cash flow method, which had a negative impact of R$34.3 million in 12M11 and a positive impact of R$7.2 million in 12M10, booked under COGS. The Group adopted conservative price estimates for the six years in question, namely: i) average ethanol price of R$1,079/m³; and ii) average sugar price of USD 20.29 cents/pound.

- **Deemed Cost:** The reappraisal of the Group's assets increased the value of said assets by R$909.4 million. The value of the land portfolio increased by R$ 733.6 million to R$1.7 billion and that of industrial assets by R$177.6 million to R$1.1 billion.

- **Deferred Income and Social Contribution Taxes:** The adoption of IFRS necessitated the constitution of provisions for deferred income and social contribution taxes on the reappraised assets and on the previously-constituted revaluation reserve. As a result, long-term liabilities related to Deferred Income Tax and Social Contribution totaled R$ 817.1 million in mar/11.

- **Crop Treatment:** Positive impact of R$92 million in 12M11 and R$93.8 million in 12M10 due to the recognition of crop treatment under Capex and its consequent amortization being included in the calculation of EBITDA.

INDUSTRY OVERVIEW - SUGAR



In 4Q11, international sugar prices once again reached record levels, rising to USD 35 cents/pound for prices maturing in March 2011. However, after peaking at the beginning of the year, future NY11 prices began to decrease in March and have remained at around US$ 24 cents/pound since then.

This reduction was driven by the higher-than-expected Thai crop, which exceeded the estimated 6.7 million metric tons of sugar in November/10, reaching 9.5 million metric tons in April this year.

The 2011/12 harvest year points to a production surplus, although the extra volume will still be insufficient to increase global sugar inventories significantly. This will tend to pressure the global sugar market, given that prices are highly susceptible to any change in supply expectations for the following harvest.

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

In Brazil, sugarcane supply for crushing in the 2011/12 harvest year is unlikely to increase substantially, due to lack of investments in the sector. According to UNICA estimates, sugarcane crushing in the Center-South region should grow by only 2% from the previous year, with sugar production moving up by 3% and ethanol output remaining flat.

In relation to India, the latest 2010/11 harvest year figures point to production of 24.7 million metric tons, slightly below initial estimates. In 2011/12, Indian production is expected to grow to 25.7 million metric tons, driven by the expansion of planted sugarcane area.

INDUSTRY OVERVIEW - ETHANOL

AVERAGE PRICES - ETHANOL	4Q11	4Q10	Chg. (%)	12M11	12M10	Chg. (%)
Market Prices						
Anhydrous ESALQ, Net DM R$ / m^3	1,371.43	1,186.35	15.6%	1,094.58	955.45	14.6%
Hydrous ESALQ, Net DM - R$ / m^3	1,247.78	1,038.35	20.2%	958.88	836.18	14.7%

Ethanol prices maintained their upward trend in 4Q11, with anhydrous and hydrous prices increasing by 15.6% and 20.2%, respectively, in comparison with the same quarter last year. In the twelve-month period, average prices for anhydrous and hydrous ethanol both increased by 14.5% in relation to the previous year.

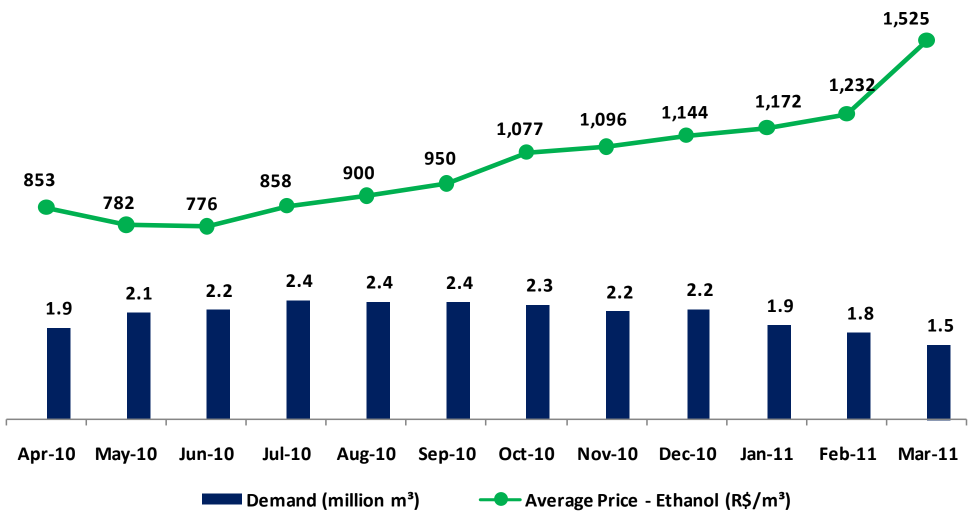
The higher prices resulted in a very tight supply/demand situation in 2010/11.

On the supply side, the combination of dry weather throughout the period and high rainfall in the 2009/10 harvest year jeopardized sugarcane yields. As a result, ethanol output was lower than that projected at the beginning of the year.

On the demand side, sales of flex-fuel vehicles in 2010 increased by 9% from 2009, but the total flex-fuel fleet still represents only 50% of the overall vehicle fleet, providing plenty of room for further demand growth in the coming years.

As a result of the more balanced supply and demand ratio, the ethanol/gasoline price ratio in São Paulo gas stations, which account for around 60% of total ethanol consumption in Brazil, increased from 60% in 2009/10 to 63% in 2010/11, impacted by the high prices paid to producers.

As for the 2011/12 crop, UNICA’s projections do not signal any increases in supply, resulting in an even tighter supply and demand balance this year. We therefore believe that the ethanol/gasoline price ratio at the pumps will move even closer to 70%, which should translate into higher producer prices than in the previous harvest year.



FINANCIAL PERFORMANCE

NET REVENUE BREAKDOWN	4Q11	4Q10	Chg. (%)	12M11	12M10	Chg. (%)
R$ Thousand						
Domestic Market	**180,396**	**152,252**	**18.5%**	**584,000**	**561,002**	**4.1%**
Sugar	20,625	14,848	38.9%	53,675	48,682	10.3%
Hydrous Ethanol	64,254	66,529	-3.4%	236,850	268,996	-12.0%
Anhydrous Ethanol	91,473	66,650	37.2%	233,197	186,183	25.3%
Energy	765	-	n.m.	23,946	22,301	7.4%
Other	3,278	4,225	-22.4%	36,332	34,840	4.3%
Export Market	**100,163**	**203,125**	**-50.7%**	**711,045**	**622,285**	**14.3%**
Sugar	93,861	184,419	-49.1%	648,500	533,571	21.5%
Hydrous Ethanol	4,607	9,562	-51.8%	25,551	46,236	-44.7%
Anhydrous Ethanol	-	-	n.m.	25,361	21,423	18.4%
RNA	1,695	9,145	-81.5%	11,632	21,055	-44.8%
Net Revenue	**280,558**	**355,377**	**-21.1%**	**1,295,046**	**1,183,286**	**9.4%**
Sugar	114,487	199,267	-42.5%	702,175	582,252	20.6%
Hydrous Ethanol	68,861	76,091	-9.5%	262,400	315,232	-16.8%
Anhydrous Ethanol	91,473	66,650	37.2%	258,558	207,606	24.5%
Energy	765	-	n.m.	23,946	22,301	7.4%
Other	4,972	13,369	-62.8%	47,965	55,894	-14.2%

Net Revenue

The São Martinho Group recorded a 21.1% reduction in net revenue in 4Q11 compared with 4Q10, mainly due to the 52.3% decline in sugar export volume.

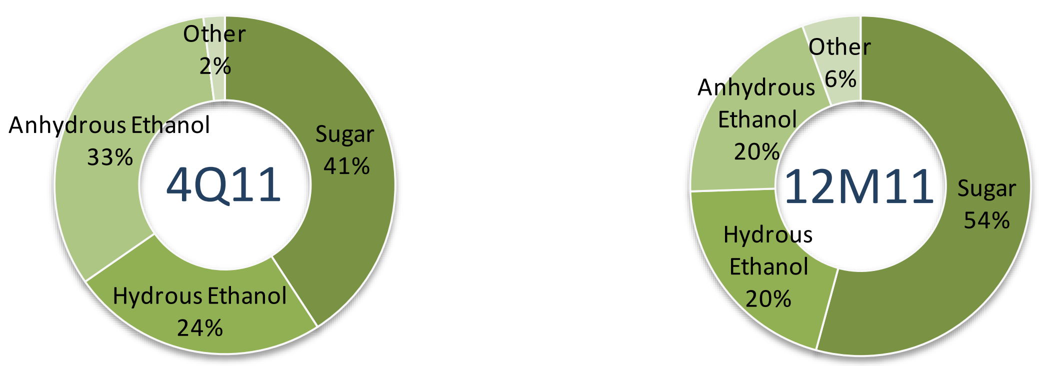
The reduction in sugar sales was mainly due to our schedule, since we advanced shipments until December/10, thereby decreasing the volume available for sale in 4Q11.

In the same period, anhydrous ethanol sales volume grew by 34.7% over 4Q10, due to the Group's business strategy of increasing sales during the off-season.

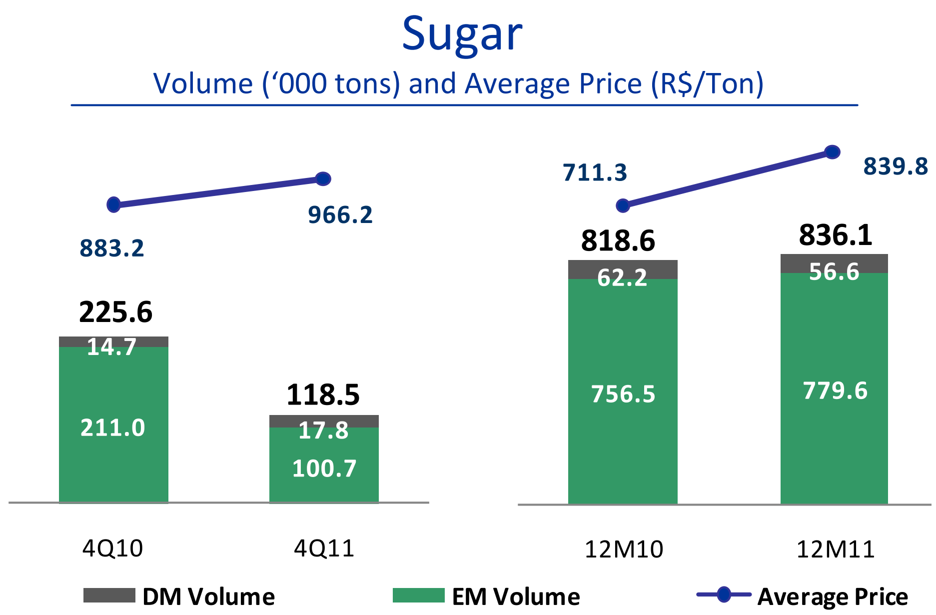
In 12M11 compared with 12M10, net revenue moved up by 9.4%, mainly driven by the 18.1% increase in the sale price of sugar, as well as higher anhydrous ethanol sales volume and prices, which climbed by 9.4% and 13.8%, respectively.

Breakdown – Net Revenue

4Q11 x 12M11



Sugar



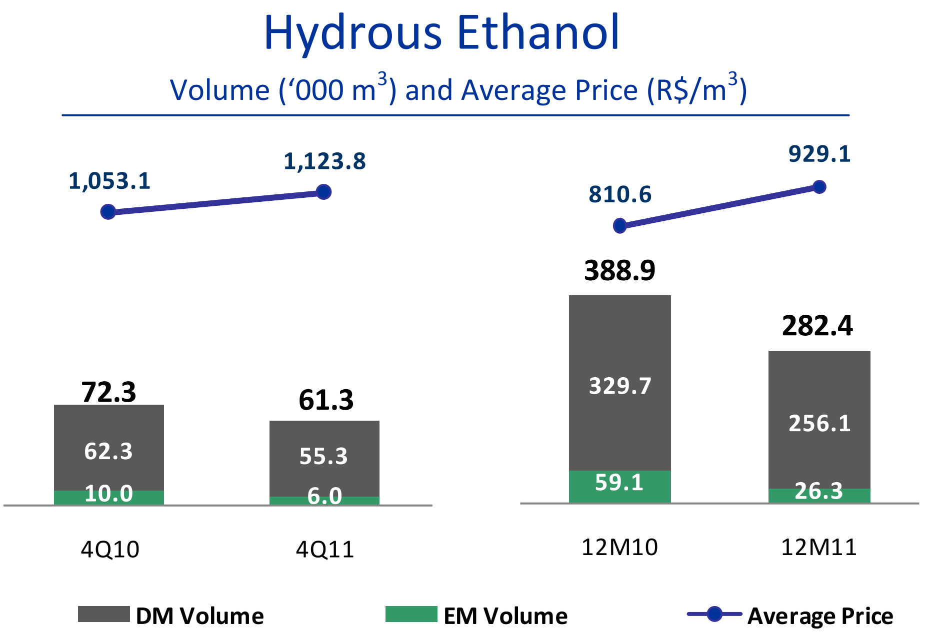
Net revenue from sugar sales decreased by 42.5%, from R$199.3 million in 4Q10 to R$114.5 million in 4Q11, mainly due to the 52.3% period reduction in sugar export volume, despite the 21.1% increase in domestic market sugar sales volume. The decline in exports was mainly due to our schedule, since we advanced shipments until December/10, thereby decreasing the volume available for sale in 4Q11.

In 12M11, net revenue increased by 20.6% over the year before, primarily driven by the 18.1% increase in the sugar sales price.

The average international sugar price stood at USD 25.36 cents/pound in 4Q11, an increase of 15.1% from 4Q10.

In 12M11, sugar prices averaged USD 22.06 cents/pound, 28.0% higher than the USS 17.26 cents/pound recorded in 12M10.

Ethanol



Net revenue from hydrous ethanol sales was R$68.9 million in 4Q11, down 9.5% from 4Q10, reflecting the 15.2% drop in sales volume, which was partially offset by the 6.7% increase in the average sales price.

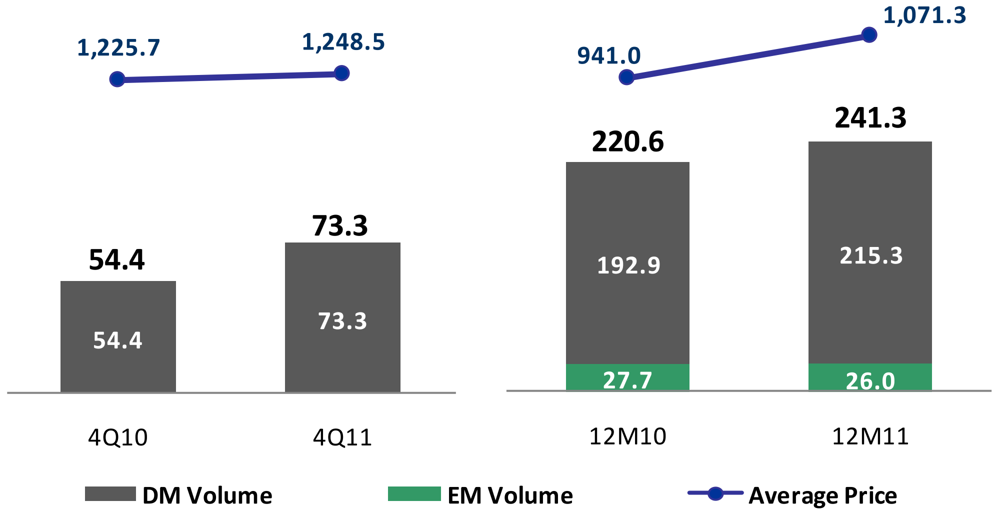
In 12M11, net revenue fell by 16.8% in relation to 12M10, mainly due to the 27.4% reduction in sales volume, partially offset by the 14.6% period upturn in the average sales price.

The volume reduction in 4Q11 and 12M11 was chiefly due to the Group's strategy of increasing the volume of anhydrous ethanol production at the expense of hydrous output. In addition, with the conclusion of the operation with Petrobrás, we began to consolidate 62.89% of the revenue from Usina Boa Vista S.A. (Boa Vista Mill), which led to a proportional drop of 8,400 cubic meters in the reported volume of hydrous ethanol sales in 4Q11 and of 17,100 cubic meters in 12M11.

Note that a comparison between average hydrous ethanol sales prices in 4Q11 and the average Esalq price shows that the latter was 11.0% higher on average. This was exclusively due to the delay in revenue from sales to distributors. Consequently, we expect an adjustment of this price in 1Q12.

Anhydrous Ethanol

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



Net revenue from anhydrous ethanol sales in the quarter was R$91.5 million, up 37.2% from 4Q10, mainly due to the 34.7% increase in period sales volume, given that average prices rose by only 1.9%.

In 12M11, net revenue from anhydrous ethanol climbed by 24.5%, impacted by the 9.4% growth in sales volume and the 13.8% increase in the average sales price.

In view of the partial consolidation of 62.89% of the revenue of Usina Boa Vista S.A., the reported volume of anhydrous ethanol sales in 4Q11 and 12M11 recorded proportional declines of 8,600 cubic meters and 12,200 cubic meters, respectively.

Note that a comparison between average hydrous ethanol sales prices in 4Q11 and the average Esalq price shows that the latter was 10.0% higher on average. This was exclusively due to the delay in revenue from sales to distributors. Consequently, we expect an adjustment of this price in 1Q12.

Electricity

Most electricity generation occurs during the crushing months (from April to December). Therefore, revenue from electricity sales during the fourth quarter of each harvest is only residual, as was the case in 4Q11, when it totaled R$765,000.

In 12M11, net revenue from electricity sales grew by 7.4% to R$23.9 million, reflecting the 6.3% increase in sales volume and the 1.0% upturn in the average sales price.

Other Products and Services

Net revenue from the "Other Products and Services" line totaled R$5.0 million in 4Q11, down 62.8% in relation to the same period in the previous year. In 12M11, this revenue fell by 14.2% from 12M10, essentially reflecting lower RNA exports, due to the difference in the schedule of RNA shipments in the 2010/11 crop.

INVENTORIES / PRODUCT AVAILABILITY

INVENTORIES	4Q11	4Q10	Chg. (%)
Sugar (tons)	58,968	24,356	142.1%
Hydrous (m^3)	24,127	9,587	151.7%
Anhydrous (m^3)	17,451	25,579	-31.8%

Sugar inventories increased by 142.1% in 4Q11 versus 4Q10, due to the Group's strategy of selling the product in periods of higher prices, thereby improving profitability.

Hydrous ethanol inventories climbed by 151.7% in the same period, due to the Group's strategy of supplying the market in April, given that the harvest year in the Center-South region only began in the last week of that month.

On the other hand, anhydrous ethanol inventories fell by 31.8%, mainly impacted by the increase in gasoline consumption by final consumers in the off-season, in turn resulting in higher anhydrous consumption by distributors.

EBITDA AND EBITDA COST BY PRODUCT

EBITDA BY PRODUCT - 4Q11	SUGAR	ETHANOL	OTHER	TOTAL
R$ Thousand				
Net Revenues	114,486	160,333	5,739	280,558
COGS (Cash)	(49,157)	(70,697)	(5,836)	(125,690)
Gross Profit (Cash)	65,329	89,636	(97)	154,868
Gross Margin (Cash)	57.1%	55.9%	-1.7%	55.2%
Sales Expenses	(5,449)	(1,884)	(46)	(7,379)
G&A Expenses	(5,768)	(10,806)	(1,842)	(18,416)
Other Revenues (Expenses)	-	-	1,582	1,582
EBITDA	**54,112**	**76,946**	**(403)**	**130,654**
EBITDA Margin	**47.3%**	**48.0%**	**-7.0%**	**46.6%**
EBITDA Cost (*)	**529.9**	**653.4**	**-**	**-**

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

EBITDA BY PRODUCT - 4Q10	SUGAR	ETHANOL	OTHER	TOTAL
R$ Thousand				
Net Revenues	199,267	142,741	13,369	355,377
COGS (Cash)	(75,574)	(88,092)	(10,591)	(174,257)
Gross Profit (Cash)	123,693	54,649	2,778	181,120
Gross Margin (Cash)	62.1%	38.3%	20.8%	51.0%
Sales Expenses	(12,327)	(1,912)	(60)	(14,298)
G&A Expenses	(12,727)	(11,727)	(2,717)	(27,170)
Other Revenues (Expenses)	-	-	742	742
EBITDA	**98,639**	**41,012**	**743**	**140,392**
EBITDA Margin	**49.5%**	**28.7%**	**5.6%**	**39.5%**
EBITDA Cost (*)	**428.6**	**774.8**	**-**	**-**

(*) Sugar in R$/Ton

Ethanol in R$/m ^{3}

EBITDA BY PRODUCT - 12M11	SUGAR	ETHANOL	OTHER	TOTAL
R$ Thousand				
Net Revenues	702,175	520,958	71,913	1,295,046
COGS (Cash)	(256,981)	(227,800)	(49,159)	(533,940)
Gross Profit (Cash)	445,194	293,158	22,754	761,106
Gross Margin (Cash)	63.4%	56.3%	31.6%	58.8%
Sales Expenses	(47,274)	(10,777)	(154)	(58,205)
G&A Expenses	(41,794)	(43,039)	(9,426)	(94,259)
Other Revenues (Expenses)	-	-	3,938	3,938
EBITDA	**356,127**	**239,342**	**17,112**	**612,581**
EBITDA Margin	**50.7%**	**45.9%**	**0**	**47.3%**
EBITDA Cost (*)	**434.1**	**570.9**	**-**	**-**

(*) Sugar in R$/Ton

Ethanol in R$/m ^{3}

EBITDA BY PRODUCT - 12M10	SUGAR	ETHANOL	OTHER	TOTAL
R$ Thousand				
Net Revenues	582,253	522,838	78,195	1,183,286
COGS (Cash)	(235,632)	(291,167)	(57,763)	(584,563)
Gross Profit (Cash)	346,621	231,671	20,432	598,723
Gross Margin (Cash)	59.5%	44.3%	26.1%	50.6%
Sales Expenses	(46,047)	(15,086)	(321)	(61,453)
G&A Expenses	(35,786)	(43,615)	(8,822)	(88,224)
Other Revenues (Expenses)	-	-	3,328	3,328
EBITDA	**264,788**	**172,970**	**14,617**	**452,373**
EBITDA Margin	**45.5%**	**33.1%**	**18.7%**	**38.2%**
EBITDA Cost (*)	**383.8**	**567.5**	**-**	**-**

(*) Sugar in R$/Ton

Ethanol in R$/m ^{3}

In 4Q11, ethanol accounted for 59% of the group's consolidated EBITDA and sugar for the remaining 41%. EBITDA margins for sugar and ethanol remained at the same level in 4Q11, primarily reflecting the strong recovery in off-season ethanol prices in comparison with the season before.

It is worth noting, however, that despite the strong ethanol performance in the final quarter (4Q11), sugar was still the most profitable product in 12M11 as a whole, recording an average EBITDA margin of 51%, versus 46% for ethanol.

Also in 12M11, sugar accounted for 58% of the Group's consolidated EBITDA, while ethanol and other products accounted for 39% and 3%, respectively.

In addition, consolidated EBITDA in 12M11 increased by 35.4% from 12M10, mainly impacted by the period upturn in sugar and ethanol prices.

As mentioned previously, given the adoption of the new accounting practices, crop treatment costs are no longer booked in the EBITDA Cost line, but under CAPEX. For a better comparison with the financial statements disclosed in previous fiscal years, if we consider crop treatment as a cost, our EBITDA costs for sugar and ethanol production in 12M11 would have increased to R$488/ton and R$660/m³, respectively.

COST OF GOODS SOLD (COGS)

BREAKDOWN OF COGS - CASH	4Q11	4Q10	Chg. (%)	12M11	12M10	Chg. (%)
R$ Thousand						
Agricultural Costs	105,088	140,936	-25.4%	430,437	459,427	-6.3%
Suppliers	56,034	67,383	-16.8%	234,709	246,856	-4.9%
Partnerships	16,461	17,221	-4.4%	61,237	55,186	11.0%
Own Sugarcane	32,594	56,331	-42.1%	134,491	157,385	-14.5%
Industrial	14,771	22,732	-35.0%	61,876	73,000	-15.2%
Other Products	5,831	10,589	-44.9%	41,627	52,136	-20.2%
Total COGS	**125,690**	**174,257**	**-27.9%**	**533,940**	**584,563**	**-8.7%**
TRS Sold ('000 Tons)	357	455	-21.5%	1,781	1,906	-6.6%
Unit Cost (Sugar and Ethanol Cash COGS / TRS Sold)	335	360	-6.8%	276	279	-1.0%

As the table above shows, Cash COGS in 4Q11 decreased by 27.9% from 4Q10, basically reflecting the 21.5% reduction in sales volume (in TRS equivalent).

Despite the 15.2% period increase in the CONSECANA price, there was no undue impact on the supplier costs line, since the volume of third-party sugarcane crushed this harvest year was 14.7% lower than in the previous year.

Note that despite the lower volume of third-party sugarcane crushed, total crushed volume increased slightly from the previous harvest year (+1.1%), due to the higher volume of own sugarcane crushed in this harvest year (+12.2%).

In 12M11, total cash COGS fell by 8.7% from 12M10, despite the 15.2% increase in the period Consecana price, reflecting: i) the 6.6% reduction in TRS sales volume; and ii) the 12.2% increase in the volume of own sugarcane crushed.

SELLING EXPENSES

SELLING EXPENSES	4Q11	4Q10	Chg. (%)	12M11	12M10	Chg. (%)
R$ Thousand						
Port Costs	944	1,595	-40.8%	6,935	7,635	-9.2%
Freight	5,709	12,101	-52.8%	49,149	50,704	-3.1%
Sales Commission	726	601	20.8%	2,121	3,114	-31.9%
Selling Expenses	**7,379**	**14,298**	**-48.4%**	**58,205**	**61,453**	**-5.3%**
TRS Sold ('000 Tons)	357	455	-21.5%	1,781	1,906	-6.6%
% of Net Revenues	2.6%	4.0%	-1.4 p.p.	4.5%	5.2%	-0.7 p.p.

Selling expenses declined by 48.4% in 4Q11, mainly due to the 52.3% reduction in sugar export volume.

In 12M11, selling expenses fell by 5.3% to R$58.2 million, despite the 3.1% growth in sugar exports, reflecting lower freight costs.

GENERAL AND ADMINISTRATIVE EXPENSES

G&A EXPENSES - (CASH)	4Q11	4Q10	Chg. (%)	12M11	12M10	Chg. (%)
R$ Thousand						
Personnel	9,191	6,103	50.6%	36,534	27,321	33.7%
Taxes, Fees and Contributions	(669)	1,981	-133.8%	9,487	11,877	-20.1%
Provisions for Contingencies	3,270	7,971	-59.0%	11,194	17,010	-34.2%
General Expenses and Third-Party Services	4,223	6,228	-32.2%	20,403	21,454	-4.9%
Management Fee	2,401	4,887	-50.9%	10,742	10,562	1.7%
Recurring G&A Expenses	**18,416**	**27,170**	**-32.2%**	**88,359**	**88,224**	**0.2%**
Non-Recurring Items	-	-	n.m	5,900	-	n.m
Total General and Administrative Expenses	**18,416**	**27,170**	**-32.2%**	**94,259**	**88,224**	**6.8%**

General and administrative expenses decreased by 32.2%, or R$8.8 million, in 4Q11 in comparison with 4Q10, due to a decline in all the lines making up this group of costs, except for personnel expenses, which increased by R$3.0 million due to the constitution of a provision for management bonuses.

In 12M11, G&A expenses were impacted by non-recurring expenses of R$5.9 million basically related to the sale of part of the Group's interest in Usina Boa Vista S.A. to Petrobrás Biocombustível S.A. Excluding the impacts from the non-recurring items, G&A expenses came to R$88.4 million, virtually flat over the previous year.

OTHER OPERATING REVENUE (EXPENSES)

OTHER OPERATING REVENUE (EXPENSES)	4Q11	4Q10	Chg. (%)	12M11	12M10	Chg. (%)
In R$ Thousand						
Provision for losses – ICMS tax	-	(1,427)	n.m.	-	(1,427)	n.m.
CETESB Fine	-	-	n.m.	(1,048)	-	n.m.
Provision for Contingencies (CPC 25)	(13,184)	-	n.m.	(13,184)	-	n.m.
Nova Fronteira Project Expenses	-	-	n.m.	(10,312)	-	n.m.
Corporate Restructuring Expenses	(370)	-	n.m.	(1,403)	-	n.m.
REFIS Installments – Law 11.941	(9,945)	-	n.m.	(9,768)	1,856	n.m.
Gain (Loss) from Change in Equity Interest	-	-	n.m.	24,312	(5,179)	n.m.
Other	2,347	2,760	-15.0%	7,159	3,959	80.8%
Other Operating Revenue (Expenses), Net	**(21,152)**	**1,333**	**n.m.**	**(4,244)**	**(791)**	**436.5%**

The other operating revenue (expenses) line was chiefly impacted by the adjustments to the financial statements required by the adoption of the new CPCs and IFRS. The most important items are listed under the EBITDA and Adjusted EBITDA sections below.

EBITDA

EBITDA RECONCILIATION	4Q11	4Q10	Chg. (%)	12M11	12M10	Chg. (%)
R$ Thousand						
Adjusted EBITDA	**130,654**	**140,392**	**-6.9%**	**612,581**	**452,373**	**35.4%**
Adjusted EBITDA Margin	46.6%	39.5%	7.1 p.p.	47.3%	38.2%	9.1 p.p.
Non Recurring Operating Revenues (Expenses)	24,331	(848)	n.m.	12,158	(3,443)	n.m.
Biological Assets	6,946	(7,542)	n.m.	34,298	(7,240)	n.m.
EBITDA	**99,377**	**148,782**	**-33.2%**	**566,126**	**463,056**	**22.3%**
EBITDA Margin	35.4%	41.9%	-6.4 p.p.	43.7%	39.1%	4.6 p.p.
(-) Depreciation and Amortization	(71,585)	(84,535)	-15.3%	(330,361)	(333,909)	-1.1%
(-) Financial Revenue (Expense), net	(6,162)	(18,643)	-66.9%	(38,669)	16,717	n.m.
(=) Operating Income	21,630	45,604	-52.6%	197,096	145,864	35.1%

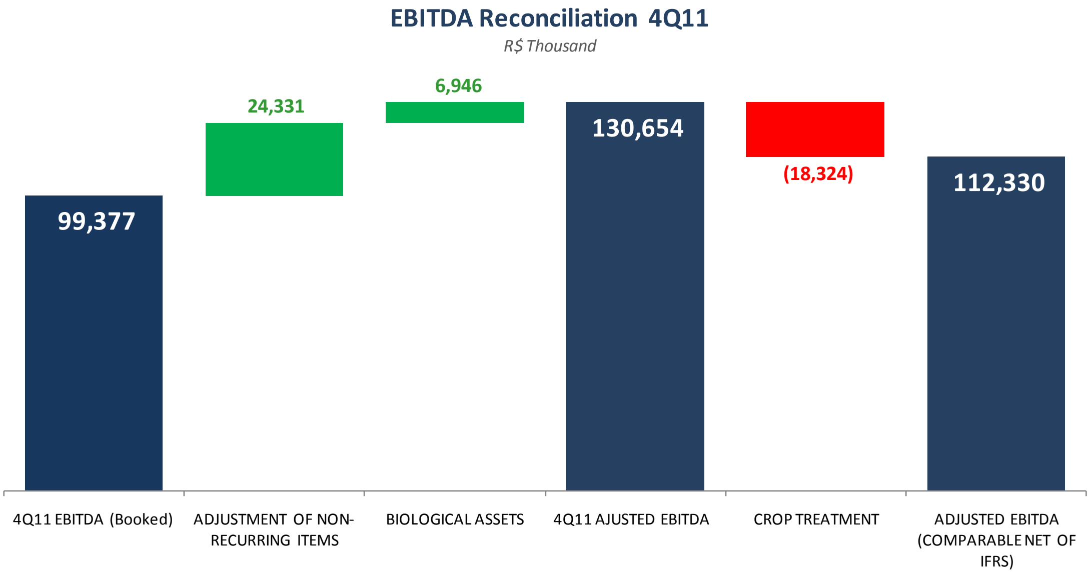
Adjusted EBITDA

The São Martinho Group recorded adjusted EBITDA of R$130.7 million in 4Q11, 6.9% down on 4Q10, mainly due to the 21.5% period decline in sales volume (in TRS equivalent. EBTIDA margin grew by 7.1 p.p. in 4Q11, reflecting the higher ethanol and sugar prices.

In 12M11, adjusted EBITDA totaled R$612.6 million, 35.4% higher than in 12M10, reflecting the higher ethanol and sugar prices.

Reconciliation of EBITDA to Adjusted EBITDA

Breakdown of Adjustments in 4Q11



The main adjustments that impacted the calculation of 4Q11 EBITDA are listed below:

1) **Adjustment of R$6.9 million in biological assets:** The company's biological assets began to be measured at fair value through the discounted cash flow method, which had a negative impact of R$6.9 million in 4Q11. Considering that this is an accounting adjustment and therefore has no cash impact, we opted to exclude it in order to permit a more accurate calculation of adjusted EBITDA. Note that we assumed conservative estimates for average sugar and ethanol prices of USD 20.29 cents/pound and R$1,079/m³, respectively.

2) **Adjustment of R$24.3 million from non-recurring items:**

DESCRIPTION	ITEM	AMOUNT	TYPE
Tax / Labor Provision (CPC 25)	(a)	(R$ 13.2 million)	Expense
Refis	(b)	(R$ 9.9 million)	Expense
Other	(c)	(R$ 1.2 million)	Expense
Total		**(R$ 24.3 million)**	

a. **Higher tax/labor provision (CPC 25):** The company opted to increase its provision for contingencies by R$13.2 million in 4Q11, in compliance with Accounting Pronouncement (CPC) 25, which called for a review of all tax and labor contingencies previously classified as "possible", reclassifying them as "probable" or "remote". This provision is a non-recurring item and has no cash impact. We believe expenses of this nature will fall back to normal levels in the coming quarters, i.e. around R$10 million p.a., as mentioned in the General and Administrative Expenses item.

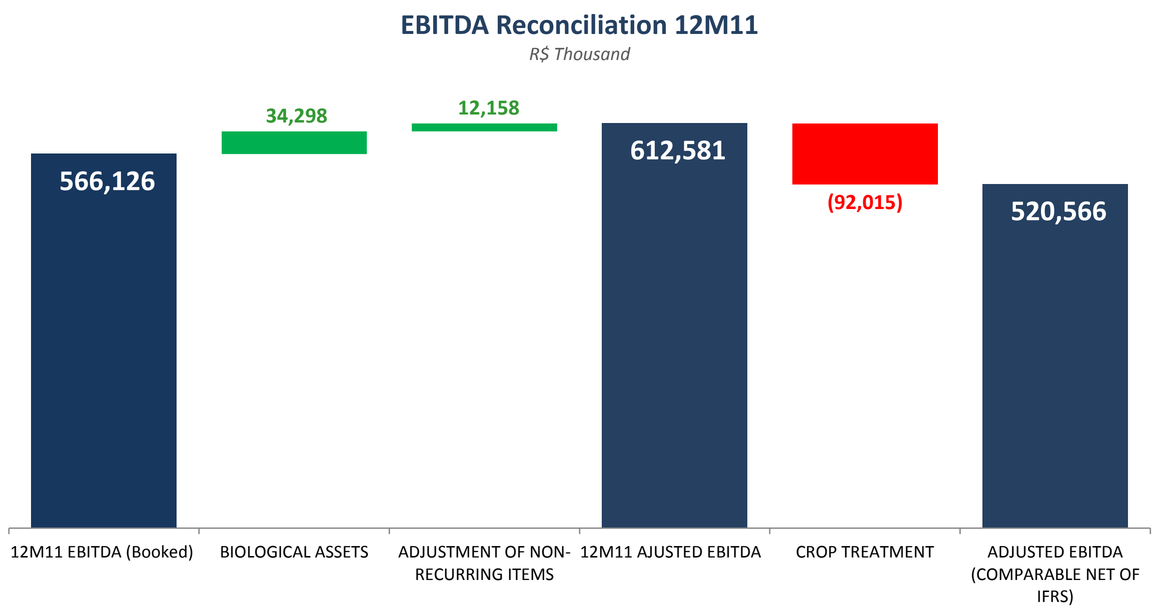
b. **Adherence to the Refis tax amnesty program:** The company, through Copersucar, opted to join the Refis program, which led to a non-recurring expense with no cash impact of R$9.9 million.

c. **Other:** The main item was the mark-to-market of RNA inventories, and therefore, once again there was no impact on cash flow. This adjustment will be reversed in sales in the coming quarters, given that depreciation accounts for a large part of product costs.

Adjusted EBITDA Net of IFRS

For the purposes of clarification and a better comparison, note that our **adjusted EBITDA net of IFRS** totaled R$112.3 million, for a margin of 40.0%. As we highlighted in the EBITDA reconciliation 4Q11 chart above, we added crop treatment expenses to ensure a more accurate comparison with the financial statements disclosed previously.

Breakdown of Adjustments in 12M11



The main adjustments that impacted the calculation of 12M11 are listed below:

1) **Adjustment of R$34.3 million in biological assets:** The company's biological assets began to be measured at fair value through the discounted cash flow method, which had a negative impact of R$34.3 million in 12M11. Considering that this is an accounting adjustment and therefore has no cash impact, we opted to exclude it in order to permit a more accurate

calculation of adjusted EBITDA. Note that we assumed conservative estimates for average sugar and ethanol prices of USD 20.29 cents/pound and R$1,079/m³, respectively.

2) Adjustment of R$12.2 million from non-recurring items:

DESCRIPTION	ITEM	AMOUNT	TYPE
Tax / Labor Provision (CPC 25)	(a)	(R$ 13.2 million)	Expense
Refis	(b)	(R$ 9.8 million)	Expense
Expenses from the creation of Nova Fronteira S.A.	(c)	(R$ 10.3 million)	Expense
Gain from the sale of equity interest	(d)	R$ 24.3 million	Revenue
Other	(e)	(R$ 3.2 million)	Expense
Total		**(R$ 12.2 million)**	

a. **Higher tax/labor provision (CPC 25):** The company opted to increase its provision for contingencies by R$13.2 million in 4Q11, in compliance with Accounting Pronouncement (CPC) 25, which called for a review of all tax and labor contingencies previously classified as "possible", reclassifying them as "probable" or "remote". This provision is a non-recurring item and has no cash impact. We believe expenses of this nature will fall back to normal levels in the coming quarters, i.e. around R$10 million p.a., as mentioned in the General and Administrative Expenses item.

b. **Adherence to the Refis tax amnesty program:** The company, through Copersucar, opted to join the Refis program, which led to a non-recurring expense with no cash impact of R$9.8 million in 4Q11.

c. **Expenses with the creation of Nova Fronteira:** As reported in 3Q11, our partnership with Petrobrás Biocombustível S.A. led to a non-recurring expense of R$10.3 million.

d. **Gains from disposal of interest:** The sale of our interest in Usina Boa Vista S.A. resulted in a non-recurring gain with no cash impact of R$24.3 million. This was an accounting effect only, given that the amount paid for the interest was higher than the book value excluding all adjustments in compliance with the new accounting standards

e. **Other:** The main item was the mark-to-market of RNA inventories, and therefore, once again there was no impact on cash flow. This adjustment will be reversed in sales in the coming quarters, given that depreciation accounts for a large part of product costs.

Adjusted EBITDA Net of IFRS

For the purposes of clarification and a better comparison, note that our **adjusted EBITDA net of IFRS** totaled R$520.6 million, for a margin of 40.2%. As we highlighted in the table of EBITDA reconciliation 12M11 chart above, we added crop treatment expenses to ensure a more accurate comparison with the financial statements disclosed previously.

HEDGE

U.S. Dollar

On March 31, 2011, the São Martinho Group held a US$35.6 million short position in USD currency futures through non-deliverable forwards (NDFs) at an average price of R$1. 8163/US$, with maturities through April 2012.

Sugar

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

2011/12 Harvest Year – 428,662 metric tons of sugar hedged at an average price of US$23.00 cents/pound, corresponding to approximately 50% of the sugar production volume estimated for the 2011/12 harvest year (860,000 metric tons).

Hedge Accounting - As of March 10, inclusive, the Company and its subsidiaries began adopting hedge accounting for these derivatives, with their potential results recorded in the shareholder´s equity in the balance sheet ("Adjustments to book value"), net of deferred income tax and social contribution tax (potential loss of R$15.3 million in March 2011).

NET FINANCIAL RESULT

FINANCIAL RESULT	4Q11	4Q10	Chg. (%)	12M11	12M10	Chg. (%)
R$ Thousand						
Financial Rev enues	6,450	3,418	88.7%	23,943	8,126	194.6%
Financial Expenses	(12,983)	(20,317)	-36.1%	(69,359)	(64,182)	8.1%
Hedge Result	383	13,419	-97.1%	(10,639)	(34,920)	-69.5%
Exchange Variation	1,557	(13,843)	n.m.	23,492	113,628	-79.3%
Copersucar Monetary Variation	(1,568)	(1,320)	18.8%	(6,106)	(5,935)	2.9%
Net Financial Result	**(6,162)**	**(18,643)**	-66.9%	**(38,669)**	**16,717**	n.m.

The net financial result in 4Q11 was an expense of R$6.2 million, a 66.9% (or R$12.5 million) improvement over the net expense of R$18.6 million registered in 4Q10, mainly thanks to: i) the substantial reduction in the exchange variation line, representing a gain of R$1.6 million, versus a loss of R$13.8 million in 4Q10; ii) the 36.1% decline in financial expenses, due to lower debt and reduced financing rates; iii) the 97.1% decrease in the hedge result line, since hedge accounting had not yet been adopted in 4Q10, with all derivatives consequently being booked directly in the income statement.

OPERATING WORKING CAPITAL

OPERATING WORKING CAPITAL	4Q10	3Q11	4Q11	3Q11 x 2Q10	3Q11 x 3Q10
R$ Thousand					
ASSETS	**218,471**	**577,831**	**232,299**	**345,532**	**(13,828)**
Accounts Receivable	41,628	77,082	59,673	17,409	(18,045)
Inventories	105,069	456,434	139,106	317,328	(34,037)
Tax receivable	71,774	44,315	33,520	10,795	38,254
LIABILITIES	**132,320**	**188,987**	**125,439**	**(63,548)**	**(6,881)**
Suppliers	74,172	131,681	61,096	(70,585)	(13,076)
Payroll and social contribution	41,546	37,654	44,000	6,346	2,454
Tax payable	16,602	19,652	20,343	691	3,741
WORKING CAPITAL	**86,151**	**388,844**	**106,860**	**281,984**	**(20,709)**

As shown above, in 4Q11, the São Martinho Group invested working capital of R$106.9 million in its operations, representing an increase of R$20.7 million from 4Q10, basically due to the increase in inventories of finished products between the two quarters. In relation to 3Q11, invested working capital fell by R$282.0 million, which is absolutely normal in off-season periods.

NET INCOME

Net income totaled R$11.9 million in 4Q11, R$17.3 million lower than the R$29.2 million recorded in the same period last year, mainly due to non-recurring expenses of R$24.3 million with no cash impact, as detailed in the Reconciliation of EBITDA item. In 12M11, consolidated net income totaled R$142.3 million, 37.2% higher than in the previous harvest year, reflecting the higher sugar and ethanol prices.

DEBT WITH COPERSUCAR

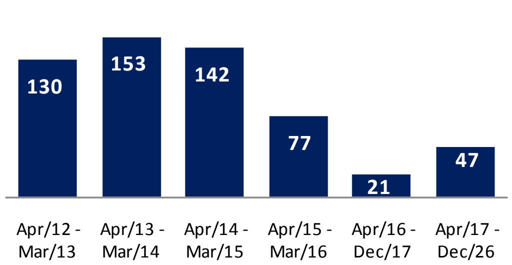
On March 31, 2011, the São Martinho Group recognized debt of R$204.1 million with Copersucar in its balance sheet. In view of the terms negotiated in the process to terminate our membership of Copersucar, we will continue to book all liabilities filed by Copersucar's legal counsel related to the contingencies currently being resolved judicially under "Obligations – Copersucar". These obligations continue to be secured by suretyships totaling R$185.6 million on a consolidated basis.

INDEBTEDNESS

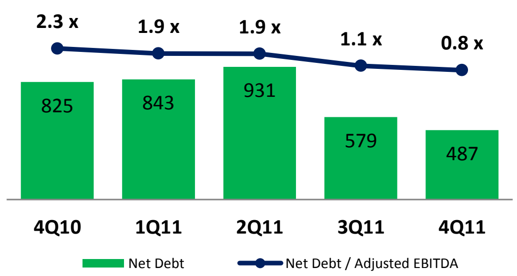
DEBT	Mar/10	Mar/09	Chg. (%)
R$ Thousand			
PESA	76,438	75,859	0.8%
Rural Credit	25,721	48,020	-46.4%
BNDES / FINAME	358,540	461,611	-22.3%
Working Capital	-	43,467	-100.0%
ACC (Advances on Foreign Exchange Contracts)	4,983	146,979	-96.6%
PPE (Export prepayment)	245,527	178,500	37.6%
Others	484	703	-31.2%
Gross Debt	**711,693**	**955,139**	**-25.5%**
Cash and Cash Equivalents	225,067	130,634	72.3%
Net Debt	**486,626**	**824,505**	**-41.0%**
Net Debt / Acum. EBITDA	0.8 x	2.3 x	

As a result of the strong cash generation in the last 12 months and the conclusion of Petrobrás Biocombustível's first capital injection at Nova Fronteira Bioenergia S.A. (Nova Fronteira), net debt totaled R$486.6 million in March 2011, down 41% from March 2010. After the second tranche of the injection by Petrobrás Biocombustível S.A., in the amount of R$163 million, which should be concluded by end-2011, the net debt of the São Martinho group should decline by approximately R$120 million, as shown below in the Pro-Forma Indebtedness item.

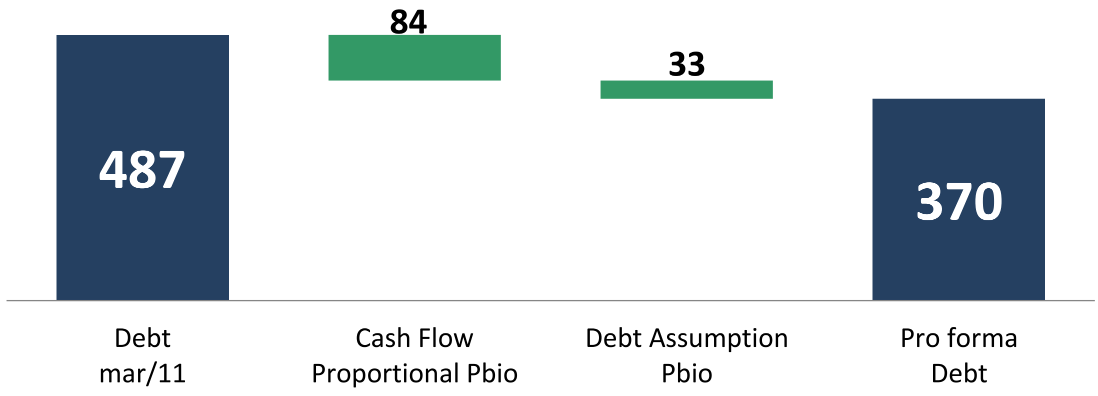
Amortization Schedule
R$ - Million



Net Debt / EBITDA LTM
Evolution



Pro-Forma Indebtedness



CAPEX

SÃO MARTINHO - CONSOLIDATED	4Q11	4Q10	Chg. (%)	12M11	12M10	Chg. (%)
Capex (Maintenance)						
Sugarcane Planting	25,669	16,416	56.4%	74,006	78,006	-5.1%
Industrial / Agricultural	51,903	79,775	-34.9%	96,526	115,286	-16.3%
Crop Treatment (New IFRS Criterion)	18,324	21,378	n.m.	92,015	93,784	n.m.
Sub Total	**95,896**	**117,569**	**-18.4%**	**262,546**	**287,076**	**-8.5%**
Upgrading, Mechanization and Expansion						
Industrial / Agricultural	13,940	19,540	-28.7%	36,504	23,429	55.8%
Other	-	-	n.m.	387	306	26.3%
Sub Total	**13,940**	**19,540**	**-28.7%**	**36,891**	**23,735**	**55.4%**
Boa Vista Mill (Greenfield)						
Sugarcane Planting	12,467	11,430	9.1%	52,926	55,355	-4.4%
Industrial / Agricultural	13,777	6,207	121.9%	75,660	40,587	86.4%
Sub Total	**26,244**	**17,637**	**48.8%**	**128,586**	**95,942**	**34.0%**
Total	**136,080**	**154,747**	**-12.1%**	**428,023**	**406,753**	**5.2%**

The São Martinho Group invested R$428 million in 12M11 (**already including crop treatment as Capex**). Maintenance Capex totaled R$262.5 million, representing 43% of adjusted EBITDA. As a result, **Operating Cash Flow (adjusted EBITDA less maintenance Capex) totaled R$350 million.**

In the 2011/12 harvest year, we expect maintenance Capex of approximately **R$280 million** and expansion Capex of **R$180 million**, allocated to: i) the expansion of planting at the Boa Vista Mill; ii) cogeneration investments at the São Martinho Mill; and iii) the expansion of our sugar terminal.

DISCLAIMER

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

ABOUT SÃO MARTINHO

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

INCOME STATEMENT

SÃO MARTINHO S.A. - CONSOLIDATED	4Q11	4Q10	Chg. (%)	12M11	12M10	Chg. (%)
R$ Thousand						
Gross Revenue	305,224	379,333	-19.5%	1,384,387	1,282,149	8.0%
Deductions from Gross Revenue	(24,666)	(23,956)	3.0%	(89,341)	(98,863)	-9.6%
Net Revenue	**280,558**	**355,377**	**-21.1%**	**1,295,046**	**1,183,286**	**9.4%**
Cost of Goods Sold (COGS)	(204,313)	(249,315)	-18.1%	(895,702)	(895,775)	0.0%
Gross Profit	**76,245**	**106,062**	**-28.1%**	**399,344**	**287,511**	**38.9%**
Gross Margin (%)	*27.2%*	*29.8%*	-2.7 p.p	*30.8%*	*24.3%*	6.5 p.p
Operating Expenses	**(48,453)**	**(41,815)**	**15.9%**	**(163,579)**	**(158,364)**	**3.3%**
Selling Expenses	(7,379)	(14,298)	-48.4%	(58,205)	(61,453)	-5.3%
General and Administrative Expenses	(17,521)	(23,963)	-26.9%	(90,388)	(85,558)	5.6%
Management Fees	(2,401)	(4,887)	-50.9%	(10,742)	(10,562)	1.7%
Other Operating Expenses, Net	(21,152)	1,333	n.m.	(4,244)	(791)	436.5%
Operating Profit, Before Financial Effects	**27,792**	**64,247**	**-56.7%**	**235,765**	**129,147**	**82.6%**
Financial Result, Net	**(6,162)**	**(18,643)**	**-66.9%**	**(38,669)**	**16,717**	**n.m.**
Financial Revenues	17,056	51,833	-67.1%	39,473	104,629	-62.3%
Financial Expenses	(24,782)	(61,189)	-59.5%	(101,607)	(171,209)	-40.7%
Monetary and Exchange Variations - Net	1,564	(9,287)	n.m.	23,465	83,297	-71.8%
Income (Loss) Before Income and Social Contribution Taxes	**21,630**	**45,604**	**-52.6%**	**197,096**	**145,864**	**35.1%**
Income Tax and Social Contribution - Current	(7,510)	(12,323)	-39.1%	(59,496)	(21,014)	183.1%
Income Tax and Social Contribution - Deferred	(2,245)	(4,100)	-45.2%	4,688	(18,852)	n.m.
Net Income (Loss) Before Minority Interest	**11,875**	**29,181**	**-59.3%**	**142,288**	**105,998**	**34.2%**
Minority Interest	-	-	n.m.	-	(2,319)	n.m.
Net Income	**11,875**	**29,181**	**-59.3%**	**142,288**	**103,679**	**37.2%**
Net Margin (%)	*4.2%*	*8.2%*	-4.0 p.p	*11.0%*	*8.8%*	2.2 p.p

BALANCE SHEET (ASSETS)

SÃO MARTINHO S.A. CONSOLIDATED - ASSETS		
R$ Thousand		
ASSETS	Mar-11	Mar-10
SHORT-TERM ASSETS		
Cash and Cash Equivalents	225,067	130,634
Accounts Receivable	59,673	41,628
Derivatives Financial Instruments	5,967	58,404
Inventories	139,106	105,069
Recoverable Taxes	33,520	59,748
Income Tax and Social Contribution	5,037	12,026
Other Assets	5,692	6,086
TOTAL SHORT-TERM ASSETS	**474,062**	**413,595**
LONG-TERM ASSETS		
Long-term Receivables		
Related Parties	33	211
Deferred Income Tax and Social Contribution	132,676	148,038
Accounts Receivable - Copersucar	9,939	4,020
Recoverable Taxes	37,220	47,390
Judicial Deposits	32,367	28,580
Other Assets	7,101	3,731
	219,336	**231,970**
Biological Assets	435,532	461,952
Fixed Assets	2,864,761	3,042,759
Intangible	36,726	37,167
TOTAL LONG-TERM ASSETS	**3,556,355**	**3,773,848**
TOTAL ASSETS	**4,030,417**	**4,187,443**

BALANCE SHEET (LIABILITIES)

SÃO MARTINHO S.A. CONSOLIDATED- LIABILITIES		
R$ Thousand		
LIABILITIES AND SHAREHOLDERS' EQUITY	**Mar-11**	**Mar-10**
SHORT-TERM LIABILITIES		
Loans and Financing	140,982	326,746
Derivatives Financial Instruments	25,910	-
Suppliers	61,096	74,172
Accounts Payable - Copersucar	2,203	2,203
Payroll and Social Contribution	44,000	41,546
Tax Payable	20,343	16,602
Income Tax and Social Contribution	829	-
Related Companies	705	123
Dividends Payable	9,180	6,469
Advances from Customers	14,475	439
Other Liabilities	21,137	12,914
TOTAL SHORT-TERM LIABILITIES	**340,860**	**481,214**
LONG-TERM LIABILITIES		
Loans and Financing	570,711	628,393
Accounts Payable - Copersucar	207,645	194,042
Tax Installments	55,833	47,213
Deferred Income Tax and Social Contribution	817,127	843,762
Provision for Contingencies	74,284	67,889
Other Liabilities	10,471	15,539
TOTAL LONG-TERM LIABILITIES	**1,736,071**	**1,796,838**
SHAREHOLDERS' EQUITY		
Capital Stock	455,900	360,000
Adjustments to Book Value	1,304,969	1,403,668
Capital Budget Reserve	194,516	218,631
Treasury Shares	(1,899)	(1,899)
Accumlated Profit	-	(71,009)
TOTAL SHAREHOLDERS' EQUITY	**1,953,486**	**1,909,391**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**4,030,417**	**4,187,443**

CONSOLIDATED CASH FLOW

SÃO MARTINHO S.A.	12M11	12M10
R$ Thousand		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income in the period	**142,288**	**105,998**
Adjustments		
Depreciation and amortization	143,587	154,527
Biological assets harvested (depreciation)	186,773	179,381
Variation in fair value of biological assets	34,298	(7,241)
Capital gain from the change in equity interest	(24,666)	-
Residual cost of fixed assets - write off	5,200	3,017
Interest, monetary and foreign exchange variations, net	56,279	(27,237)
Constitution of provision for contingencies, net	22,394	8,008
Deferred income tax and social contribution on net income	(4,688)	18,852
Installments - Law 11.941	-	(3,659)
Constitution (reversal) of provision for inventory losses	3,799	(6,347)
Adjustments to present value and others	(1,743)	2,980
	563,521	**428,279**
Changes in assets and liabilities		
Trade accounts receivable	(25,068)	3,178
Inventories	(41,955)	101,108
Taxes recoverable	28,636	2,833
Related parties	340	59
Other assets	(6,129)	25,147
Suppliers	(4,927)	(32,936)
Salaries and social charges	6,269	3,932
Taxes payable	26,649	25,984
Taxes payable in installments	3,467	(335)
Provision for contingencies	(18,033)	(7,581)
Other liabilities	17,707	(378)
Cash provided by (used in) operations	**550,477**	**549,290**
Interest paid	(50,594)	(82,860)
Income tax and social contribution on net income paid	(23,878)	(21,163)
Net cash provided by (used in) operating activities	**476,005**	**445,267**
CASH FLOW FROM INVESTMENT ACTIVITIES		
Investments	410	(22,460)
Additions to property, plant and equipments, intangible assets and deferred charges	(223,103)	(165,384)
Additions to biological assets (planting and treatment)	(235,828)	(228,586)
Increase in cash and cash equivalents to decrease in holding - NF	143,165	-
Net cash used in investing activities	**(315,356)**	**(416,430)**
CASH FLOW FROM FINANCING ACTIVITIES		
Derivatives Financial Instruments	(34,789)	(4,488)
Financing - third parties	571,483	610,008
Repayment of financing - Copersucar	(5,807)	(26,491)
Repayment of financing - third parties	(562,583)	(648,964)
Reception (payment) of funds from (to) related parties – intercompany loans	(103)	-
Advance on future capital increase	448	-
Payment of dividends and interest on own equity	(34,865)	(18,331)
Net cash provided by (used in) financing activities	**(66,216)**	**(88,266)**
Increase (decrease) in cash and cash equivalents	**94,433**	**(59,429)**
Cash and cash equivalents at the beginning of the period	**130,634**	**190,063**
Cash and cash equivalents at the end of the period	**225,067**	**130,634**