(A free translation of the original in Portuguese)

# São Martinho S.A.

**Quarterly Information (ITR)**
**for the Quarter Ended**
**December 31, 2010 and**
**Review Report of Independent**
**Accountants**

(A free translation of the original in Portuguese)

# Review Report of Independent Accountants

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

1 We have reviewed the accounting information included in the Quarterly Information (ITR) of São Martinho S.A. (the "Company") and its subsidiaries (Parent company and Consolidated) for the quarter ended December 31, 2010, comprising the balance sheets and the statements of income, of changes in stockholders' equity and of cash flows, explanatory notes and the performance report. This Quarterly Information is the responsibility of the Company's management.

2 Our review was carried out in accordance with specific standards established by the Institute of Independent Auditors of Brazil (IBRACON), in conjunction with the Federal Accounting Council (CFC), and mainly comprised: (a) inquiries of and discussions with management responsible for the accounting, financial and operating areas of the Company with regard to the main criteria adopted for the preparation of the Quarterly Information; and (b) a review of information and of subsequent events which have, or could have, significant effects on the financial position and operations of the Company and its subsidiaries.

3 Based on our limited review, we are not aware of any material modifications that should be made to the quarterly information referred to above in order that it be stated in accordance with the accounting practices adopted in Brazil applicable to the preparation of the Quarterly Information, consistent with the standards issued by the Brazilian Securities Commission (CVM).

4 As mentioned in Note 2, the CVM has approved several Pronouncements, Interpretations and Technical Guidance issued by the Brazilian Accounting Pronouncements Committee (CPC), to be effective as from the year ending March 31, 2011, which altered the accounting practices adopted in Brazil. As permitted by CVM Resolution No. 603/09, the Company's management has opted to present the Quarterly Information by using the accounting standards adopted in Brazil up to the previous year. As required by this Resolution, the Company discloses this fact in Note 2.1 to the Quarterly Information and also provides a description of the main changes that may have an impact on the Company's year-end financial statements, as well as explanations of the reasons that make it impractical to present an estimate of their possible effects on stockholders' equity and results of operations.

Ribeirão Preto, February 14, 2011

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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

# São Martinho S.A. and Subsidiaries

## Balance Sheets at December 31 and September 30, 2010

**In thousands of reais**

(A free translation of the original in Portuguese)

| | | Parent company | | Consolidated | |
|---|---|---|---|---|---|
| **Assets** | **Note** | **12/31/2010** | **9/30/2010** | **12/31/2010** | **9/30/2010** |
| Current assets | | | | | |
| Cash and cash equivalents | **4** | 124,603 | 105,407 | 249,655 | 216,386 |
| Trade accounts receivable | **5** | 59,313 | 13,384 | 77,082 | 72,236 |
| Derivative financial instruments | **25** | | 10,934 | | 16,562 |
| Inventories | **6** | 376,508 | 96,265 | 456,434 | 510,657 |
| Taxes recoverable | **7** | 17,520 | 15,670 | 44,315 | 81,856 |
| Other assets | **9** | 6,890 | 3,162 | 8,287 | 13,789 |
| | | 584,834 | 244,822 | 835,773 | 911,486 |
| Non-current assets | | | | | |
| Long-term receivables | | | | | |
| Related parties | **8** | 4,115 | 4,410 | 554 | 391 |
| Deferred income tax and social contribution | **22** | 85,231 | 33,920 | 112,159 | 112,254 |
| Trade accounts receivable - Copersucar | | 4,023 | 1,096 | 4,149 | 4,104 |
| Taxes recoverable | **7** | 15,088 | 4,405 | 34,132 | 35,471 |
| Other assets | **9** | 200 | 4 | 1,614 | 196 |
| | | 108,657 | 43,835 | 152,608 | 152,416 |
| Investments | | | | | |
| In subsidiaries | **10** | 1,103,877 | 1,141,387 | | |
| Other investments | | 3,523 | 3,430 | 3,540 | 3,540 |
| Property, plant and equipment | **11** | 1,098,945 | 571,857 | 2,234,628 | 2,473,913 |
| Intangible assets | **12** | 35,309 | 186 | 36,138 | 36,806 |
| Deferred charges | **13** | | | 22,393 | 37,848 |
| | | 2,350,311 | 1,760,695 | 2,449,307 | 2,704,523 |
| Total assets | | 2,935,145 | 2,005,517 | 3,285,080 | 3,616,009 |

| | | Parent company | | Consolidated | |
|---|---|---|---|---|---|
| **Liabilities and stockholders' equity** | **Note** | **12/31/2010** | **9/30/2010** | **12/31/2010** | **9/30/2010** |
| Current liabilities | | | | | |
| Loans and financing | **14** | 157,730 | 82,613 | 219,435 | 419,192 |
| Derivative financial instruments | **25** | 51,389 | 1,806 | 51,389 | 12,766 |
| Suppliers | **15** | 109,622 | 25,902 | 131,681 | 135,874 |
| Payables to Copersucar | **16** | 2,040 | 589 | 2,203 | 2,203 |
| Salaries and social charges | | 32,147 | 10,785 | 37,654 | 47,209 |
| Taxes payable | | 17,463 | 6,228 | 19,652 | 27,561 |
| Related parties | **8** | 296 | 1,923 | 199 | 89 |
| Other liabilities | **18** | 27,029 | 7,834 | 29,023 | 42,113 |
| | | 397,716 | 137,680 | 491,236 | 687,007 |
| Non-current liabilities | | | | | |
| Long-term liabilities | | | | | |
| Loans and financing | **14** | 364,735 | 33,718 | 609,084 | 727,877 |
| Payables to Copersucar | **16** | 188,456 | 51,121 | 194,394 | 194,205 |
| Taxes payable in installments | **17** | 51,533 | 14,154 | 52,779 | 48,261 |
| Deferred income tax and social contribution | **22** | 193,286 | 52,005 | 196,230 | 202,526 |
| Provision for contingencies | **24** | 27,266 | 8,024 | 30,357 | 34,949 |
| Other liabilities | **18** | 10,988 | 1,130 | 11,049 | 14,754 |
| | | 836,264 | 160,152 | 1,093,893 | 1,222,572 |
| Stockholders' equity | **19** | | | | |
| Capital | | 455,900 | 455,900 | 455,900 | 455,900 |
| Revaluation reserves | | 1,038,030 | 1,049,197 | 1,038,030 | 1,049,197 |
| Carrying value adjustments | | (38,644) | 2,125 | (38,644) | 2,125 |
| Revenue reserves | | 113,893 | 113,893 | 112,556 | 112,556 |
| Treasury stock | | (1,899) | (1,899) | (1,899) | (1,899) |
| Retained earnings | | 133,885 | 88,469 | 134,008 | 88,551 |
| | | 1,701,165 | 1,707,685 | 1,699,951 | 1,706,430 |
| Total liabilities and stockholders' equity | | 2,935,145 | 2,005,517 | 3,285,080 | 3,616,009 |

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

# São Martinho S.A. and Subsidiaries

## Statements of Income for the Periods Ended December 31, 2010 and 2009

**In thousands of reais, unless otherwise indicated** (A free translation of the original in Portuguese)

| | | Parent company | | | |
|---|---|---|---|---|---|
| | | 12/31/2010 | | 12/31/2009 | |
| | Note | Quarter | Nine months | Quarter | Nine months |
| **Gross sales revenues** | | | | | |
| Domestic market | | 80,263 | 120,585 | 56,217 | 132,943 |
| Foreign market | | 92,528 | 222,830 | 29,765 | 92,854 |
| | | 172,791 | 343,415 | 85,982 | 225,797 |
| Deductions from gross sales revenues | | (10,931) | (16,911) | (6,749) | (18,823) |
| **Net sales revenues** | | 161,860 | 326,504 | 79,233 | 206,974 |
| Cost of sales | | (101,067) | (210,052) | (61,195) | (174,047) |
| **Gross profit** | | 60,793 | 116,452 | 18,038 | 32,927 |
| **Operating income (expenses)** | | | | | |
| Selling | | (6,226) | (12,739) | (1,718) | (7,869) |
| General and administrative | | (10,148) | (21,432) | (4,890) | (14,343) |
| Management fees | **8(d)** | (3,035) | (5,308) | (1,030) | (3,071) |
| Equity in the results of subsidiaries | **10** | 24,486 | 73,415 | 30,042 | 86,974 |
| Other operating income (expenses), net | **26** | 1,135 | 3,132 | (6,608) | (5,464) |
| | | 6,212 | 37,068 | 15,796 | 56,227 |
| **Operating profit before financial result** | | 67,005 | 153,520 | 33,834 | 89,154 |
| **Financial result** | **27** | | | | |
| Financial income | | 5,829 | 9,358 | 6,146 | 11,800 |
| Financial expenses | | (14,222) | (22,105) | (24,400) | (49,306) |
| Monetary and foreign exchange variations, net | | 6,760 | 4,989 | 34 | 9,017 |
| | | (1,633) | (7,758) | (18,220) | (28,489) |
| **Profit before taxation** | | 65,372 | 145,762 | 15,614 | 60,665 |
| Income tax and social contribution on net income | **22(b)** | | | | |
| For the year | | (9,300) | (17,683) | 847 | |
| Deferred | | (2,265) | (4,808) | 6,638 | 11,508 |
| **Net income for the period** | | 53,807 | 123,271 | 23,099 | 72,173 |
| Outstanding shares at the end of the period (in thousands) | | 112,861 | 112,861 | 112,861 | 112,861 |
| **Net income per share at the end of period - R$** | | 0.48 | 1.09 | 0.20 | 0.64 |

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

# São Martinho S.A. and Subsidiaries

## Statements of Income for the Periods Ended December 31, 2010 and 2009

**In thousands of reais** **(continued)**

| | | Consolidated | | | |
|---|---|---|---|---|---|
| | | 12/31/2010 | | 12/31/2009 | |
| | Note | Quarter | Nine months | Quarter | Nine months |
| **Gross sales revenues** | | | | | |
| Domestic market | | 209,280 | 466,032 | 212,932 | 482,332 |
| Foreign market | | 208,365 | 613,131 | 140,467 | 420,484 |
| | | 417,645 | 1,079,163 | 353,399 | 902,816 |
| Deductions from gross sales revenues | | (27,360) | (64,675) | (29,242) | (74,907) |
| **Net sales revenues** | | 390,285 | 1,014,488 | 324,157 | 827,909 |
| Cost of sales | | (254,994) | (665,926) | (240,779) | (655,454) |
| **Gross profit** | | 135,291 | 348,562 | 83,378 | 172,455 |
| **Operating income (expenses)** | | | | | |
| Selling | | (18,072) | (50,826) | (13,196) | (47,155) |
| General and administrative | | (22,357) | (76,561) | (18,723) | (64,088) |
| Management fees | 8(d) | (4,122) | (8,341) | (1,903) | (5,675) |
| Other operating income (expenses), net | 26 | (6,809) | (4,383) | 3,178 | 4,522 |
| | | (51,360) | (140,111) | (30,644) | (112,396) |
| **Operating profit before financial result** | | 83,931 | 208,451 | 52,734 | 60,059 |
| **Financial result** | 27 | | | | |
| Financial income | | 11,030 | 22,417 | 12,111 | 52,796 |
| Financial expenses | | (26,020) | (76,825) | (53,325) | (110,020) |
| Monetary and foreign exchange variations, net | | 3,579 | 21,901 | 6,478 | 92,584 |
| | | (11,411) | (32,507) | (34,736) | 35,360 |
| **Profit before taxation** | | 72,520 | 175,944 | 17,998 | 95,419 |
| Income tax and social contribution on net income | 22(b) | | | | |
| For the year | | (18,211) | (51,986) | (260) | (8,691) |
| Deferred | | (461) | (564) | 5,718 | (11,346) |
| **Net income before minority interest** | | 53,848 | 123,394 | 23,456 | 75,382 |
| Minority interest | | | | (316) | (3,086) |
| **Net income for the period** | | 53,848 | 123,394 | 23,140 | 72,296 |

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

# São Martinho S.A.

## Statements of Changes in Stockholders' Equity

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

**Parent company**

| | | | Revaluation reserves | | Carrying value adjustments | | Revenue reserves | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Note** | **Capital** | **Own** | **Investees** | **Own** | **Investees** | **Legal** | **Capital budget** | **Proposed additional dividends** | **Treasury stock** | **Retained earnings** | **Total** |
| **At June 30, 2010** | | 360,000 | 348,489 | 709,497 | 23,170 | 19,766 | 9,731 | 200,062 | 8,838 | (1,899) | 33,139 | 1,710,793 |
| Realization of revaluation reserve | **19(c)** | | (3,035) | (5,754) | | | | | | | 8,789 | |
| Result on derivative transactions - hedge accounting | **25** | | | | (16,229) | (24,582) | | | | | | (40,811) |
| Approved additional dividends | **19(e)** | | | | | | | | (8,838) | | | (8,838) |
| Payment of capital | **19(d)** | 95,900 | | | | | | (95,900) | | | | |
| Net income for the quarter | | | | | | | | | | | 46,541 | 46,541 |
| **At September 30, 2010** | | 455,900 | 345,454 | 703,743 | 6,941 | (4,816) | 9,731 | 104,162 | | (1,899) | 88,469 | 1,707,685 |
| Realization of revaluation reserve | **19(c)** | | (5,419) | (5,748) | | | | | | | 11,167 | |
| Result on derivative transactions - hedge accounting | **25** | | | | (45,585) | 4,816 | | | | | | (40,769) |
| Distribution of interest on capital | **19(e)** | | | | | | | | | | (19,558) | (19,558) |
| Net income for the quarter | | | | | | | | | | | 53,807 | 53,807 |
| **At December 31, 2010** | | 455,900 | 340,035 | 697,995 | (38,644) | | 9,731 | 104,162 | | (1,899) | 133,885 | 1,701,165 |

**Consolidated**

| | | | Revaluation reserves | | Carrying value adjustments | | Revenue reserves | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Note** | **Capital** | **Own** | **Investees** | **Own** | **Investees** | **Legal** | **Capital budget** | **Proposed additional dividends** | **Treasury stock** | **Retained earnings** | **Total** |
| **At June 30, 2010** | | 360,000 | 348,489 | 709,497 | 23,170 | 19,766 | 9,731 | 198,725 | 8,838 | (1,899) | 33,180 | 1,709,497 |
| Realization of revaluation reserve | **19(c)** | | (3,035) | (5,754) | | | | | | | 8,789 | |
| Result on derivative transactions - hedge accounting | **25** | | | | (16,229) | (24,582) | | | | | | (40,811) |
| Approved additional dividends | **19(e)** | | | | | | | | (8,838) | | | (8,838) |
| Payment of capital | **19(d)** | 95,900 | | | | | | (95,900) | | | | |
| Net income for the quarter | | | | | | | | | | | 46,582 | 46,582 |
| **At September 30, 2010** | | 455,900 | 345,454 | 703,743 | 6,941 | (4,816) | 9,731 | 102,825 | | (1,899) | 88,551 | 1,706,430 |
| Realization of revaluation reserve | **19(c)** | | (5,419) | (5,748) | | | | | | | 11,167 | |
| Result on derivative transactions - hedge accounting | **25** | | | | (45,585) | 4,816 | | | | | | (40,769) |
| Distribution of interest on capital | **19(e)** | | | | | | | | | | (19,558) | (19,558) |
| Net income for the quarter | | | | | | | | | | | 53,848 | 53,848 |
| **At December 31, 2010** | | 455,900 | 340,035 | 697,995 | (38,644) | | 9,731 | 102,825 | | (1,899) | 134,008 | 1,699,951 |

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

# São Martinho S.A. and Subsidiaries

## Statements of Cash Flows for the
## Periods Ended December 31, 2010 and 2009

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

| | Parent company | | | |
|---|---|---|---|---|
| | 12/31/2010 | | 12/31/2009 | |
| | Quarter | Nine months | Quarter | Nine months |
| **Cash flows from operating activities** | | | | |
| **Net income for the period** | 53,807 | 123,271 | 23,099 | 72,173 |
| **Adjustments** | | | | |
| Depreciation and amortization | 28,521 | 63,358 | 16,943 | 47,591 |
| Equity in the results of subsidiaries | (24,486) | (73,415) | (30,042) | (86,974) |
| Capital loss due to change in ownership interest | (3,114) | (3,403) | | |
| Residual cost of investment and property, plant and equipment disposals | 16 | 1,409 | 167 | 335 |
| Interest, monetary and foreign exchange variations, net | 6,101 | 13,258 | 16,164 | 6,549 |
| Constitution (reversal) of provision for contingencies, net | (1,695) | (657) | 44 | 733 |
| Deferred income tax and social contribution | 2,265 | 4,808 | (6,097) | (10,967) |
| REFIS installment program - Law 11941 | | | 5,358 | 5,358 |
| Adjustments to present value and others | 110 | 220 | 686 | 1,481 |
| | 61,525 | 128,849 | 26,322 | 36,279 |
| Changes in assets and liabilities | | | | |
| Trade accounts receivable | (14,052) | (16,480) | 15,551 | (7,072) |
| Inventories | 17,768 | (15,252) | 5,699 | (11,867) |
| Taxes recoverable | 7,141 | 9,393 | 563 | (925) |
| Related parties - assets | 744 | 5,452 | 14,010 | 15,536 |
| Derivative financial instruments | 19,161 | 38,436 | 1,073 | (66) |
| Other assets | 17,527 | 18,414 | (733) | 4,770 |
| Suppliers | (37,158) | (28,242) | (872) | 4,390 |
| Salaries and social charges | (9,413) | (7,664) | (3,994) | (47) |
| Taxes payable | 2,355 | 3,065 | 1,467 | 488 |
| Related parties - liabilities | (1,627) | (3,648) | (34,776) | (3,631) |
| Taxes payable in installments | 1,431 | 884 | (161) | (820) |
| Provision for contingencies | (277) | (5,589) | (110) | (908) |
| Other liabilities | (46,962) | (69,804) | 5,076 | (338) |
| **Cash provided by operations** | 18,163 | 57,814 | 29,115 | 35,789 |
| Interest paid | (3,990) | (8,582) | (1,135) | (7,452) |
| Income tax and social contribution on net income paid | (2,210) | (2,214) | | |
| **Net cash provided by operating activities** | 11,963 | 47,018 | 27,980 | 28,337 |
| **Cash flows from investing activities** | | | | |
| Financial resources used in investments | 430 | (7,947) | | |
| Additions to property, plant and equipment, intangible assets and deferred charges | (37,767) | (54,838) | (12,257) | (33,899) |
| Receipt of loans to related parties | | 7 | | |
| Dividends and interest on capital received | 15,680 | 119,576 | 11,965 | 11,965 |
| **Net cash provided by (used in) investing activities** | (21,657) | 56,798 | (292) | (21,934) |
| **Cash flows from financing activities** | | | | |
| Financing obtained - third parties | 15,004 | 50,426 | 36,424 | 113,973 |
| Repayment of financing - Copersucar | (806) | (1,734) | (427) | (6,887) |
| Repayment of financing - third parties | (30,754) | (82,244) | (13,132) | (64,571) |
| Payment of dividends and interest on capital | (19,558) | (34,865) | (18,331) | (18,331) |
| **Net cash provided by (used in) financing activities** | (36,114) | (68,417) | 4,534 | 24,184 |
| **Increase (decrease) in cash and cash equivalents** | (45,808) | 35,399 | 32,222 | 30,587 |
| **Cash and cash equivalents merged from subsidiary - USM** | 65,004 | 65,004 | | |
| **Cash and cash equivalents at the beginning of the period** | 105,407 | 24,200 | 27,041 | 28,676 |
| **Cash and cash equivalents at the end of the period** | 124,603 | 124,603 | 59,263 | 59,263 |
| **Additional information** | | | | |
| Payables to suppliers for purchases of property, plant and equipment | 7,472 | 7,472 | 381 | 381 |

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

# São Martinho S.A. and Subsidiaries

## Statements of Cash Flows for the Periods Ended December 31, 2010 and 2009

**In thousands of reais** **(continued)**

| | Consolidated | | | |
|---|---|---|---|---|
| | 12/31/2010 | | 12/31/2009 | |
| | Quarter | Nine months | Quarter | Nine months |
| **Cash flows from operating activities** | | | | |
| **Net income for the period** | 53,848 | 123,394 | 23,140 | 72,296 |
| **Adjustments** | | | | |
| Depreciation and amortization | 73,332 | 194,018 | 72,046 | 192,481 |
| Residual cost of investment and property, plant and equipment disposals | 634 | 4,273 | 1,326 | 1,710 |
| Interest, monetary and foreign exchange variations, net | 22,528 | 49,383 | 33,664 | (51,357) |
| Constitution (reversal) of provision for contingencies, net | (3,406) | 1,331 | 458 | 5,006 |
| Reversal of provision for losses on investments | | | | (58) |
| Deferred income tax and social contribution | 461 | 564 | (5,242) | 11,822 |
| Constitution (reversal) of provision for inventory losses | 1,009 | 2,200 | | (6,313) |
| Minority interest | | | 316 | 3,086 |
| REFIS installment program - Law 11941 | | | (3,659) | (3,659) |
| Adjustments to present value and others | (740) | (1,493) | 1,408 | 4,291 |
| | 147,666 | 373,670 | 123,457 | 229,305 |
| Changes in assets and liabilities | | | | |
| Trade accounts receivable | (10,873) | (41,482) | 9,047 | (17,835) |
| Inventories | 3,904 | (218,166) | (11,172) | (89,860) |
| Taxes recoverable | 22,465 | 26,926 | 1,887 | (5,295) |
| Related parties - assets | (163) | (343) | 142 | 3,272 |
| Assets held for sale | | | (13) | (105) |
| Derivative financial instruments | 64,243 | 103,006 | 6,815 | (10,313) |
| Other assets | (14,073) | (21,870) | 1,444 | 20,594 |
| Suppliers | 6,314 | 68,015 | 4,682 | 33,007 |
| Salaries and social charges | (6,088) | (425) | (13,403) | (1,799) |
| Taxes payable | (2,024) | 11,221 | 4,853 | 11,098 |
| Related parties - liabilities | 328 | 294 | 140 | (3,137) |
| Taxes payable in installments | 4,373 | 5,080 | 46 | (1,149) |
| Provision for contingencies | (2,381) | (14,375) | (2,018) | (6,146) |
| Other liabilities | (77,202) | (115,892) | 13,018 | 6,164 |
| **Cash provided by operations** | 136,489 | 175,659 | 138,925 | 167,801 |
| Interest paid | (10,857) | (38,095) | (18,324) | (61,239) |
| Income tax and social contribution on net income paid | (7,833) | (14,859) | (5,090) | (9,242) |
| **Net cash provided by operating activities** | 117,799 | 122,705 | 115,511 | 97,320 |
| **Cash flows from investing activities** | | | | |
| Financial resources used in investments | | | (22,460) | (22,460) |
| Additions to property, plant and equipment, intangible assets and deferred charges | (98,389) | (217,110) | (55,356) | (185,224) |
| **Net cash provided by (used in) investing activities** | (98,389) | (217,110) | (77,816) | (207,684) |
| **Cash flows from financing activities** | | | | |
| Financing obtained - third parties | 95,358 | 532,999 | 295,930 | 560,178 |
| Repayment of financing - Copersucar | (806) | (3,760) | (1,369) | (25,088) |
| Repayment of financing - third parties | (196,334) | (416,147) | (300,655) | (464,053) |
| Payment of dividends and interest on capital | (19,558) | (34,865) | (18,331) | (18,331) |
| **Net cash provided by (used in) financing activities** | (121,340) | 78,227 | (24,425) | 52,706 |
| **Increase (decrease) in cash and cash equivalents** | (101,930) | (16,178) | 13,270 | (57,658) |
| **Increase in cash and cash equivalents to decrease in holding - NF** | 135,199 | 135,199 | | |
| **Cash and cash equivalents at the beginning of the period** | 216,386 | 130,634 | 119,135 | 190,063 |
| **Cash and cash equivalents at the end of the period** | 249,655 | 249,655 | 132,405 | 132,405 |
| **Additional information** | | | | |
| Payables to suppliers for purchases of property, plant and equipment | 13,863 | 13,863 | 18,158 | 18,158 |

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

# 1 OPERATIONS

## 1.1 Operations

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

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

Sugar cane requires an 18-month period for maturing and 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 realized through a consortium agreement with USJ Açúcar e Álcool S.A. ("USJ") and Santa Cruz S.A. Açúcar e Álcool ("SC"), denominated Allicom Consortium. The costs, expenses and obligations arising from consortium operations are assumed by the members proportionally to their percentage interest in the volume sold through Allicom.

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

- 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”);
- Omtek Indústria e Comércio Ltda. (“Omtek”);
- SMA Indústria Química S.A. (“SMA”); and
- Usina Santa Luiza S.A. (“USL”)

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

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

The commencement of the construction of the chemical plant depends on the required environmental licenses being obtained and other conditions being met by March 31, 2011.

## 1.3 Formation and capital increase in NF

On June 21, 2010, the Company and Petróleo Brasileiro S.A. (“Petrobrás”), through the subsidiary Petrobrás Biocombustível S.A. (“PBio”), announced the signing of an investment agreement for the production of ethanol in the State of Goiás, midwest region of Brazil.
The agreement established the formation of a new company, NF, the equity of which comprised the assets of the subsidiaries Usina Boa Vista S.A. (“UBV”) and SMBJ Agroindustrial S.A. (“SMBJ”), with a participation of 51% of the Company and 49% of PBio. The objective is to increase the processing of UBV and to implement the greenfield project in SMBJ. PBio will have the right of preference, regarding market terms and conditions, for the purchase of up to 49% of the production of ethanol and the excess electricity of the new Company.

All amounts in thousands of reais, unless otherwise indicated

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

Additionally, at the Extraordinary General Meeting held on November 1, 2010, a new increase in the capital of NF, amounting to R$ 420,874, was approved, 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 CVM, the Company granted to its minority stockholders the right of preference in the increase of capital and these stockholders subscribed for 405,308 shares of the capital in the amount of R$ 416. The remaining 409,888,065 shares issued, in the amount of R$ 420,458, were subscribed by PBio, of which R$ 257,423 was paid up to December 31, 2010 and R$ 163,035 will be paid up to December 31, 2011.

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

As a result of considered a participation the decrease in the Company's holding in NF, the consolidated balance which, at September 30, 2010 considered a participation of 100%, decreased at December 31, 2010 to 62.89%, calculated based on paid up capital. The decrease in the consolidated balances at September 30, 2010 occurred as follows:

| | Consolidated balances at 9/30/2010 | Decrease in holding in the quarter | | Consolidated balances at 9/30/2010 | Decrease in holding in the quarter |
|---|---|---|---|---|---|
| **Assets** | | | **Liabilities and stockholders' equity** | | |
| Current assets | | | Current liabilities | | |
| Cash and cash equivalents | 51,174 | (18,991) | Loans and financing | 204,605 | (75,929) |
| Trade accounts receivable | 22,357 | (8,297) | Derivative financial instruments | 2,797 | (1,038) |
| Inventories | 138,261 | (51,309) | Suppliers | 37,730 | (14,002) |
| Taxes recoverable | 17,291 | (6,417) | Salaries and social charges | 10,282 | (3,816) |
| Other assets | 6,079 | (2,256) | Taxes payable | 1,560 | (579) |
| | | | Related parties | 575 | (213) |
| | 235,162 | (87,270) | Other liabilities | 3,191 | (1,183) |
| Non-current assets | | | | | |
| Long-term receivables | | | | 260,740 | (96,760) |
| Deferred taxes | 38,781 | (14,392) | Non-current liabilities | | |
| Taxes recoverable | 31,284 | (11,609) | Long-term liabilities | | |
| Other assets | 2,247 | (834) | Loans and financing | 380,517 | (141,210) |
| | | | Deferred taxes | 142 | (53) |
| | 72,312 | (26,835) | Provision for contingencies | 790 | (293) |
| Property, plant and equipment | 723,666 | (268,552) | | 381,449 | (141,556) |
| Intangible assets | 1,378 | (511) | Stockholders' equity | | |
| Deferred charges | 39,324 | (14,593) | Capital | 427,040 | (158,475) |
| | | | Retained earnings | 2,613 | (970) |
| | 764,368 | (283,656) | | | |
| | | | | 429,653 | (159,445) |
| **Total assets** | 1,071,842 | (397,761) | **Total liabilities and stockholders' equity** | 1,071,842 | (397,761) |

**All amounts in thousands of reais, unless otherwise indicated**

### 1.4 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, based on an appraisal report at book value of September 30, 2010, conducted by independent appraisers, with the net assets spun-off being merged by its stockholders, USM 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:

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

All amounts in thousands of reais, unless otherwise indicated

## 1.5 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 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. ("Vale do Mogi"). The net assets spun off by USM and merged by the Company, including the equity variations up to November 30, 2010, were as follows:

| | Net assets spun-off | | Net assets spun-off |
|---|---|---|---|
| **Assets** | | **Liabilities** | |
| Current assets | | Current liabilities | |
| Cash and cash equivalents | 65,004 | Loans and financing | 101,506 |
| Trade accounts receivable | 32,766 | Derivative financial instruments | 15,856 |
| Inventories | 311,302 | Suppliers | 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 |
| | 423,512 | Other liabilities | 25,077 |
| Non-current assets | | | |
| Long-term receivables | | Non-current liabilities | 305,706 |
| Related parties | 449 | | |
| Deferred income tax and social contribution | 71,457 | Long-term liabilities | |
| Taxes recoverable | 8,944 | Loans and financing | 330,146 |
| Other assets | 4,562 | Payables to Copersucar | 138,203 |
| | | Taxes payable in installments | 35,806 |
| | 85,412 | Deferred taxes | 167,822 |
| | | Provision for contingencies | 20,541 |
| Investments - other | 93 | Other liabilities | 9,521 |
| Property, plant and equipment | 504,532 | | |
| Intangible assets | 37,736 | | 702,039 |
| | 542,361 | | |
| **Total assets** | 1,051,285 | **Total liabilities** | 1,007,745 |
| | | **Total net assets spun-off and merged** | **43,540** |

## 2 PREPARATION AND PRESENTATION OF THE QUARTERLY INFORMATION

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

(a) Brazilian accounting practices, including the amendments introduced by Law 11638/07 and Law 11941/09, which altered, revoked and introduced new provisions to Law 6404/76;

(b) standards established by the Brazilian Securities Commission (CVM);

(c) "Novo Mercado" (New Market) listing requirements of the São Paulo Stock Exchange (BOVESPA); and

(d) technical pronouncements and orientations issued by the Brazilian Accounting Pronouncements Committee (CPC).

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

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

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

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

**(a) Pronouncements**

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

**(b) Interpretations**

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

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

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

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

- CPC 29 - Biological Assets and Agricultural Produce: insofar as it relates to the measurement of biological assets, the Company will follow the same system adopted and disclosed in the notes to the financial statements for the year ended March 31, 2010, which were presented/filed on July 30,2010,

related to the reconciliation of differences between the result for the year and stockholders' equity, calculated in accordance with the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS);

- CPC 27 and ICPC 10 - Property, Plant and Equipment: insofar as it relates to the recording of the new costs of assets in the opening balance sheet (deemed cost), net of the effect of deferred taxes, including on the surplus value of land, management is in the process of evaluating the possible impacts and the analyses are not sufficiently advanced to permit the measurement of the possible effects arising from the adoption of these pronouncements; and

- CPC 36 - Consolidated Financial Statements: in relation to the operation described in Note 1.3 above, management has been analyzing the possible effects to be recorded, regarding the admission of a new stockholder in the capital of the former wholly-owned subsidiary NF, with a subsequent loss of a portion of the control.

- CPC 43 - First-time Adoption of Technical Pronouncements CPC 15 to 40: in order to fully comply with the international accounting standards, the balance of deferred charges will be reversed from the consolidated financial statements. In this context, management has been analyzing the possibility of also decreasing this balance in the individual financial statements (mainly of UBV), in order to avoid the use of different accounting practices in the consolidated and individual statements.

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

**All amounts in thousands of reais, unless otherwise indicated**

## 3 CONSOLIDATION CRITERIA

The consolidated balance sheets as of December 31 and September 30, 2010, and the related consolidated statements of income and of cash flows for the quarters ended December 31, 2010 and 2009, consider the percentage of ownership interest in subsidiaries on the respective dates and the applicable proportional consolidation criteria, in accordance with the regulations of the Brazilian Securities Commission (CVM). The consolidated balances include those of the following subsidiaries:

| Company | Main activities |
|---|---|
| Vale do Mogi (former USM) - 100% holding | Agricultural activity: sugar cane processing from own production and production acquired from third parties; production and sale of sugar, ethanol and their byproducts; cogeneration of electricity; agricultural production and investments in other companies. After the spin-off described in Note 1.5, the company is engaged in leasing land and conducting agricultural partnerships. |
| UBV - 48.45% holding at December 31, 2009 (100% including the holding of USM). As from September 2010, this investee became a wholly-owned subsidiary of NF. | Agricultural activity: sugar cane processing from own production and production acquired from third parties; production and sale of ethanol and by-products; cogeneration of electricity and agricultural production. |
| Omtek - 49.78% holding up to November 2010 (100% including the holding of USM) and 100% as from December 2010, and 99.99% holding at December 31, 2009 (100% including the holding of USM). | Sodium salt processing and sale in the foreign market. The operating cycle is the same as that of the parent company, which is responsible for supplying (under specific conditions) sugar cane molasses, steam and electricity, which are the inputs necessary for the company's production. |
| NF - 26.08% holding up to October 2010 (100% including the holding of USM), 13.3% holding in November 2010 (51% including the holding of USM) and 50.95% in December 2010. | Investments in other Brazilian or foreign companies, as well as management and trade of its own assets. |

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

**All amounts in thousands of reais, unless otherwise indicated**

Up to November 2010, the consolidation of USM included the following subsidiaries:

- Mogi - 46.02% holding in capital (proportional consolidation) up to October 2010, when the company's assets and liabilities were fully spun off (Note 1.4). The main account groups of this jointly-controlled subsidiary present the following balances:

| | 9/30/2010 |
|---|---|
| Current assets | 18 |
| Non-current assets: | |
| Long-term receivables | 389 |
| Investments, property, plant and equipment and intangible assets | 57,140 |
| Total assets | 57.547 |
| Current liabilities | 100 |
| Stockholders' equity | 57,447 |
| Total liabilities and stockholders' equity | 57.547 |

| | 12/31/2010 (one month) | 12/31/2009 (quarter) |
|---|---|---|
| Operating income (expenses) | (29) | 16 |
| Net income (loss) for the period | (29) | 16 |

- Usina Santa Luiza S.A. ("USL") - 41.67% holding (proportional consolidation) up to November. In December 2010, the proportional consolidation occurred through the Company (Note 1.5). The main account groups of this jointly-controlled subsidiary present the following balances:

| | 12/31/2010 | 9/30/2010 |
|---|---|---|
| Current assets | 5,330 | 5,193 |
| Non-current assets: | | |
| Long-term receivables | 507 | 388 |
| Investments, property, plant and equipment and intangible assets | 6,862 | 7,015 |
| Total assets | 12.699 | 12.596 |
| Current liabilities | 1,578 | 1,841 |
| Non-current liabilities | 23,140 | 25,705 |
| Advances for future capital increase | 3,800 | 2,800 |
| Net capital deficiency | (15,819) | (17,750) |
| Total liabilities and net capital deficiency | 12.699 | 12.596 |

| | 12/31/2010 | 12/31/2009 |
|---|---|---|
| Net sales revenues | 257 | 388 |
| Operating costs and expenses, net | 1,673 | (6,834) |
| Net income (loss) for the quarter | 1,930 | (6,446) |

**All amounts in thousands of reais, unless otherwise indicated**

- SMA Indústria Química S.A. ("SMA") - 50% holding in capital.
- NF - 73.92% holding in capital up to October 2010 and 37.7% up to November 2010. In December, after the transaction described in Note 1.3 above, the entire holding of the São Martinho Group in this investee 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 December 31, 2010.

The consolidation of NF includes the following subsidiaries:

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

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

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

## 4 CASH AND CASH EQUIVALENTS

| | | Parent company | |
|---|---|---|---|
| | **Remuneration** | **12/31/2010** | **9/30/2010** |
| Cash and banks | | 45,976 | 43,496 |
| Financial investments | | | |
| . Bank Deposit Certificate (CDB) | 100.21% of the Interbank Deposit Certificate (CDI) interest rate - weighted average rate | 21,498 | |
| . Debentures repurchase agreements | 101.01% of the CDI interest rate - weighted average rate | 57,129 | 61,911 |
| | | 124,603 | 105,407 |

| | | Consolidated | |
|---|---|---|---|
| | **Remuneration** | **12/31/2010** | **9/30/2010** |
| Cash and banks | | 52,571 | 89,629 |
| Financial investments | | | |
| . Agribusiness Credit Note (LCA) | 40% to 70% of the CDI interest rate - weighted average rate | | 27,828 |
| . Bank Deposit Certificate (CDB) | 100% to 100.78% of the CDI interest rate - weighted average rate | 92,642 | |
| . Debentures repurchase agreements | 99.44% to 101.05% of the CDI interest rate - weighted average rate | 103,593 | 98,929 |
| . Financial Treasury Bills (LFTs) | 100% of the Special System for Settlement and Custody (Selic) interest rate | 849 | |
| | | 249,655 | 216,386 |

All amounts in thousands of reais, unless otherwise indicated

Cash and bank balances include deposits in current accounts which are available for immediate use. These balances are a result of the strategies and the normal flow of operations of the Company and its subsidiaries. At December 31 and September 30, 2010, the Company's bank balances included deposits in foreign currency equivalent to US$ 23,240 thousand and US$ 25,592 thousand, respectively (US$ 24,207 thousand and US$ 49,351 thousand, respectively - consolidated).

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

## 5 TRADE ACCOUNTS RECEIVABLE

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

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2010 | 9/30/2010 | 12/31/2010 | 9/30/2010 |
| Local customers | 32,141 | 5,557 | 48,451 | 38,258 |
| Foreign customers | 27,172 | 7,827 | 28,631 | 33,978 |
| | 59,313 | 13,384 | 77,082 | 72,236 |

Management did not identify the need to record an allowance for doubtful accounts for the quarter ended December 31, 2010.

The composition of accounts receivable by maturity is as follows:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| **Past due:** | 12/31/2010 | 9/30/2010 | 12/31/2010 | 9/30/2010 |
| up to 30 days | 29,430 | 6,218 | 31,928 | 35,467 |
| from 31 to 60 days | 65 | 1,732 | 1,401 | 1,978 |
| over 61 days | 830 | 146 | 2,966 | 391 |
| **Falling due:** | | | | |
| up to 30 days | 27,725 | 3,515 | 39,447 | 32,606 |
| from 31 to 60 days | 1,236 | 1,757 | 1,236 | 1,758 |
| over 61 days | 27 | 16 | 104 | 36 |
| | 59,313 | 13,384 | 77,082 | 72,236 |

The past due amounts mainly refer to brief delays in the payment of export transactions. The average collection period for trade accounts receivable was 34 days (30 days - consolidated).

All amounts in thousands of reais, unless otherwise indicated

## 6 INVENTORIES

| | Parent company | |
|---|---|---|
| | 12/31/2010 | 9/30/2010 |
| Finished products and work in process | 213,585 | 58,846 |
| Sugar cane - crop treatment | 75,849 | 22,598 |
| Advances - purchases of sugar cane | 48,527 | 5,776 |
| Inputs, indirect, maintenance and other materials | 38,547 | 9,045 |
| | 376,508 | 96,265 |

| | Consolidated | |
|---|---|---|
| | 12/31/2010 | 9/30/2010 |
| Finished products and work in process | 248,502 | 305,098 |
| Sodium salt - RNA | 6,229 | 5,856 |
| Sugar cane - crop treatment | 97,127 | 99,185 |
| Advances - purchases of sugar cane | 58,165 | 59,084 |
| Inputs, indirect, maintenance and other materials | 48,710 | 42,725 |
| Provision for reduction of inventories to realizable value | (2,299) | (1,291) |
| | 456,434 | 510,657 |

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

**All amounts in thousands of reais, unless otherwise indicated**

## 7 TAXES RECOVERABLE

The composition of taxes recoverable can be summarized as follows:

| | Parent company | |
|---|---|---|
| | **12/31/2010** | **9/30/2010** |
| COFINS, including credits on purchases of property, plant and equipment | 15,634 | 9,909 |
| IRPJ | 250 | |
| ICMS, including credits on purchases of property, plant and equipment | 9,568 | 7,011 |
| PIS, including credits on purchases of property, plant and equipment | 3,548 | 2,162 |
| CSLL | 121 | 437 |
| Other | 3,487 | 556 |
| | 32,608 | 20,075 |
| Current assets | (17,520) | (15,670) |
| Non-current assets | 15,088 | 4,405 |

| | Consolidated | |
|---|---|---|
| | **12/31/2010** | **9/30/2010** |
| COFINS, including credits on purchases of property, plant and equipment | 39,001 | 66,661 |
| ICMS, including credits on purchases of property, plant and equipment | 22,994 | 29,797 |
| IRPJ | 2,910 | 3,034 |
| PIS, including credits on purchases of property, plant and equipment | 8,709 | 14,595 |
| CSLL | 957 | 1,299 |
| Other | 3,876 | 1,941 |
| | 78,447 | 117,327 |
| Current assets | (44,315) | (81,856) |
| Non-current assets | 34,132 | 35,471 |

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

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).

**All amounts in thousands of reais, unless otherwise indicated**

## 8 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

| | Parent company | | | |
|---|---|---|---|---|
| | 12/31/2010 | | 9/30/2010 | |
| | Non-current assets | Current liabilities | Non-current assets | Current liabilities |
| Subsidiaries and related parties: | | | | |
| Vale do Mogi | 203 | | 3,065 | 499 |
| Omtek | 1,233 | 7 | 1,123 | 1,424 |
| UBV | 648 | 84 | 222 | |
| USL | 1,901 | 205 | | |
| SC | 111 | | | |
| Agropecuária Vale do Corumbatai S.A. | 3 | | | |
| Agropecuária Caieira do Norte S.A. | 2 | | | |
| Imobiliária Paramirim S.A. | 3 | | | |
| Monte Sereno Agrícola Ltda. | 7 | | | |
| SM Participações S.A. | 2 | | | |
| SMA | 2 | | | |
| **Subtotal** | 4,115 | 296 | 4,410 | 1,923 |
| Stockholders, arising from purchase of sugar cane - Suppliers | | 2,920 | | 1,554 |
| | 4,115 | 3,216 | 4,410 | 3,477 |

| | Consolidated | | | |
|---|---|---|---|---|
| | 12/31/2010 | | 9/30/2010 | |
| | Non-current assets | Current liabilities | Non-current assets | Current liabilities |
| Jointly-controlled subsidiaries and related parties: | | | | |
| Agropecuária Vale do Corumbatai S.A. | 3 | | 3 | |
| Agropecuária Caieira do Norte S.A. | 2 | | 1 | |
| Imobiliária Paramirim S.A. | 2 | | 2 | |
| Monte Sereno Agrícola Ltda. | 8 | | 6 | |
| SM Participações S.A. | 2 | | 1 | |
| PBio | 241 | 31 | | |
| SC | 190 | 51 | 103 | |
| Usina da Barra S.A. - Açúcar e Álcool | 105 | 69 | 137 | |
| Amyris Brasil | 1 | 48 | | 43 |
| **Subtotal** | 554 | 199 | 253 | 43 |
| Stockholders, arising from leased land | | | 138 | 46 |
| Stockholders, arising from purchase of sugar cane - Suppliers | | 8,672 | | 5,793 |
| | 554 | 8,871 | 391 | 5,882 |

All amounts in thousands of reais, unless otherwise indicated

The balances with subsidiaries at December 31 and September 30, 2010 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 transactions.

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

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

| | | | | | 12/31/2010 |
|---|---|---|---|---|---|
| | Financial and administrative expenses | Sales revenue | Expenses apportioned by subsidiary | Expenses reimbursed by subsidiaries | Purchase of products services |
| USM | | | 754 | 324 | 211 |
| Omtek | | 2,308 | | 27 | |
| UBV | | | | 631 | |
| Stockholders | | | | | |
| - rental of properties | 59 | | | | |
| - rendering of services | 94 | | | | |
| - purchase of sugar cane | | | | | 406 |
| | 153 | 2,308 | 754 | 982 | 617 |

| | | | | | 12/31/2009 |
|---|---|---|---|---|---|
| | Financial and administrative expenses | Sales revenue | Expenses apportioned by subsidiary | Expenses reimbursed by subsidiaries | Purchase of products services |
| USM | 494 | 15 | 980 | 524 | 30 |
| Omtek | | 2,352 | | 14 | |
| UBV | | 2 | | 262 | |
| Stockholders | | | | | |
| - rental of properties | 28 | | | | |
| - rendering of services | 93 | | | | |
| - purchase of sugar cane | | | | | 826 |
| | 615 | 2,369 | 980 | 800 | 856 |

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

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

**All amounts in thousands of reais, unless otherwise indicated**

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

| | 12/31/2010 | 12/31/2009 |
|---|---|---|
| Stockholders | | |
| - rental of properties | 90 | 84 |
| - rendering of services | 502 | 360 |
| - purchase of sugar cane | 813 | 2,316 |
| | 1,405 | 2,760 |

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

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

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2010 | 12/31/2009 | 12/31/2010 | 12/31/2009 |
| Wages and salaries | 118 | 135 | 388 | 135 |
| Fees | 3,035 | 1,030 | 4,122 | 1,903 |
| Social security contributions | 811 | 221 | 1,056 | 396 |
| Private pension plan | 44 | 29 | 91 | 78 |
| Bonuses | 1,366 | | 1,489 | |
| Profit sharing program | | 1 | | 1 |
| Other | 53 | 37 | 76 | 54 |
| | 5,427 | 1,453 | 7,222 | 2,567 |

## 9 OTHER ASSETS

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2010 | 9/30/2010 | 12/31/2010 | 9/30/2010 |
| Prepaid expenses | 2,400 | 1,066 | 2,983 | 5,511 |
| Sundry advances | 3,956 | 1,725 | 4,712 | 7,903 |
| Other | 734 | 375 | 2,206 | 571 |
| | 7,090 | 3,166 | 9,901 | 13,985 |
| Current assets | (6,890) | (3,162) | (8,287) | (13,789) |
| Non-current assets | 200 | 4 | 1,614 | 196 |

**All amounts in thousands of reais, unless otherwise indicated**

## 10 INVESTMENTS

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

### 10.1 In subsidiaries

| | | | | | | 12/31/2010 |
|---|---|---|---|---|---|---|
| | Vale do Mogi (current name of USM) | Omtek | Nova Fronteira | USL | SMA | Total |
| In subsidiaries | | | | | | |
| Shares/quotas held (thousands) | 23,500 | 27,971 | 426,635 | 11,898 | 50 | |
| Percentage holding | 100.00% | 100.00% | 62.89% | 41.67% | 50.00% | |
| Capital | 59,540 | 27,971 | 684,870 | 3,541 | 100 | |
| Stockholders'/Quotaholders' equity | 647,410 | 26,921 | 682,989 | (15,819) | 41 | |
| Net income (loss) for the period | 29,365 | (4,858) | (4,383) | 1,930 | (11) | |
| Changes in the investments: | | | | | | |
| At September 30, 2010 | 1,013,561 | 15,819 | 112,007 | | | 1,141,387 |
| Payment of interest on capital | (15,680) | | | | | (15,680) |
| Merger of the spun-off net assets of USM | (367,758) | 15,859 | 315,934 | (7,592) | 20 | (43,537) |
| Sale of investment | | | (410) | | | (410) |
| Capital gain in the transaction described in Note 1.3 | | | 3,114 | | | 3,114 |
| Reflex loss arising from carrying value adjustments | (12,074) | | | | | (12,074) |
| Equity in the results of subsidiaries | 29,362 | (4,758) | (1,119) | 1,001 | | 24,486 |
| Reclassification to current liabilities related to investment with net capital deficiency | | | | 6,591 | | 6,591 |
| At December 31, 2010 | 647,411 | 26,920 | 429,526 | | 20 | 1,103,877 |

| | | | | | 9/30/2010 |
|---|---|---|---|---|---|
| | USM | UBV | Omtek | Nova Fronteira | Total |
| In subsidiaries | | | | | |
| Shares/quotas held (thousands) | 23,500 | | 27,971 | 111,356 | |
| Percentage holding | 100.00% | | 49.78% | 26.08% | |
| Capital | 60,000 | | 27,971 | 427,040 | |
| Stockholders'/Quotaholders' equity | 1,013,561 | | 31,779 | 429,542 | |
| Net income (loss) for the period | 37,329 | | (1,136) | 2,502 | |
| Changes in the investments: | | | | | |
| At June 30, 2010 | 1,092,359 | 111,962 | 18,869 | | 1,223,190 |
| Additional distributed dividends | (93,567) | | | | (93,567) |
| Capital payment through transfer of shares of another company | | (111,355) | | 111,355 | |
| Gain (loss) on revaluation reserves of subsidiaries, due to increase (decrease) in holding | 2,023 | | (2,023) | | |
| Capital loss due to decrease in participation in accumulated results up to March 31, 2010 | | | (456) | | (456) |
| Reflex loss arising from carrying value adjustments | (24,583) | | | | (24,583) |
| Equity in the results of subsidiaries | 37,329 | (607) | (571) | 652 | 36,803 |
| At September 30, 2010 | 1,013,561 | | 15,819 | 112,007 | 1,141,387 |

**All amounts in thousands of reais, unless otherwise indicated**

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

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

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

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

Due to these decisions, the allocation of the goodwill paid by EP on the acquisition of these subsidiaries, between the revaluation of assets and expected future profitability, was reviewed and the 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 operational characteristics. As established by the Brazilian Accounting Pronouncements Committee (CPC) Pronouncement No. 1 and the Brazilian Securities and Exchange Commission (CVM) Instruction 565/08, the goodwill arising from expected future profitability should no longer be systematically amortized as from the year beginning April 1, 2009, but is to be periodically tested for impairment. The analyses effected 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.

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:

| | Goodwill | Accumulated amortization/ write-off | Net balance 12/31/2010 | Net Balance 9/30/2010 |
|---|---|---|---|---|
| Expected future profitability - intangible assets | 39,688 | (5,673) | 34,015 | 34,015 |
| Revaluation surplus of assets held for sale | 27,415 | (27,356) | 59 | 68 |
| Tax benefit related to the portion of expected future profitability - deferred taxes | 20,446 | (13,856) | 6,590 | 7,609 |
| | 87,549 | (46,885) | 40,664 | 41,692 |

**All amounts in thousands of reais, unless otherwise indicated**

## 11 PROPERTY, PLANT AND EQUIPMENT

| | Parent company | | | | |
|---|---|---|---|---|---|
| | | | | 12/31/2010 | 9/30/2010 |
| | Cost | Revaluation | Accumulated depreciation | Net | Net |
| Land | 21,139 | 312,628 | | 333,767 | 312,336 |
| Buildings and premises | 26,489 | 41,844 | (23,983) | 44,350 | 16,874 |
| Industrial equipment and facilities | 199,034 | 331,675 | (258,738) | 271,971 | 89,830 |
| Vehicles | 42,346 | 27,229 | (35,978) | 33,597 | 8,483 |
| Agricultural machinery and implements | 76,830 | 59,655 | (57,496) | 78,989 | 25,887 |
| Sugarcane plantations | 536,218 | | (269,210) | 267,008 | 87,038 |
| Other | 31,157 | | (23,899) | 7,258 | 8,963 |
| Construction in progress | 62,005 | | | 62,005 | 22,446 |
| | 995,218 | 773,031 | (669,304) | 1,098,945 | 571,857 |

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | | | | 12/31/2010 | 9/30/2010 |
| | Cost | Revaluation | Accumulated depreciation | Net | Net |
| Land | 113,110 | 881,674 | | 998,672 | 1,010,718 |
| Buildings and premises | 107,912 | 47,642 | (33,993) | 137,786 | 190,291 |
| Industrial equipment and facilities | 346,075 | 339,408 | (279,493) | 435,760 | 508,660 |
| Vehicles | 60,547 | 27,354 | (39,612) | 51,730 | 59,896 |
| Agricultural machinery and implements | 108,343 | 59,836 | (66,815) | 106,591 | 127,781 |
| Sugarcane plantations | 661,418 | | (306,466) | 375,557 | 423,846 |
| Other | 34,232 | | (24,839) | 9,867 | 56,703 |
| Construction in progress | 107,913 | | | 118,665 | 96,018 |
| | 1,539,550 | 1,355,914 | (751,218) | 2,234,628 | 2,473,913 |

All amounts in thousands of reais, unless otherwise indicated

The changes in property, plant and equipment in the quarters ended December 31 and September 30, 2010 can be summarized as follows:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2010 | 9/30/2010 | 12/31/2010 | 9/30/2010 |
| Opening balance | 571,857 | 588,513 | 2,473,913 | 2,499,191 |
| Additions | 37,768 | 8,660 | 98,176 | 72,299 |
| Net book value of disposals | (16) | (1,274) | (635) | (2,925) |
| Spun-off net assets merged by USM | 504,532 | | | |
| Spun-off net assets merged by Mogi | | | 118 | |
| Decrease in the consolidated opening balance due to decrease in holding in NF | | | (265,536) | |
| Transfer to Long-term receivables | | | | (4) |
| Depreciation | (15,196) | (24,042) | (71,408) | (94,648) |
| Closing balance | 1,098,945 | 571,857 | 2,234,628 | 2,473,913 |

The Company invested R$ 10,230 in sugarcane plantations in the quarter ended December 31, 2010 (R$ 5,769 in the quarter ended December 31, 2009), and the consolidated balance of the corresponding investment was R$ 26,424 (R$ 30,324 in the quarter ended December 31, 2009).

The Parent Company balance of construction in progress at December 31, 2010 refers to the refurbishment of the industrial facilities to increase the sugar production and other improvements to the plant. The consolidated balance of construction in progress also includes the expansion and improvements to the administrative facilities and industrial park of UBV.

Under the terms of certain loan and financing agreements entered into by the Company and its subsidiaries, property, plant and equipment totaling R$ 423,058 at December 31, 2010 (Consolidated) were pledged as collateral. These assets are mainly represented by industrial equipment and facilities, and agricultural machinery and implements. In addition, land in the amount of R$ 313,285 (R$ 492,163 - consolidated) was pledged as collateral for securitized rural credits, recorded in current and long-term liabilities.

At December 31, 2010, 6,136 ha of the Company's land, at the revalued book value of R$ 123,030, was pledged in guarantee for the operations of UBV.

The Company, Omtek and UBV recorded revaluations of land, buildings, equipment and industrial facilities at March 31, 2007, based on appraisal reports prepared by independent experts.

**All amounts in thousands of reais, unless otherwise indicated**

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

| | Annual weighted average depreciation rates | |
|---|---|---|
| **Property, plant and equipment** | **Parent company** | **Consolidated** |
| Buildings and premises | 7.27% | 5.51% |
| Industrial equipment and facilities | 10.89% | 9.45% |
| Vehicles | 9.97% | 9.27% |
| Agricultural machinery and implements | 11.65% | 10.90% |
| Sugarcane plantations | 16.46% | 17.17% |
| Other | 11.66% | 13.35% |

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

The residual revaluation amounts of property, plant and equipment, net of depreciation and gross of deferred taxes, at December 31, 2010 and September 30, 2010 amounted to R$ 492,188 and R$ 353,199, respectively (R$ 1,069,562 and R$ 1,120,513 – consolidated).

The depreciation and write-offs of revaluations which impacted the consolidated results of operations for the quarters ended December 31, 2010 and 2009 totaled R$ 17,034 and R$ 18.504, respectively, net of amounts allocated to inventories and gross of taxes.

The Company and its subsidiaries capitalized financial charges of R$ 2,054 and R$ 2,655, respectively, in the quarters ended December 31, 2010 and 2009.

## 12 INTANGIBLE ASSETS

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **12/31/2010** | **9/30/2010** | **12/31/2010** | **9/30/2010** |
| Goodwill - expected future profitability | 38,826 | | 38,826 | 38,826 |
| Accumulated amortization | (4,811) | | (4,811) | (4,811) |
| Software | 4,531 | 2,035 | 6,120 | 6,881 |
| Accumulated amortization | (3,237) | (1,849) | (3,997) | (4,090) |
| | 35,309 | 186 | 36,138 | 36,806 |

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

All amounts in thousands of reais, unless otherwise indicated

## 13 DEFERRED CHARGES

| | Consolidated | |
|---|---|---|
| | 12/31/2010 | 9/30/2010 |
| Pre-operating expenses | 27,578 | 44,878 |
| Other | 52 | 52 |
| Accumulated amortization | (5,237) | (7,082) |
| | 22,393 | 37,848 |

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

All amounts in thousands of reais, unless otherwise indicated

## 14 LOANS AND FINANCING

| Type | Charges | Maturity | Parent company 12/31/2010 | Parent company 9/30/2010 |
|---|---|---|---|---|
| **In local currency:** | | | | |
| Securitized rural credits | General Market Price Index (IGP-M) + weighted average interest of 4.11% p.a., paid annually | Annual installments with maturities between Sep 2018 and Jul 2020 | 73,480 | 25,452 |
| Rural credit - Procer | Weighted average fixed interest rate of 11.25% p.a. payable on final maturity of the contracts | Monthly installments with maturities between Jan 2011 and Oct 2011 | 16,745 | 20,455 |
| Rural credit | Weighted average fixed interest rate of 6.75% p.a. payable on final maturity of the contracts | Single installment with final maturity between Feb 2011 and Jun 2011 | 8,493 | 7,372 |
| FINAME/BNDES - Automatic loan | Quarterly Long-term Interest Rate (TJLP) + weighted average interest of 2.64% p.a. paid monthly | Monthly installments with maturities between Jan 2011 and Jul 2014 | 38,459 | 13,370 |
| FINAME/BNDES - Automatic loan | Weighted average fixed rate of 5.27% p.a. paid monthly | Monthly installments with maturities between Jan 2011 and Jul 2015 | 40,997 | 4,965 |
| Other securitized credits | Fixed interest rate of 3% p.a. paid annually | Annual installments with final maturity in Oct 2025 | 71 | 75 |
| Leasing | Fixed rate of 7.51% p.a. paid monthly | Monthly installments with final maturity in Apr 2013 | 511 | 42 |
| **In foreign currency:** | | | | |
| ACC (Advances on foreign exchange contracts) | Fixed rate of 2.51% p.a. + USD variation paid on final maturity of the contracts | Single installment with maturity between Jan 2011 and Apr 2011 | 92,308 | 44,600 |
| Export prepayment - PPE | Weighted average interest of 2.51% p.a. + USD variation paid on final maturities | Semiannual installments with maturities between Feb 2011 and Jun 2015 | 251,377 | |
| FINAME/BNDES - Automatic loan | Currency basket (US Dollar, Euro and Yen) + fixed rate of 7.12% p.a. paid monthly | Monthly installments with maturities between Jan 2011 and Mar 2012 | 24 | |
| **Total** | | | 522,465 | 116,331 |
| Current liabilities | | | (157,730) | (82,613) |
| Non-current | | | 364,735 | 33,718 |

All amounts in thousands of reais, unless otherwise indicated

| Type | Charges | Maturity | Consolidated 12/31/2010 | Consolidated 9/30/2010 |
|---|---|---|---|---|
| **In local currency:** | | | | |
| Securitized rural credits | General Market Price Index (IGP-M) + weighted average interest of 4.11% p.a., paid annually | Annual installments with maturities between Sep 2018 and Jul 2020 | 73,685 | 71,909 |
| Rural credit - Procer | Weighted average fixed interest rate of 11.25% p.a. paid on final maturity of the contracts | Monthly installments with maturities between Jan 2011 and Jan 2012 | 29,609 | 40,910 |
| Rural credit | Weighted average fixed interest rate of 6.75% p.a. paid on final maturity of the contracts | Single installment with maturity between Feb 2011 and Jun 2011 | 8,493 | 35,001 |
| FINAME/BNDES - Automatic loan | Quarterly Long-term Interest Rate (TJLP) + weighted average interest of 2.99% p.a. paid monthly | Monthly installments with maturities between Jan 2011 and Jul 2014 | 48,088 | 60,246 |
| FINEM - DIRECT | Quarterly Long-term Interest Rate (TJLP) + weighted average interest of 2.75% p.a. paid monthly | Monthly installments with maturities between Jan 2011 and Feb 2019 | 191,645 | 306,908 |
| FINEM - DIRECT | Weighted average fixed interest rate of 4.55% p.a. paid monthly | Monthly installments with maturities between Mar 2012 and Feb 2019 | 36,816 | 27,062 |
| FINAME/BNDES - Automatic loan | Weighted average fixed interest rate of 5.48% p.a. paid monthly | Monthly installments with maturities between Jan 2011 and Jul 2015 | 42,616 | 26,035 |
| FINAME (FCO) | Weighted average fixed interest rate of 11.5% p.a. paid monthly | Monthly installments with maturities between Jan 2011 and Nov 2019 | 6,280 | 10,240 |
| Other securitized credits | Fixed interest rate of 3.00% p.a. paid annually | Single installment with maturity in Oct 2025 | 71 | 75 |
| Leasing | Weighted average fixed rate of 7.48% p.a. paid monthly | Monthly installments with maturities between Jan 2011 and May 2013 | 536 | 604 |
| **In foreign currency:** | | | | |
| FINAME/BNDES - Automatic loan | Currency basket (US Dollar, Euro and Yen) + fixed rate of 7.12% p.a. paid monthly | Monthly installments with maturities between Jan 2011 and Mar 2012 | 24 | 24 |
| FINEM - DIRECT | Currency basket (US Dollar, Euro and Yen) + weighted average fixed rate of 6.52% p.a. paid monthly | Quarterly installments with maturities between Jan 2011 and Apr 2019 | 46,970 | 77,815 |
| ACC (Advances on foreign exchange contracts) | Weighted average interest of 2.51% p.a. + USD variation paid on final maturities | Monthly installments with maturities between Jan 2011 and Apr 2011 | 92,308 | 124,272 |
| Export prepayment - PPE | Weighted average interest of 2.51% p.a. + USD variation paid on final maturities | Semiannual installments with maturities between Feb 2011 and Jun 2015 | 251,378 | 255,501 |
| Working capital | Weighted average interest of 1.29% p.a. + USD variation paid on final maturities | Single installment with maturity between Oct 2010 and Nov 2010 | | 110,467 |
| **Total** | | | 828,519 | 1,147,069 |
| Current liabilities | | | (219,435) | (419,192) |
| Non-current liabilities | | | 609,084 | 727,877 |

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

All amounts in thousands of reais, unless otherwise indicated

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

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

| | 12/31/2010 | |
|---|---|---|
| | Parent company | Consolidated |
| 1/1/2012 to 12/31/2012 | 73,330 | 127,172 |
| 1/1/2013 to 12/31/2013 | 95,260 | 154,377 |
| 1/1/2014 to 12/31/2014 | 88,541 | 145,267 |
| 1/1/2015 to 12/31/2015 | 80,256 | 110,110 |
| 1/1/2016 to 12/31/2016 | 7,419 | 20,195 |
| 1/1/2017 to 12/31/2017 | 6,928 | 19,666 |
| 1/1/2018 to 10/31/2025 | 13,001 | 32,297 |
| | 364,735 | 609,084 |

Based on Brazilian Central Bank Resolution 2471/98 and other existing legal provisions, in 1998, 1999 and 2000, the Company, USM and USL securitized debts with financial institutions, by means of the purchase of National Treasury Certificates (CTN) in the secondary market, as collateral for the payment of the principal. This securitized financing, recorded as "Securitized agricultural credits", will be automatically settled on the maturity dates on the redemption of the CTNs, which are under the custody of the creditor financial institutions. These certificates are not negotiable and are exclusively intended for paying this debt. The companies' disbursements during the 20 years in which this securitization is effective is limited to the annual payment of amounts equivalent to 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 December 31 and September 30, 2010, based on the amount of future disbursements adjusted to present value.

## 15 SUPPLIERS

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2010 | 9/30/2010 | 12/31/2010 | 9/30/2010 |
| Sugarcane | 87,571 | 14,717 | 100,228 | 88,200 |
| Materials, services and other | 22,051 | 11,185 | 31,453 | 47,674 |
| | 109,622 | 25,902 | 131,681 | 135,874 |

All amounts in thousands of reais, unless otherwise indicated

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

## 16 PAYABLES TO COPERSUCAR (Cooperative)

Copersucar provided funds to companies during their period as cooperative members through bills of exchange, for the purpose of financing their operations. The funds were obtained by the Cooperative in the market and transferred to the cooperative members for short-term settlement, and from temporary cash surpluses arising from injunctions in lawsuits claiming the suspension of liabilities. These cash surpluses relate to provisions for contingencies recorded by the Cooperative in long-term liabilities. However, in the event of unfavorable outcomes in lawsuits in which the Cooperative obtained an injunction, the Company may be required to reimburse, within 120 days, the amount that was transferred to it. The main amounts included in these liabilities arise from Excise Tax (IPI), whose constitutionality and legality has been challenged in court by the Cooperative, of R$ 57,095 and R$ 15,175, as of December 31 and September 30, 2010, respectively (R$ 61,013 and R$ 60,403 - Consolidated, respectively).

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

| | Parent company | |
|---|---|---|
| | 12/31/2010 | 9/30/2010 |
| Bill of Exchange - Updated based on the SELIC | 134,371 | 35,490 |
| Bill of Exchange - Onlending of resources not subject to charges | 43,046 | 11,409 |
| Bill of Exchange - Updated based on the TJLP | 9,222 | 3,475 |
| Bill of Exchange - Updated based on USD variation + interest of 4.53% p.a. | 3,857 | 1,336 |
| Total | 190,496 | 51,710 |
| Current liabilities | (2,040) | (589) |
| Non-current | 188,456 | 51,121 |

| | Consolidated | |
|---|---|---|
| | 12/31/2010 | 9/30/2010 |
| Bill of Exchange - Updated based on the official (SELIC) interest rate | 139,238 | 137,608 |
| Bill of Exchange - Onlending of resources not subject to charges | 43,934 | 43,934 |
| Bill of Exchange - Updated based on the TJLP | 9,343 | 10,179 |
| Bill of Exchange - Updated based on USD variation + interest of 4.17% p.a. | 4,082 | 4,687 |
| Total | 196,597 | 196,408 |
| Current liabilities | (2,203) | (2,203) |
| Non-current | 194,394 | 194,205 |

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

**All amounts in thousands of reais, unless otherwise indicated**

In accordance with the terms negotiated in the process of withdrawal from the Copersucar cooperatives, as from the date thereof, the Company, USM and USL will remain liable for the liabilities recorded under "Payables to Copersucar" in long-term liabilities, without any change in maturity dates, until the matters that gave rise to these liabilities and which are under judicial dispute, being handled by the Cooperative's legal counsel, are finally and definitively judged by the courts. These liabilities continue to be collateralized by bank guarantees in the amount of R$ 42,963 (R$ 152,828 - Consolidated).

## 17 TAXES PAYABLE IN INSTALLMENTS

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **12/31/2010** | **9/30/2010** | **12/31/2010** | **9/30/2010** |
| ICMS | 9,043 | 9,227 | 9,043 | 9,227 |
| REFIS installment program - Law 11941 | 46,964 | 6,694 | 48,298 | 43,237 |
| | 56,007 | 15,921 | 57,341 | 52,464 |
| Current liabilities (taxes payable) | (4,474) | (1,767) | (4,562) | (4,203) |
| Non-current | 51,533 | 14,154 | 52,779 | 48,261 |

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

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

**All amounts in thousands of reais, unless otherwise indicated**

## 18 OTHER LIABILITIES

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2010 | 9/30/2010 | 12/31/2010 | 9/30/2010 |
| Sales to be billed | 11,022 | 60 | 17,763 | 3,847 |
| Advances from customers | 3,620 | 6,209 | 5,223 | 31,476 |
| Revenues to be appropriated | 1,692 | 1,808 | 1,691 | 1,808 |
| Social security contributions payable in installments | 728 | | 728 | 768 |
| Mitsubishi Corporation | 12,207 | | 12,207 | 15,793 |
| Investment in USL - net capital deficiency | 6,591 | | | |
| Other | 2,157 | 887 | 2,460 | 3,175 |
| | 38,017 | 8,964 | 40,072 | 56,867 |
| Current liabilities | (27,029) | (7,834) | (29,023) | (42,113) |
| Non-current | 10,988 | 1,130 | 11,049 | 14,754 |

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

## 19 STOCKHOLDERS' EQUITY

### (a) Capital

At December 31 and September 30, 2010, the capital stock was divided into 113,000,000 registered common shares, without par value.

### (b) Treasury stock

On September 22, 2008, the Board of Directors approved the common share repurchase program, with the shares to be held in treasury for subsequent sale or cancellation, without reducing capital, pursuant to the Company's By-laws, CVM Instructions 10/80 and 268/97 and other statutory provisions. The share repurchases were carried out up to September 22, 2009 on the BM&FBovespa S.A. (São Paulo Stock, Commodities and Futures Exchange), at market prices, with the intermediation of brokerage firms.

The Company repurchased 139,000 common shares for R$ 1,899, at a minimum price per share of R$ 9.30 and a maximum price of R$ 19.20, resulting in an average price of R$ 13.65. At December 31, 2010, the market value of these shares was R$ 3,684 (R$ 2,499 at September 30, 2010).

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

### (c) Revaluation reserves

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

**All amounts in thousands of reais, unless otherwise indicated**

### (d) Legal and capital budget reserves

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

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

### (e) Dividends, interest on capital and retained earnings

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

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

As permitted by Law 9249/95, in November 2010, the subsidiary USM 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$ 19,558.

The interest on capital received from the subsidiary USM was recorded in the tax registers as financial income, and the interest on capital paid to the Company's stockholders was recorded in tax registers as financial expenses, 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.

Interest on capital may be considered in the calculation of the mandatory minimum dividend.

The changes in retained earnings and total stockholders' equity for the quarter ended December 31, 2010 can be summarized are as follows:

| | Retained earnings | Stockholders' equity |
|---|---|---|
| **At September 30, 2010** | 88,469 | 1,707,685 |
| Realization of revaluation reserve | 11,167 | |
| Interest on capital distributed | (19,558) | (19,558) |
| Result on derivative transactions - hedge accounting | | (40,769) |
| Net income for the quarter | 53,807 | 53,807 |
| **At December 31, 2010** | 133,885 | 1,701,165 |

**All amounts in thousands of reais, unless otherwise indicated**

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

| | 12/31/2010 |
|---|---|
| **Stockholders' equity** | |
| Parent company stockholders' equity | 1,701,165 |
| Interest on loan agreement allocated to deferred charges of UBV | (1,214) |
| Consolidated stockholders' equity | 1,699,951 |
| **Net income for the quarter** | |
| Parent company net income | 53,807 |
| Interest on loan agreement allocated to deferred charges of UBV | 41 |
| Consolidated net income | 53,848 |

### (g) Stock Option Plan

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

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

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

## 20 EMPLOYEE AND MANAGEMENT BENEFITS PLAN

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

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

The contributions for the quarters ended December 31, 2010 and 2009, recorded as operating costs or expenses in the consolidated results of operations, amounted to R$ 421 and R$ 390, respectively.

All amounts in thousands of reais, unless otherwise indicated

## 21 PROFIT SHARING PROGRAM

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

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

The profit sharing for the quarters ended December 31, 2010 and 2009, recorded as operating costs or expenses in the consolidated statements of income, was R$ 7,989 and R$ 5,136, respectively.

## 22 INCOME TAX AND SOCIAL CONTRIBUTION ON NET INCOME

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

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| **Assets** | **12/31/2010** | **9/30/2010** | **12/31/2010** | **9/30/2010** |
| Tax losses | 16,710 | 19,786 | 34,833 | 46,738 |
| Social contribution losses | 6,089 | 7,196 | 12,614 | 17,107 |
| Provision for contingencies | 16,232 | 3,878 | 16,554 | 17,955 |
| Tax benefit on merged goodwill | 10,528 | | 10,528 | 11,931 |
| Derivative financial instruments | 29,441 | 1,100 | 29,441 | 13,262 |
| Other | 6,231 | 1,960 | 8,189 | 5,261 |
| | 85,231 | 33,920 | 112,159 | 112,254 |
| **Liabilities** | | | | |
| Revaluation of assets | (67,743) | (12,553) | (70,500) | (76,357) |
| Accelerated tax-incentive depreciation | (101,903) | (22,795) | (101,903) | (98,633) |
| Securitized financing | (11,943) | (9,796) | (12,107) | (11,174) |
| Adjustments to present value | (8,597) | (3,175) | (8,620) | (8,781) |
| Derivative financial instruments | (3,100) | (3,575) | (3,100) | (7,337) |
| Other | | (111) | | (244) |
| | (193,286) | (52,005) | (196,230) | (202,526) |

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

**All amounts in thousands of reais, unless otherwise indicated**

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

| | Estimated realization | |
|---|---|---|
| **Periods ended March 31:** | **Parent company** | **Consolidated** |
| 2011 | 20,309 | 22,543 |
| 2012 | 30,643 | 31,943 |
| 2013 | 12,490 | 13,786 |
| 2014 | 8,075 | 9,372 |
| 2015 | 4,510 | 5,806 |
| 2016 and thereafter | 9,204 | 28,709 |
| | 85,231 | 112,159 |

The period for settlement of securitized loans, which mature through 2020, impacts the period for recovery of the deferred income and social contribution tax assets.

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.

All amounts in thousands of reais, unless otherwise indicated

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

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

| | 12/31/2010 | | 12/31/2009 | |
|---|---|---|---|---|
| **Parent Company:** | **Income tax** | **Social contribution** | **Income tax** | **Social contribution** |
| Profit before taxation | 65,372 | 65,372 | 15,614 | 15,614 |
| Standard rates of tax - % | 25% | 9% | 25% | 9% |
| | (16,343) | (5,883) | (3,904) | (1,405) |
| Reconciliation to the effective rate: | | | | |
| Permanent differences | | | | |
| Equity in the results of subsidiaries | 6,122 | 2,203 | 7,510 | 2,705 |
| Interest on capital | 969 | 349 | 1,591 | 573 |
| Tax benefits - REFIS installment program - Law 11941 | | | 607 | 219 |
| Capital gain on investment in subsidiary | 779 | 280 | | |
| Other permanent differences | (364) | (131) | (297) | (107) |
| PAT and donations with incentives | 454 | | (7) | |
| Income tax and social contribution on net income | (8,383) | (3,182) | 5,500 | 1,985 |
| Income tax and social contribution on net income | | (11,565) | | 7,485 |

| | 12/31/2010 | | 12/31/2009 | |
|---|---|---|---|---|
| **Consolidated:** | **Income tax** | **Social contribution** | **Income tax** | **Social contribution** |
| Profit before taxation | 72,520 | 72,520 | 17,998 | 17,998 |
| Standard rates of tax - % | 25% | 9% | 25% | 9% |
| | (18,130) | (6,527) | (4,500) | (1,620) |
| Reconciliation to the effective rate: | | | | |
| Permanent differences | | | | |
| Tax incentives - non-taxable ICMS | 887 | 319 | 1,288 | 464 |
| Interest on capital | 4,890 | 1,760 | 4,583 | 1,651 |
| Tax benefits - REFIS installment program - Law 11941 | | | 4,490 | 1,617 |
| Adjustments arising from the option for the Transitional Tax System (RTT) | (375) | (135) | | |
| Deferred income tax and social contribution, not recorded | 185 | 67 | (172) | (62) |
| Write-off of deferred taxes in subsidiary | (2,410) | (867) | (1,118) | (348) |
| Other permanent differences | 22 | 8 | (773) | (278) |
| Workers' Meal Program (PAT) | 1,634 | | 236 | |
| Income tax and social contribution on net income | (13,297) | (5,375) | 4,034 | 1,424 |
| Income tax and social contribution on net income | | (18,672) | | 5,458 |

**All amounts in thousands of reais, unless otherwise indicated**

## 23 INVESTMENT SUBSIDIES

UBV has enrolled in a state tax incentive program in the State of Goiás, 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 under "Gross sales deductions", as a reduction of the account "ICMS payable". As it is not possible to distribute these amounts as dividends, a “Reserve for Tax Incentives” in the amount of the investment grant is recorded, as an appropriation from retained earnings.

The incentive amounts credited to operations for the quarters ended December 31, 2010 and 2009 were R$ 3,551 and R$ 5,154, respectively.

## 24 PROVISION FOR CONTINGENCIES

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

| | | | | | | Parent company |
|---|---|---|---|---|---|---|
| | 9/30/2010 | Merged balance USM | Additions | Utilizations/ reversals | Monetary restatement | 12/31/2010 |
| Tax | 3,073 | 651 | 10 | (65) | 70 | 3,739 |
| Civil | 4,350 | 1,321 | | (31) | 120 | 5,760 |
| Labor | 6,067 | 43,774 | 462 | (3,644) | 622 | 47,281 |
| | 13,490 | 45,746 | 472 | (3,740) | 812 | 56,780 |
| (-) Judicial deposits | (5,466) | (25,205) | (188) | 1,484 | (139) | (29,514) |
| | 8,024 | 20,541 | 284 | (2,256) | 673 | 27,266 |

| | | | | | | Consolidated |
|---|---|---|---|---|---|---|
| | 9/30/2010 | Decrease in holding in NF | Additions | Utilizations/ reversals | Monetary restatement | 12/31/2010 |
| Tax | 5,080 | (35) | 10 | (612) | 169 | 4,612 |
| Civil | 6,931 | (16) | | (582) | 215 | 6,548 |
| Labor | 55,236 | (318) | 1,234 | (7,174) | 1,456 | 50,434 |
| | 67,247 | (369) | 1,244 | (8,368) | 1,840 | 61,594 |
| (-) Judicial deposits | (32,298) | 58 | (857) | 2,199 | (339) | (31,237) |
| | 34,949 | (311) | 387 | (6,169) | 1,501 | 30,357 |

The nature of the main lawsuits included in the above provisions at December 31, 2010 was as follows (Parent company and Consolidated):

All amounts in thousands of reais, unless otherwise indicated

**I) Tax lawsuits:**

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

**II) Civil 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 a legal reserve; and (iii) environmental lawsuits.

**III) Labor lawsuits:**

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

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

**IV) Tax lawsuits:**

| Consolidated | | | | Stage | | | |
|---|---|---|---|---|---|---|---|
| Subject | | Number of lawsuits | Administrative | Trial court | Lower court | Higher court | Total |
| (i) | Social security contributions | 24 | 99,689 | 12,114 | | | 111,803 |
| (ii) | Calculation of IRPJ / CSLL | 2 | 47,335 | | | | 47,335 |
| (iii) | Negative balance of IRPJ | 4 | 3,884 | 90 | 209 | 1,425 | 5,608 |
| (iv) | Offset of credits - PIS | 2 | 3,564 | | 1,653 | | 5,217 |
| (v) | Offset of federal taxes | 3 | 1,241 | | 1,390 | | 2,631 |
| (vi) | Other tax cases | 46 | 10,224 | 585 | 1,549 | | 12,358 |
| | | 81 | 165,937 | 12,789 | 4,801 | 1,425 | 184,952 |

In addition, in accordance with the terms negotiated for the withdrawal from Copersucar, the Company, USM and USL remain liable for the payment of any obligations, proportionate to their interest in Copersucar in previous harvests, which result from tax assessments that may arise and that relate to periods in which the Company and its subsidiaries were cooperative members. The State Finance authorities have issued tax assessments against Copersucar with respect to Value-added Tax on Sales and Services (ICMS) on fuel and industrial alcohol sales made by Copersucar up to December 31, 2008, as principal taxpayer or substitute taxpayer of the distribution companies. The adjusted amount, calculated proportionately to the interest of the Company and its subsidiaries in the Cooperative, amounts to R$ 43,101. Legal counsel assesses the outcome in these lawsuits as a possible loss.

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

**All amounts in thousands of reais, unless otherwise indicated**

### V) Civil and environmental lawsuits:

| Consolidated | | | Stage | | | |
|---|---|---|---|---|---|---|
| **Subject** | **Number of lawsuits** | **Administrative** | **Trial court** | **Lower court** | **Higher court** | **Total** |
| Environmental | 84 | 1,548 | 5,216 | 4,696 | 4,336 | 15,796 |
| Civil | | | | | | |
| Indemnities | 32 | | 3,092 | 206 | 24 | 3,322 |
| Review of contracts | 11 | | | 23 | | 23 |
| Rectification of area and land registration | 3 | | 8 | | | 8 |
| Permits for obtaining research license | 6 | | 8 | | | 8 |
| Regulatory | 1 | 62 | | | | 62 |
| | 137 | 1,610 | 8,324 | 4,925 | 4,360 | 19,219 |

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

## 25 FINANCIAL INSTRUMENTS

### 25.1 General considerations of risk management

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

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

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

### 25.2 Derivative financial instruments

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

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

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

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

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

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

**All amounts in thousands of reais, unless otherwise indicated**

The balances of assets and liabilities at December 31 and September 30, 2010, relating to transactions involving derivative financial instruments, were as follows:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2010 | 9/30/2010 | 12/31/2010 | 9/30/2010 |
| Margin deposits | 9,022 | 5,301 | 9,022 | 5,601 |
| Potential results - futures - sugar | (8,717) | (1,422) | (8,717) | (1,422) |
| Potential results - futures - ethanol | (82) | | (82) | 3 |
| Potential results - options - sugar | (9,962) | (1,467) | (9,962) | (2,903) |
| Potential results - forward contracts - foreign exchange | 4,181 | 7,314 | 4,181 | 14,914 |
| Potential results - forward contracts - sugar | (45,831) | (598) | (45,831) | (3,459) |
| Potential results - swap contracts | | | | (8,938) |
| | (51,389) | 9,128 | (51,389) | 3,796 |
| Assets - current assets | | 10,934 | | 16,562 |
| Liabilities - current liabilities | (51,389) | (1,806) | (51,389) | (12,766) |
| | (51,389) | 9,128 | (51,389) | 3,796 |

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

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

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

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

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

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

### 25.2.1 Statement of fair value of the derivative financial instruments

At December 31 and September 30, 2010, the composition of the fair value of the assets and liabilities related to transactions involving derivative financial instruments can be presented as follows:

All amounts in thousands of reais, unless otherwise indicated

## (a) Futures and options contracts:

| | 12/31/2010 | | | | | 9/30/2010 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Parent company** | **Volume (Metric ton/m³)** | **Average fixed rate** | **Notional amount - R$** | **Fair value - R$** | **Payable/ receivable - R$** | **Volume (Metric ton/m³)** | **Average fixed rate** | **Notional amount - R$** | **Fair value - R$** | **Payable/ receivable - R$** |
| **Products - Sugar # 11** | | | | | | | | | | |
| **Futures Contracts** | | | | | | | | | | |
| *Sales commitment* | 99,060 | 23.69 | 86,204 | (14,954) | (14,954) | 17,272 | 19.59 | 12,639 | (1,691) | (1,691) |
| *Purchase commitment* | 75,743 | 26.30 | 73,178 | 6,237 | 6,237 | 9,652 | 21.80 | 7,859 | 269 | 269 |
| | | | | | **(8,717)** | | | | | **(1,422)** |
| **Options *contracts*** | | | | | | | | | | |
| *Purchased position - sale* | 59,538 | 22.63 | 49,504 | 3,269 | 3,269 | 5,080 | 20.38 | 3,866 | 340 | 340 |
| *Purchased position - purchase* | 24,384 | 29.46 | 26,388 | 2,921 | 2,921 | | | | | |
| *Purchased position - purchase* | 6,350 | 14.75 | 3,441 | (2) | (2) | | | | | |
| *Written position - purchase* | 91,542 | 27.01 | 90,841 | (16,150) | (16,150) | 12,700 | 20.65 | 9,795 | (1,807) | (1,807) |
| | | | | | **(9,962)** | | | | | **(1,467)** |
| **Products - ETH BMF** | | | | | | | | | | |
| **Futures Contracts** | | | | | | | | | | |
| *Sales commitment* | 17,520 | 1,116.48 | 652 | (82) | **(82)** | | | | | |
| | | | | | **(82)** | | | | | |

| | 12/31/2010 | | | | | 9/30/2010 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Consolidated** | **Volume (Metric ton/m³)** | **Average fixed rate** | **Notional amount - R$** | **Fair value - R$** | **Payable/ receivable - R$** | **Volume (Metric ton/m³)** | **Average fixed rate** | **Notional amount - R$** | **Fair value - R$** | **Payable/ receivable - R$** |
| **Products - Sugar # 11** | | | | | | | | | | |
| **Futures Contracts** | | | | | | | | | | |
| *Sales commitment* | 99,060 | 23.69 | 86,204 | (14,954) | (14,954) | 17,272 | 19.59 | 12,639 | (1,691) | (1,691) |
| *Purchase commitment* | 75,743 | 26.30 | 73,178 | 6,237 | 6,237 | 9,652 | 21.80 | 7,859 | 269 | 269 |
| | | | | | **(8,717)** | | | | | **(1,422)** |
| **Options *contracts*** | | | | | | | | | | |
| *Purchased position - sale* | 59,538 | 22.63 | 49,504 | 3,269 | 3,269 | 21,590 | 20.09 | 16,200 | 926 | 926 |
| *Purchased position - purchase* | 24,384 | 29.46 | 26,388 | 2,921 | 2,921 | | | | | |
| *Written position - sale* | 6,350 | 14.75 | 3,441 | (2) | (2) | 6,350 | 14.75 | 3,499 | (24) | (24) |
| *Written position - purchase* | 91,542 | 27.01 | 90,841 | (16,150) | (16,150) | 29,210 | 21.41 | 23,362 | (3,805) | (3,805) |
| | | | | | **(9,962)** | | | | | **(2,903)** |
| **Products - ETH BMF** | | | | | | | | | | |
| **Futures Contracts** | | | | | | | | | | |
| *Sales commitment* | 17,520 | 1,116.48 | 652 | (82) | **(82)** | 2,820 | 1,022.99 | 96 | 3 | **3** |
| | | | | | **(82)** | | | | | **3** |

All amounts in thousands of reais, unless otherwise indicated

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.

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

| | | | | | Parent Company - | 12/31/2010 |
|---|---|---|---|---|---|---|
| Maturity | Position | US$ thousand | Average fixed rate - R$/US$ 1 | Notional amount - R$ | Fair value - R$ | Receivable - R$ |
| Jan-11 | Sold | 6,545 | 1.9563 | 12,805 | 1,898 | 1,898 |
| Mar-11 | Sold | 2,575 | 1.8861 | 4,857 | 509 | 509 |
| Apr-11 | Sold | 2,575 | 1.8992 | 4,890 | 507 | 507 |
| Jul-11 | Sold | 5,000 | 1.8264 | 9,133 | 433 | 433 |
| Oct-11 | Sold | 7,000 | 1.8674 | 13,072 | 587 | 587 |
| Dec-11 | Sold | 3,000 | 1.8929 | 5,679 | 247 | 247 |
| | | 26,695 | | | | 4,181 |

| | | | | | Consolidated - | 12/31/2010 |
|---|---|---|---|---|---|---|
| Maturity | Position | US$ thousand | Average fixed rate - R$/US$ 1 | Notional amount - R$ | Fair value - R$ | Receivable - R$ |
| Jan-11 | Sold | 6,545 | 1.9563 | 12,805 | 1,898 | 1,898 |
| Mar-11 | Sold | 2,575 | 1.8861 | 4,857 | 509 | 509 |
| Apr-11 | Sold | 2,575 | 1.8992 | 4,890 | 507 | 507 |
| Jul-11 | Sold | 5,000 | 1.8264 | 9,133 | 433 | 433 |
| Oct-11 | Sold | 7,000 | 1.8674 | 13,072 | 587 | 587 |
| Dec-11 | Sold | 3,000 | 1.8929 | 5,679 | 247 | 247 |
| | | 26,695 | | | | 4,181 |

| | | | | | Parent Company - | 9/30/2010 |
|---|---|---|---|---|---|---|
| Maturity | Position | US$ thousand | Average fixed rate - R$/US$ 1 | Notional amount - R$ | Fair value - R$ | Receivable - R$ |
| Oct-10 | Sold | 9,925 | 1.8582 | 18,443 | 1,628 | 1,628 |
| Nov-10 | Sold | 21,575 | 1.8679 | 40,302 | 3,547 | 3,547 |
| Jan-11 | Sold | 6,545 | 1.9563 | 12,805 | 1,468 | 1,468 |
| Mar-11 | Sold | 2,575 | 1.8861 | 4,857 | 336 | 336 |
| Apr-11 | Sold | 2,575 | 1.8992 | 4,890 | 335 | 335 |
| | | 43,195 | | | | 7,314 |

All amounts in thousands of reais, unless otherwise indicated

| | | | | | | Consolidated - 9/30/2010 |
|---|---|---|---|---|---|---|
| Maturity | Position | US$ thousand | Average fixed rate - R$/US$ 1 | Notional amount - R$ | Fair value - R$ | Receivable - R$ |
| Oct-10 | Sold | 15,025 | 1.8712 | 28,116 | 2,660 | 2,660 |
| Nov-10 | Sold | 36,914 | 1.8811 | 69,440 | 6,550 | 6,550 |
| Dec-10 | Sold | 2,240 | 1.9310 | 4,325 | 480 | 480 |
| Jan-11 | Sold | 24,786 | 1.9147 | 47,459 | 4,553 | 4,553 |
| Mar-11 | Sold | 2,575 | 1.8861 | 4,857 | 336 | 336 |
| Apr-11 | Sold | 2,575 | 1.8992 | 4,890 | 335 | 335 |
| | | 84,115 | | | | 14,914 |

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

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

| | | | | | | Parent Company - 12/31/2010 |
|---|---|---|---|---|---|---|
| Maturity | Position | Lots | Average fixed rate - ¢/lb | Notional amount - R$ | Fair value - R$ | Payable - R$ |
| Mar-11 | Sold | 908 | 23.08 | 34,924 | (15,104) | (15,104) |
| May-11 | Sold | 872 | 22.80 | 33,127 | (10,426) | (10,426) |
| Jul-11 | Sold | 1,508 | 20.63 | 51,842 | (15,334) | (15,334) |
| Oct-11 | Sold | 625 | 20.10 | 20,935 | (4,941) | (4,941) |
| Mar-12 | Sold | 10 | 22.29 | 371 | (26) | (26) |
| | | 3,923 | | | | (45,831) |

| | | | | | | Consolidated - 12/31/2010 |
|---|---|---|---|---|---|---|
| Maturity | Position | Lots | Average fixed rate - ¢/lb | Notional amount - R$ | Fair value - R$ | Payable - R$ |
| Mar-11 | Sold | 908 | 23.08 | 34,924 | (15,104) | (15,104) |
| May-11 | Sold | 872 | 22.80 | 33,127 | (10,426) | (10,426) |
| Jul-11 | Sold | 1,508 | 20.63 | 51,842 | (15,334) | (15,334) |
| Oct-11 | Sold | 625 | 20.10 | 20,935 | (4,941) | (4,941) |
| Mar-12 | Sold | 10 | 22.29 | 371 | (26) | (26) |
| | | 3,923 | | | | (45,831) |

All amounts in thousands of reais, unless otherwise indicated

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

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

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

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

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

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

| Consolidated | | | | | | | Maturity by month - R$ |
|---|---|---|---|---|---|---|---|
| | Feb-11 | Mar-11 | May-11 | Jul-11 | Oct-11 | Mar-12 | Total |
| **PRODUCTS** | | | | | | | |
| **Derivatives designated as hedge** | | | | | | | |
| Fair value of futures purchased - sugar | | 3,594 | 385 | 1,245 | 1,013 | | 6,237 |
| Fair value of futures sold - sugar | | (5,635) | (3,964) | (2,501) | (2,627) | (227) | (14,954) |
| Fair value of NDFs sold | | (15,104) | (10,426) | (15,334) | (4,941) | (26) | (45,831) |
| | | (17,145) | (14,005) | (16,590) | (6,555) | (253) | (54,548) |
| **Derivatives not designated as hedge** | | | | | | | |
| **Options** | | | | | | | |
| Fair value of purchased position - sale | | 180 | 772 | 1,214 | 1,103 | | 3,269 |
| Fair value of purchased position - purchas | 918 | 137 | 1,542 | 324 | | | 2,921 |
| Fair value of written position - sale | | (2) | | | | | (2) |
| Fair value of written position - purchase | (529) | (7,490) | (2,895) | (3,186) | (2,050) | | (16,150) |
| | 389 | (7,175) | (581) | (1,648) | (947) | | (9,962) |
| **TOTAL** | 389 | (24,320) | (14,586) | (18,238) | (7,502) | (253) | (64,510) |

**All amounts in thousands of reais, unless otherwise indicated**

| Consolidated | Maturity by period - R$ | | | | |
|---|---|---|---|---|---|
| | 4Q10 | 1Q12 | 2Q11 | 3Q11 | Total |
| **PRODUCTS** | | | | | |
| **Derivatives designated as hedge** | | | | | |
| Fair value of futures sold - ethanol | (72) | (10) | | | (82) |
| **FOREIGN CURRENCY** | | | | | |
| **Derivatives designated as hedge** | | | | | |
| Fair value of NDFs sold | 2,407 | 507 | 433 | 834 | 4,181 |
| **TOTAL** | 2,335 | 497 | 433 | 834 | 4,099 |

The results of transactions involving derivative financial instruments that affected the results in the quarters ended December 31 and September 30, 2010 were as follows:

| | 12/31/2010 | | 12/31/2009 | |
|---|---|---|---|---|
| **Contracts linked to products:** | Parent company | Consolidated | Parent company | Consolidated |
| Futures contracts | 720 | (7,480) | (2,147) | (3,395) |
| Options | (5,787) | (4,888) | 448 | 886 |
| Forward contracts | | | (14,090) | (25,055) |
| Commissions and brokerage fees | (76) | (124) | (52) | (82) |
| Exchange variation | (236) | (219) | (34) | (80) |
| | (5,379) | (12,711) | (15,875) | (27,726) |
| **Contracts linked to currency:** | | | | |
| Forward contracts | 6,532 | 15,718 | 1,671 | 3,915 |
| **Contracts linked to debt:** | | | | |
| Swap - U.S. dollar x CDI | | (664) | | |
| **Net effect** | 1,153 | 2,343 | (14,204) | (23,811) |
| **Effect on the statement of income captions:** | | | | |
| Gross revenue | 7,330 | 8,316 | | |
| Financial income | 2,781 | 3,485 | 5,987 | 11,094 |
| Financial expenses | (8,721) | (9,240) | (20,157) | (34,825) |
| Foreign exchange variations, net | (237) | (218) | (34) | (80) |
| | 1,153 | 2,343 | (14,204) | (23,811) |

## 25.3 Measurement of fair value

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

All amounts in thousands of reais, unless otherwise indicated

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

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

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

## 25.4 Margin deposits given in guarantee

In order to comply with the guarantees required by derivative exchanges for certain derivative transactions, the Company and its subsidiaries maintained at December 31 and September 30, 2010 the following amounts as guarantees for derivative transactions.

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| **Brokers** | **12/31/2010** | **9/30/2010** | **12/31/2010** | **9/30/2010** |
| Natixis | 4,893 | 5,297 | 4,893 | 5,297 |
| New Edge | 3,018 | | 3,018 | 226 |
| ICAP | 403 | | 403 | 67 |
| Prudential | 708 | 4 | 708 | 11 |
| | 9,022 | 5,301 | 9,022 | 5,601 |

## 25.5 Future price risk

At December 31, 2010, the prices of 54,880 metric tons of sugar were hedged by sales contracts for future delivery scheduled for the period between January and October 2011, priced at an average of 21.54 ¢/lb (cents per pound weight) with the New York - Intercontinental Exchange (ICE Futures US).

## 25.6 Exposure to credit risk

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

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

All amounts in thousands of reais, unless otherwise indicated

At December 31 and September 30, 2010, the Company's credit risk on derivative financial instruments was as follows:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| Counterparty | 12/31/2010 | 9/30/2010 | 12/31/2010 | 9/30/2010 |
| ICE Futures US | (9,657) | 2,412 | (9,657) | 1,279 |
| BMF Bovespa | (82) | | (82) | |
| Itaú BBA | (5,834) | (119) | (5,834) | 86 |
| Rabobank | (6,465) | 528 | (6,465) | (6,288) |
| Citibank | (4,768) | 2,417 | (4,768) | 5,921 |
| HSBC Bank Brasil | 425 | 1,811 | 425 | 1,763 |
| Bradesco | 1,860 | 2,079 | 1,860 | 2,079 |
| Macquarie | (26,439) | | (26,439) | (1,044) |
| BTG Pactual | (429) | | (429) | |
| | (51,389) | 9,128 | (51,389) | 3,796 |

## 25.7 Advances on Foreign Exchange Contracts

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

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

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

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

At December 31, 2010, the expectation of the impact on the future statements of income, by the effective exchange variations of ACCs recognized in stockholders' equity, was:

| Consolidated | Maturity by period - R$ | | |
|---|---|---|---|
| | 4Q11 | 1Q12 | Total |
| **Other financial instruments designated for hedge** | | | |
| **ACC** - Effective foreign exchange variation | 4,678 | 272 | 4,950 |
| **TOTAL** | 4,678 | 272 | 4,950 |

All amounts in thousands of reais, unless otherwise indicated

## 25.8 Financial investments

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

## 25.9 Assets and liabilities subject to foreign exchange variations

The table below summarizes foreign currency-denominated assets and liabilities (in U.S. dollars - US$), recorded in the consolidated balance sheet at December 31, 2010:

| **Current assets** | **R$** | **Thousands of US$ equivalents** |
|---|---|---|
| Cash and banks | 40,314 | 24,207 |
| Trade accounts receivable | 28,631 | 17,192 |
| Total assets | 68,945 | 41,399 |
| **Liabilities** | | |
| Current: | | |
| Loans and financing | (98,577) | (59,163) |
| Derivative financial instruments | (51,710) | (31,035) |
| Other liabilities | (3,168) | (1,901) |
| Non-current: | | |
| Loans and financing | (292,103) | (175,311) |
| Other liabilities | (9,155) | (5,495) |
| Total liabilities | (454,713) | (272,905) |
| Net exposure - liabilities | (385,768) | (231,506) |

These assets and liabilities were adjusted and recorded in the financial statements at December 31, 2010 at the exchange rate in effect on that date, of R$ 1.6654 per US$ 1.00 for assets and R$ 1.6662 per US$ 1.00 for liabilities.

The balance of short-term loans and financing, totaling US$ 58,615 thousand, refers basically to Advances on Foreign Exchange Contracts (ACC), maturing from January to April 2011, which are linked to product exports. The balance of long-term loans and financing, of US$ 170,507 thousand, refers to U.S. dollar-denominated export prepayment loans, raised by USM with international financial institutions, maturing in five (5) years.

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

**All amounts in thousands of reais, unless otherwise indicated**

### 25.10 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 December 31, 2010, considered by management as the major risk to which the Company is exposed. This analysis considers management expectations with respect to the future scenario projected. For this reason, this analysis has not been reviewed by the independent auditors.

| Parent Company: | | Probable scenario | | Possible scenarios | |
|---|---|---|---|---|---|
| Transaction | Risk | Average rate/ price | Effect on the statement of income and cash flows | Deterioration 25% | Deterioration 50% |
| Cash and banks | US$ devaluation | $1.76 | 2,180 | (8,041) | (18,262) |
| Trade accounts receivable | US$ devaluation | $1.76 | 1,531 | (5,645) | (12,821) |
| Short and long-term loans and financing | US$ appreciation | $1.89 | (43,442) | (140,230) | (237,019) |
| Forward contracts - foreign currency - NDF | US$ appreciation | $1.76 | 3,449 | (8,297) | (20,043) |
| Accounts payable | US$ appreciation | R$ 1.84 | (1,271) | (4,640) | (8,010) |
| Forward contracts - sugar - NDF | Increase in the commodity price | 28.84 ¢/lb | (6,136) | (58,919) | (111,702) |
| Futures market - sale - ethanol | Increase in the ethanol price | 1,154.56 R$/m³ | (29) | (5,086) | (10,143) |
| Futures market - purchase - sugar | Decrease in the commodity price | 26.30 ¢/lb | 3,662 | (7,213) | (24,858) |
| Futures market - sale - sugar | Increase in the commodity price | 23.69 ¢/lb | (2,864) | (28,894) | (54,925) |
| "Call" sale - sugar | Increase in the commodity price | 27.01 ¢/lb | 437 | (3,491) | (7,419) |
| "Call" purchase - sugar | Decrease in the commodity price | 29.46 ¢/lb | (426) | (1,050) | (1,674) |
| "Put" purchase - sugar | Decrease in the commodity price | 22.63 ¢/lb | (1,185) | (1,706) | (2,227) |

All amounts in thousands of reais, unless otherwise indicated

| 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 | R$ 1.76 | 2,271 | (8,375) | (19,021) |
| Trade accounts receivable | US$ devaluation | R$ 1.76 | 1,613 | (5,948) | (13,509) |
| Short and long-term loans and financing | US$ appreciation | R$ 1.89 | (51,409) | (161,931) | (272,454) |
| Accounts payable | US$ appreciation | R$ 1.84 | (1,271) | (4,640) | (8,010) |
| Forward contracts - foreign currency - NDF | US$ appreciation | R$ 1.76 | 3,449 | (8,297) | (20,043) |
| Forward contracts - sugar - NDF | Increase in the commodity price | 28.84 ¢/lb | (6,136) | (58,919) | (111,702) |
| Futures market - sale - ethanol | Increase in the commodity price | 1,154.56 R$/m³ | (29) | (5,086) | (10,143) |
| Futures market - purchase - sugar | Decrease in the commodity price | 26.30 ¢/lb | 3,662 | (7,213) | (24,858) |
| Futures market - sale - sugar | Increase in the commodity price | 23.69 ¢/lb | (2,864) | (28,894) | (54,925) |
| "Call" sale - sugar | Increase in the commodity price | 27.01¢/lb | 437 | (3,491) | (7,419) |
| "Call" purchase - sugar | Decrease in the commodity price | 29.46 ¢/lb | (426) | (1,050) | (1,674) |
| "Put" purchase - sugar | Decrease in the commodity price | 22.63 ¢/lb | (1,185) | (1,706) | (2,227) |

## 26 OTHER INCOME (EXPENSES), NET

In the quarter ended December 31, 2010, the caption “Other income (expenses), net" mainly comprised other net operating income amounting to R$ 2,370 (R$ 4,039 - consolidated), gain arising from the capital increase of R$ 3,114 effected in NF, parent company and consolidated, expenses with commissions on financial intermediation of R$ 2,395 (R$ 10,313 - consolidated), and other operating expenses in the amount of R$ 1,954 (R$ 3,649 - consolidated).

In the quarter ended December 31, 2009, the caption “Other income (expenses), net" mainly comprised the effects of the enrollment in the Tax Recovery Program (REFIS) approved by Law 11941/09, which reduces interest, fines and legal charges. The impact on the Company's results was negative, amounting to R$ 7,161, and in the consolidated it was positive, in the amount of R$ 1,856.

All amounts in thousands of reais, unless otherwise indicated

## 27 FINANCIAL INCOME (EXPENSES)

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| **Financial income** | **12/31/2010** | **12/31/2009** | **12/31/2010** | **12/31/2009** |
| Interest income | 2,969 | 138 | 7,071 | 737 |
| Gains on derivatives | 2,781 | 5,987 | 3,485 | 11,094 |
| Other income | 79 | 21 | 473 | 280 |
| | 5,829 | 6,146 | 11,029 | 12,111 |
| **Financial expenses** | | | | |
| Interest expense | (5,326) | (3,698) | (16,271) | (16,292) |
| Losses on derivatives | (8,721) | (20,157) | (9,240) | (34,825) |
| Other expenses | (175) | (545) | (509) | (2,208) |
| | (14,222) | (24,400) | (26,020) | (53,325) |
| **Monetary and foreign exchange variations** | | | | |
| Gains | 12,165 | 2,281 | 16,142 | 16,057 |
| Losses | (5,405) | (2,247) | (12,562) | (9,579) |
| | 6,760 | 34 | 3,580 | 6,478 |
| Net financial result | (1,633) | (18,220) | (11,411) | (34,736) |

## 28 SUBSEQUENT EVENT

On January 18, 2011, the Company announced the second phase of the agreement for providing storage logistics services with Rumo Logística S.A. (“Rumo”), a company specialized in the logistics of sugar and grains, which is an indirect subsidiary of Cosan S.A. Indústria e Comércio.

The agreement will be effective as from the 2011/2012 crop and will mature in the 2019/2020 crop, and may be renewed between the parties. The agreement will provide to the Company and Rumo the rendering of services of transshipment and storage of sugar to third parties in the terminal, as well as the transportation by Rumo of up to 650,000 metric tons of sugar to the Company, in addition to the volume from third parties.

In accordance with the agreement, the Company will invest in 2011 some R$ 30,000 in the construction of a sugar warehouse and the modernization of the access channel to the USM unit.

* * *

São Martinho

# 3Q11

Results

2010/2011 Harvest Year

**3Q11 Earnings Conference Call**

**Portuguese**
February 15, 2011
2:00 p.m. (Brasília)
11:00 a.m. (US EST)
Dial-in:
+55 (11) 2188-0155
Code: São Martinho
Replay: +55 (11) 2188-0155
Webcast with Slides:
www.saomartinho.ind.br/ri

**English**
February 15, 2011
4:00 p.m. (Brasília)
1:00 p.m. (US EST)
Dial-in:
+1 (412) 317-6776
Code: São Martinho
Replay: +1 (412) 317-0088
Code: 447797#
Webcast with Slides:
www.saomartinho.ind.br/ir


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**Aline Reigada**

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IR Website: www.saomartinho.ind.br/ir


# SÃO MARTINHO'S NET INCOME GROWS 132.7% IN 3Q11 TO R$ 53.8 MILLION

São Paulo, February 14, 2011 – SÃO MARTINHO S.A. (BM&FBovespa: SMTO3; Reuters SMTO3.SA and Bloomberg SMTO3 BZ), one of the largest sugar and ethanol producers in Brazil, announces today its results for the third quarter of 2011 (3Q11) relative to the 2010/11 harvest year.

## HIGHLIGHTS

- The São Martinho Group recorded Adjusted EBITDA of **R$165.8 million in 3Q11 (adjusted EBITDA margin of 42.5%)**, representing a 35.1% increase from 3Q10. In 9M11, adjusted EBITDA increased **69.0% to R$411.4 million (adjusted EBITDA margin of 40.6%),** in relation with 9M10. The main drivers of EBITDA growth in 3Q11 were the higher sugar and ethanol prices and the 19.5% increase in sugar sales volume.

- As a result of the growth in EBITDA, **net income grew 132.7% in 3Q11** from 3Q10. In 9M11, net income was **R$123.4 million, up 70.7%** on 9M10.

- As a result of the strong cash generation in the last 12 months and the conclusion of the capital injection of Petrobrás Biocombustível S.A. at Nova Fronteira Bioenergia S.A., net debt totaled **R$578.9 million in December 2010, down 39.3% from December 2009**. After the second tranche of the injection by Petrobrás Biocombustível S.A. (totaling 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 December 31, 2010, we had sugar positions fixed for the **2011/12 harvest year totaling 295,600 metric tons** at a price of **USD 22.45 cents/pound**. This volume corresponds to **approximately 34% of our sugar production capacity** for the coming harvest year. In addition, on the same date, approximately 60% of our sugar inventory from 3Q11 was fixed at a price of USD 23.08 cents/pound, which will be exported in the following months.



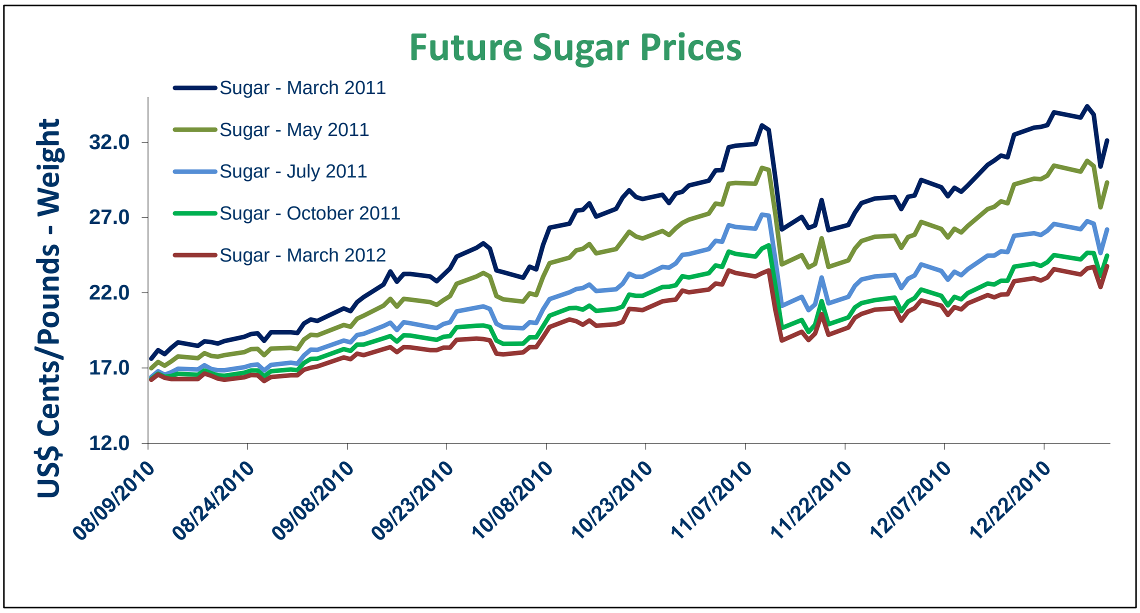
SMTO3 NOVO MERCADO BM&FBOVESPA

## FINANCIAL HIGHLIGHTS

| FINANCIAL HIGHLIGHTS (R$ Thousand) | 3Q11 | 3Q10 | Chg. (%) | 9M11 | 9M10 | Chg. (%) |
|---|---|---|---|---|---|---|
| São Martinho - Consolidated | | | | | | |
| Gross Revenue | 417,645 | 353,399 | 18.2% | 1,079,163 | 902,816 | 19.5% |
| Net Revenue | 390,285 | 324,157 | 20.4% | 1,014,488 | 827,909 | 22.5% |
| Adjusted EBITDA | 165,838 | 122,787 | 35.1% | 411,413 | 243,484 | 69.0% |
| EBITDA Margin | 42.5% | 37.9% | 4.6 p.p. | 40.6% | 29.4% | 11.1 p.p. |
| Consolidated Balance Sheet Indicators | | | | | | |
| Total Assets | 3,285,080 | 3,416,373 | -3.8% | 3,285,080 | 3,416,373 | -3.8% |
| Shareholders' Equity | 1,699,951 | 1,629,165 | 4.3% | 1,699,951 | 1,629,165 | 4.3% |
| EBITDA (LTM) | 531,623 | 320,507 | 65.9% | 531,623 | 320,507 | 65.9% |
| Net Debt | 578,864 | 953,006 | -39.3% | 578,864 | 953,006 | -39.3% |
| Net Debt / EBITDA (LTM) | 1.09 x | 2.97 x | | 1.09 x | 2.97 x | |
| Net Debt / Shareholders' Equity | 34% | 58% | | 34% | 58% | |

| OPERATING DATA | 9M11 | 9M10 | 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) | 218 | 231 | -5.4% |
| Energy ('000 MWh) | 163 | 159 | 2.7% |

## INDUSTRY OVERVIEW - SUGAR




In 3Q11, international sugar prices once again set new record highs, reaching USD 32 cents/pound for prices maturing in March 2011. The strong rally in sugar prices is due to the combination of the limited expansion in sugar supply and the continued growth in sugar demand of approximately 3 million metric tons/year.

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

The indian harvest, which is slated to end in March 2011, has been affected by weather problems in the Uttar Pradesh region, which led mills to operate at between 70% and 80% of their crushing capacity. According to analysts' best estimates, the indian harvest should reach 25 million metric tons, which is very close to the country's level of consumption.

In Brazil, sugar production in the 2011/12 harvest year should register low growth, with crushing volume very similar to the level in the previous harvest year. The key factors impacting the increase in sugar production in Brazil are: 1) the production mix is already focused on maximizing sugar production; 2) an increase in the sugarcane field renewal rate, resulting in a smaller area for harvest and; 3) the impact of the severe drought on the 2010/11 harvest year should adversely affect yields in the 2011/12 harvest year.

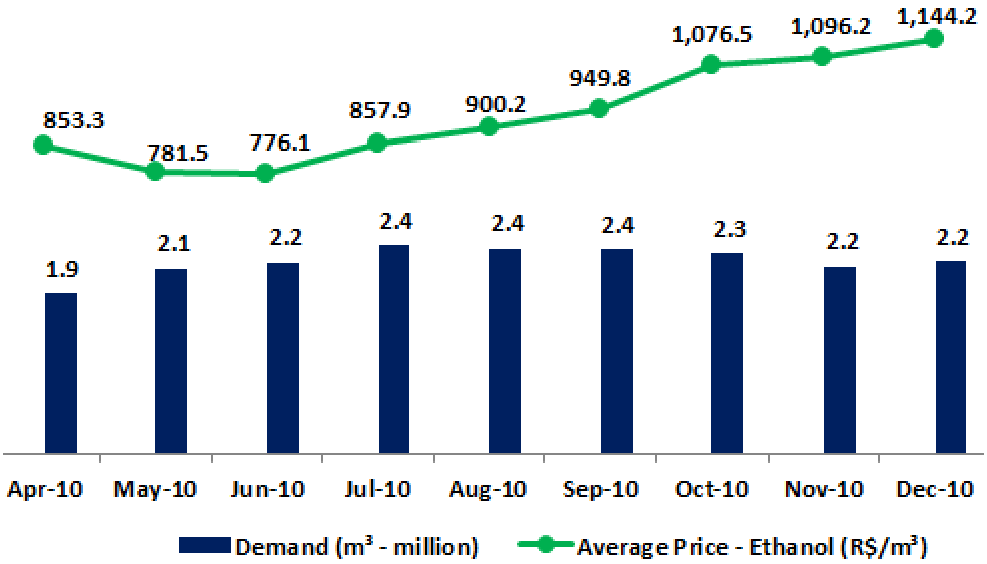
# INDUSTRY OVERVIEW - ETHANOL

| AVERAGE PRICES - ETHANOL | 3Q11 | 3Q10 | Chg. (%) | 9M11 | 9M10 | Chg. (%) |
|---|---|---|---|---|---|---|
| Market Prices | | | | | | |
| Anhydrous ESALQ, Net DM R$ / $m^3$ | 1,190.93 | 1,107.49 | 7.5% | 1,011.53 | 886.18 | 14.1% |
| Hydrous ESALQ, Net DM - R$ / $m^3$ | 1,021.71 | 966.66 | 5.7% | 872.21 | 775.54 | 12.5% |

Ethanol prices maintained their upward trend in 3Q11, with anhydrous and hydrous ethanol prices increasing by 7.5% and 5.7%, respectively, in comparison with the same quarter last year. In 9M11, anhydrous and hydrous ethanol prices increased by 14.1% and 12.5%, respectively.

The recovery in ethanol prices was driven by the continuous growth in ethanol demand in the domestic market, reflecting the sales of flex-fuel vehicles. Brazil's fleet of flex-fuel vehicles has grown from approximately 1.3 million in 2005 to some 13 million vehicles today, for an average annual growth rate of 58.4%. Note that despite this strong growth, the flex-fuel fleet in Brazil represents only 50% of the overall vehicle fleet. Considering that 85% of new cars sold are flex-fuel, we expect potential ethanol demand to continue growing in the coming years.

Assuming that 70% of the fleet with the potential for hydrous ethanol consumption will use the fuel in 2011, we estimate potential consumption of approximately 30 billion liters for 2011, reinforcing the trend of supply and demand remaining well balanced in the coming harvest year. As shown below, despite the higher ethanol prices, demand should remain solid during all months of the 2010/11 harvest year. We expect this trend to remain in place in the coming season, though with a lower variation from month to month in ethanol prices.



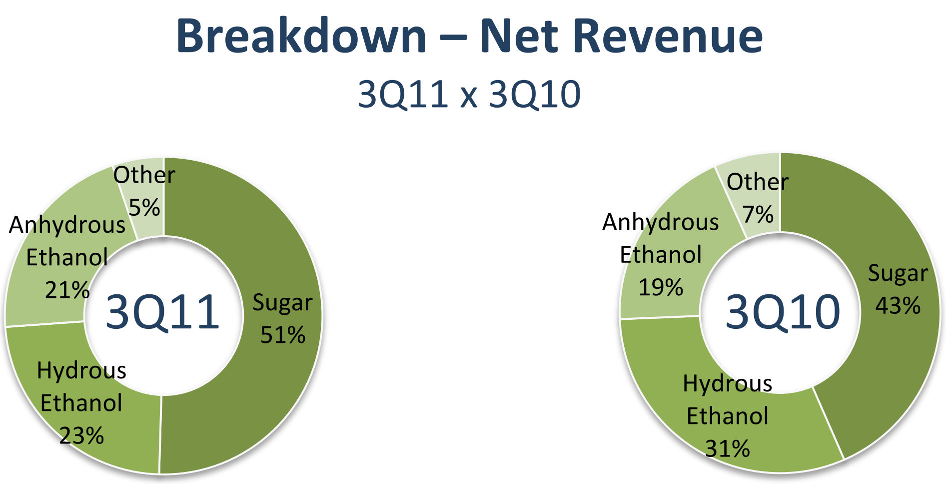
## FINANCIAL PERFORMANCE

| NET REVENUE BREAKDOWN | 3Q11 | 3Q10 | Chg. (%) | 9M11 | 9M10 | Chg. (%) |
|---|---|---|---|---|---|---|
| R$ Thousand | | | | | | |
| **Domestic Market** | **182,806** | **184,238** | **-0.8%** | **403,604** | **408,749** | **-1.3%** |
| Sugar | 13,687 | 11,847 | 15.5% | 33,050 | 33,833 | -2.3% |
| Hydrous Ethanol | 80,762 | 95,506 | -15.4% | 172,596 | 202,467 | -14.8% |
| Anhydrous Ethanol | 73,124 | 59,770 | 22.3% | 141,724 | 119,533 | 18.6% |
| Energy | 6,916 | 7,862 | -12.0% | 23,182 | 22,301 | 3.9% |
| Other | 8,317 | 9,253 | -10.1% | 33,054 | 30,615 | 8.0% |
| **Export Market** | **207,479** | **139,920** | **48.3%** | **610,882** | **419,160** | **45.7%** |
| Sugar | 183,216 | 129,007 | 42.0% | 554,639 | 349,152 | 58.9% |
| Hydrous Ethanol | 10,611 | 4,642 | 128.6% | 20,944 | 36,675 | -42.9% |
| Anhydrous Ethanol | 8,456 | 1,699 | 397.7% | 25,361 | 21,423 | 18.4% |
| RNA | 5,197 | 4,571 | 13.7% | 9,937 | 11,910 | -16.6% |
| **Net Revenue** | **390,285** | **324,157** | **20.4%** | **1,014,488** | **827,909** | **22.5%** |
| Sugar | 196,902 | 140,854 | 39.8% | 587,689 | 382,985 | 53.4% |
| Hydrous Ethanol | 91,373 | 100,148 | -8.8% | 193,539 | 239,141 | -19.1% |
| Anhydrous Ethanol | 81,580 | 61,469 | 32.7% | 167,085 | 140,957 | 18.5% |
| RNA | 5,197 | 4,571 | 13.7% | 9,937 | 11,910 | -16.6% |
| Energy | 6,916 | 7,862 | -12.0% | 23,182 | 22,301 | 3.9% |
| Other | 8,317 | 9,253 | -10.1% | 33,054 | 30,615 | 8.0% |

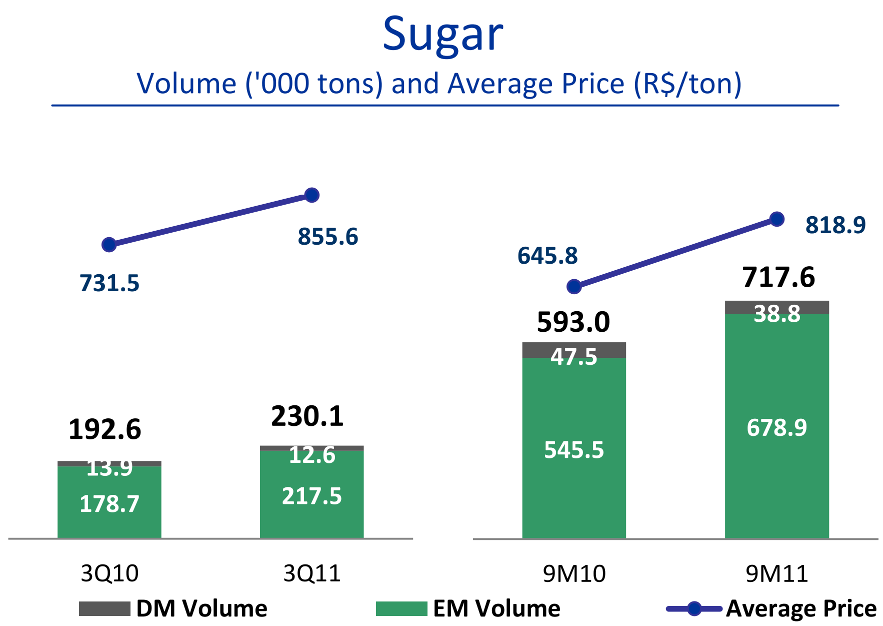
### *Net Revenue*

In 3Q11, the São Martinho Group recorded Net Revenue growth of 20.4% from 3Q10, driven by the 19.5% increase in sugar sales volume and the 17.0% increase in sugar sales prices. Revenue from ethanol sales increased 7.0% from 3Q10, driven mainly by the 11.6% increase in the average ethanol price.

In 9M11, net revenue increased by 22.5% in relation to 9M10 to surpass the mark of R$ 1 billion, driven primarily by the increases in the sugar price and in sales volume of 26.8% and 21.0%, respectively.



## *Sugar*



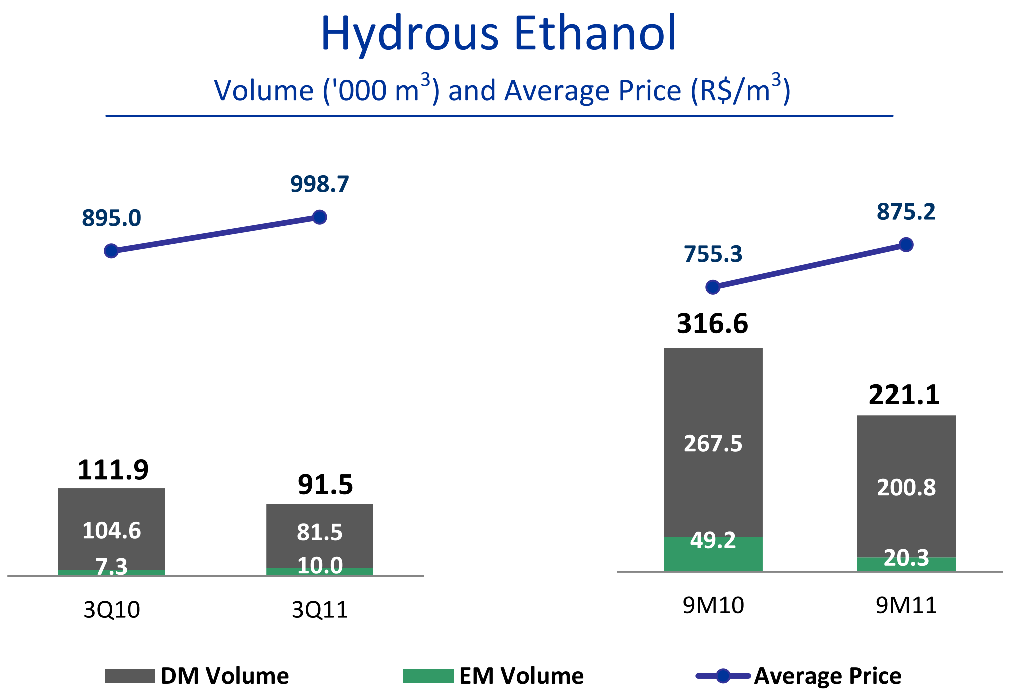

Net revenue from sugar sales totaled R$196.9 million in 3Q11, an increase of 39.8% from R$140.9 million in 3Q10. The increases of 19.5% in sugar sales volume and 17% in sugar prices were the key drivers of the strong growth in net revenue.

In 9M11 versus 9M10, net revenue from sugar sales climbed by 53.4%, due to the same reasons mentioned earlier.

The average international sugar price stood at USD 22.52 cents/pound in 3Q11, an increase of 19.6% from the price of USD cents/pound in 3Q10.

In 9M11, the average sugar price was USS 21.22 cents/pound, 38.3% higher than the average USS 15.35 cents/pound recorded in 9M10.

## *Ethanol*




Net revenue from hydrous ethanol sales was R$91.4 million in 3Q11, down 8.8% from 3Q10. This result reflects the 18.2% drop in hydrous ethanol sales volume, which ended up being partially offset by the 11.6% increase in the average ethanol sales price.

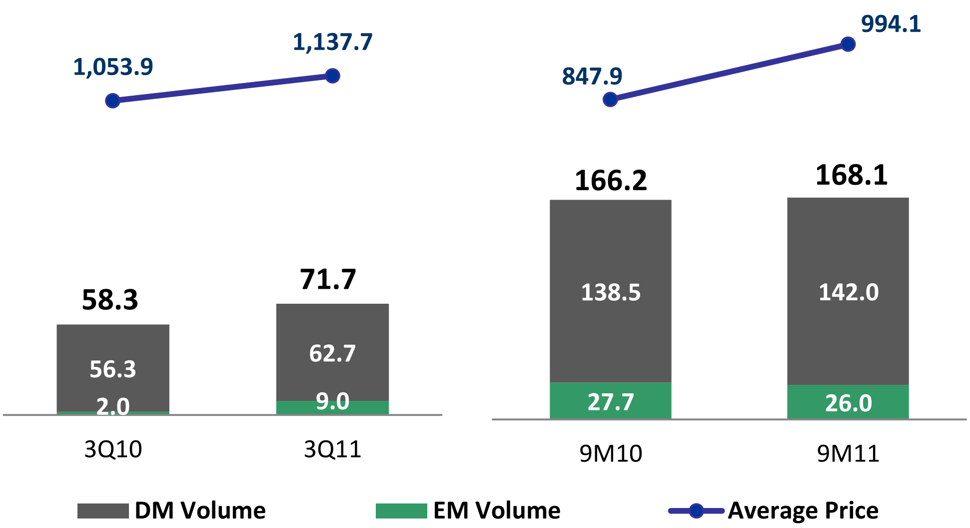
Net revenue also fell in 9M11, by 19.1%, basically due to the 30.2% reduction in ethanol sales volume, which was partially offset by the 15.9% increase in the ethanol price in relation to the same period a year earlier.

The lower ethanol sales volume in 3Q11 and 9M11 was mainly due to the Group's strategy to increase the volume of anhydrous ethanol and at the expense of hydrous ethanol production. In addition, with the conclusion of the operation with Petrobrás, we began to consolidate 62.89% of the revenue from Usina Boa Vista, which led to a drop proportional to 8,600 m³ in the reported volume of hydrous ethanol sales in 3Q11.

Considering the hydrous ethanol volume in inventory of 84,998 m³ at the close of 3Q11, approximately 29% of the total production in this 2010/11 harvest year will be available for sale in 4Q11, already adjusted for the partial consolidation of the Boa Vista Mill.

## Anhydrous Ethanol

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




Net revenue from anhydrous ethanol sales in the quarter was R$81.6 million, up 32.7% from 3Q10. The increases of 22.9% in sales volume and 7.9% in the sales price boosted revenue from anhydrous ethanol sales in 3Q11 in comparison with 3Q10.

In 9M11, revenue from the sale of anhydrous ethanol increased 18.5%, mainly driven by the 17.2% increase in the average anhydrous ethanol price, while sales volume of the product remained virtually unchanged, increasing a slight 1.1%.

With the partial consolidation of the operation with Petrobrás, we began to consolidate 62.89% of the revenue from Usina Boa Vista, which led to a proportional reduction of 3,600 m$^3$ in the reported sales volume of anhydrous ethanol in 3Q11.

Considering the volume of anhydrous ethanol in inventory of 91,989 m$^3$ at the close of 3Q11, approximately 37% of total production in this 2010/11 harvest year will be available for sale in 4Q11, already adjusted for the partial consolidation of Usina Boa Vista.

## Ribonucleic Acid (RNA) Sodium Salt

Net revenue from RNA sodium salt amounted to R$5.2 million in 3Q11, for growth of 13.7% from 3Q10, driven by the 16.7% increase in sales volume and the 2.7% reduction in the BRL sales price, in line with the foreign exchange variation of 2.4% in the comparison period.

The 16.7% increase in sales volume is due to the concentration of RNA deliveries in the last two quarters of the harvest year, since production volume should remain in line with the previous harvest year.

In 9M11, revenue from RNA sales fell 16.6%, due to the reductions of 7.5% in sales volume and 8.9% in the average BRL sales price in relation to the previous harvest year, reflecting the appreciation in the local currency of 7.7% in the period.

## Electricity

In 3Q11, net revenue from electricity sales decreased 12.0% from 3Q10, basically reflecting the 12.3% reduction in sales volume in the comparison period.

With the partial consolidation of the operation with Petrobrás, we began to consolidate 62.89% of the revenue from Usina Boa Vista, which led to a proportional reduction of 9,008 MWh in reported electricity sales volume, which fully explains the reduction in sales volume observed in 3Q11.

In 9M11, net revenue from electricity sales grew 3.9% to R$23.2 million, fueled by the increases of 2.1% in sales volume and 1.8% in the average sales price, in comparison with 9M10.

## Other Products and Services

Net revenue from the "Other Products and Services" line totaled R$8.3 million in 3Q11, down 10.1% in relation to the same period of the previous year. In 9M11 versus 9M10, net revenue from the "Other Products and Services" increased 8.0%. In line with its policy of maintaining long-term relationships with its suppliers, the São Martinho Group occasionally buys high quantities of inputs and resells them to sugarcane suppliers at cost.

## INVENTORIES / PRODUCT AVAILABILITY

| INVENTORIES | 3Q11 | 3Q10 | Chg. (%) |
|---|---|---|---|
| Sugar (tons) | 177,515 | 250,102 | -29.0% |
| Hydrous ($m^3$) | 84,998 | 82,472 | 3.1% |
| Anhydrous ($m^3$) | 91,989 | 80,040 | 14.9% |

Sugar inventories declined by 29.0% in relation to 3Q10, reflecting the 21% growth in sales volume in 9M11 versus 9M10.

The volume of hydrous and anhydrous ethanol inventories already reflects the partial consolidation of Nova Fronteira Bioenergia S.A. in accordance with our interest of 62.89%, which reduced our inventories of hydrous ethanol by 10,051 m³ and of anhydrous ethanol by 10,510 m³. Note that even after considering this effect, the São Martinho Group still has, approximately, 32% of this harvest's production available for sale in 4Q11.

## EBITDA AND EBITDA COST BY PRODUCT

| EBITDA BY PRODUCT - 3Q11 | SUGAR | ETHANOL | OTHER | TOTAL |
|---|---|---|---|---|
| R$ Thousand | | | | |
| Net Revenues | 196,902 | 172,953 | 20,430 | 390,285 |
| COGS (Cash) | (83,383) | (86,187) | (13,806) | (183,376) |
| Gross Profit (Cash) | 113,519 | 86,766 | 6,624 | 206,909 |
| Gross Margin (Cash) | 57.7% | 50.2% | 32.4% | 53.0% |
| Sales Expenses | (14,920) | (3,149) | (3) | (18,072) |
| G&A Expenses | (9,794) | (11,406) | (2,356) | (23,555) |
| Other Revenues (Expenses) | - | - | 556 | 556 |
| **EBITDA** | **88,806** | **72,210** | **4,822** | **165,838** |
| **EBITDA Margin** | **45.1%** | **41.8%** | **23.6%** | **42.5%** |
| **EBITDA Cost (*)** | **469.7** | **617.3** | **-** | **-** |

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

| EBITDA BY PRODUCT - 3Q10 | SUGAR | ETHANOL | OTHER | TOTAL |
|---|---|---|---|---|
| R$ Thousand | | | | |
| Net Revenues | 140,854 | 161,617 | 21,686 | 324,157 |
| COGS (Cash) | (63,482) | (93,657) | (15,011) | (172,150) |
| Gross Profit (Cash) | 77,372 | 67,960 | 6,675 | 152,007 |
| Gross Margin (Cash) | 54.9% | 42.1% | 30.8% | 46.9% |
| Sales Expenses | (10,421) | (2,646) | (130) | (13,196) |
| G&A Expenses | (6,663) | (9,634) | (1,811) | (18,107) |
| Other Revenues (Expenses) | - | - | 2,084 | 2,084 |
| **EBITDA** | **60,288** | **55,681** | **6,818** | **122,787** |
| **EBITDA Margin** | **42.8%** | **34.5%** | **31.4%** | **37.9%** |
| **EBITDA Cost (*)** | **418.4** | **622.3** | **-** | **-** |

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

| EBITDA BY PRODUCT - 9M11 | SUGAR | ETHANOL | OTHER | TOTAL |
|---|---|---|---|---|
| R$ Thousand | | | | |
| Net Revenues | 587,689 | 360,624 | 66,175 | 1,014,488 |
| COGS (Cash) | (243,524) | (191,753) | (43,324) | (478,601) |
| Gross Profit (Cash) | 344,165 | 168,871 | 22,851 | 535,887 |
| Gross Margin (Cash) | 58.6% | 46.8% | 34.5% | 52.8% |
| Sales Expenses | (41,826) | (8,894) | (107) | (50,826) |
| G&A Expenses | (36,101) | (32,147) | (7,583) | (75,831) |
| Other Revenues (Expenses) | - | - | 2,183 | 2,183 |
| **EBITDA** | **266,239** | **127,830** | **17,345** | **411,413** |
| **EBITDA Margin** | **45.3%** | **35.4%** | **26.2%** | **40.6%** |
| **EBITDA Cost (*)** | **447.9** | **598.1** | **-** | **-** |

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

| EBITDA BY PRODUCT - 9M10 | SUGAR | ETHANOL | OTHER | TOTAL |
|---|---|---|---|---|
| R$ Thousand | | | | |
| Net Revenues | 382,986 | 380,098 | 64,825 | 827,909 |
| COGS (Cash) | (189,674) | (242,150) | (47,170) | (478,994) |
| Gross Profit (Cash) | 193,312 | 137,948 | 17,655 | 348,914 |
| Gross Margin (Cash) | 50.5% | 36.3% | 27.2% | 42.1% |
| Sales Expenses | (33,720) | (13,174) | (261) | (47,155) |
| G&A Expenses | (23,560) | (31,380) | (6,105) | (61,045) |
| Other Revenues (Expenses) | - | - | 2,769 | 2,769 |
| **EBITDA** | **136,032** | **93,394** | **14,059** | **243,484** |
| **EBITDA Margin** | **35.5%** | **24.6%** | **21.7%** | **29.4%** |
| **EBITDA Cost (*)** | **416.4** | **593.8** | **-** | **-** |

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

In 3Q11, sugar accounted for 54% of the Group's consolidated EBITDA, while ethanol and other products accounted for 43% and 3%, respectively. Sugar EBITDA margin was 45.1% in 3Q11, 2.3 p.p. higher than in 3Q10 (42.8%). The margin improvement reflects the 17% increase in the sugar sales price, which was partially offset by the 12% increase in sugar EBITDA cost in the comparison period basically due to the impact of CONSECANA, mainly in the sugar product.

The ethanol EBITDA margin stood at 41.8% in 3Q11, improving substantially from 34.5% in 3Q10. The main factor explaining the margin gain for ethanol was the 11.6% increase in prices from the same period last year.

In 9M11, sugar accounted for 65% of the Group's consolidated EBITDA, while ethanol and other products accounted for 31% and 4%, respectively. In terms of the profitability of each product, sugar and ethanol presented EBITDA margins of 45.3% and 35.4%, respectively, impacted mainly by the higher prices in relation to the previous harvest year.

## COST OF GOODS SOLD (COGS)

| BREAKDOWN OF COGS - CASH | 3Q11 | 3Q10 | Chg. (%) | 9M11 | 9M10 | Chg. (%) |
|---|---|---|---|---|---|---|
| R$ Thousand | | | | | | |
| Agricultural Costs | 154,953 | 141,820 | 9.3% | 395,702 | 387,186 | 2.2% |
| Suppliers | 69,861 | 71,427 | -2.2% | 178,676 | 179,472 | -0.4% |
| Partnerships | 19,707 | 14,209 | 38.7% | 44,778 | 37,964 | 17.9% |
| Own Sugarcane | 65,385 | 56,183 | 16.4% | 172,248 | 169,750 | 1.5% |
| Industrial | 17,460 | 16,929 | 3.1% | 47,104 | 50,267 | -6.3% |
| Other Products | 10,962 | 13,401 | -18.2% | 35,796 | 41,541 | -13.8% |
| **Total COGS** | **183,376** | **172,150** | **6.5%** | **478,602** | **478,994** | **-0.1%** |
| TRS Sold (000 Tons) | 523 | 494 | 5.8% | 1,424 | 1,451 | -1.9% |
| Unit Cost (Sugar and Ethanol Cash COGS / TRS Sold) | 330 | 321 | 2.7% | 311 | 301 | 3.2% |

As the table above shows, Cash COGS in 3Q11 increased 6.5% from 3Q10, in line with the growth in sales volume (in TRS equivalent) of 5.8% in the same period.

Despite the 15.3% increase in the CONSECANA price in the period, there was no significant 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 suppliers sugarcane crushed, the total volume of sugarcane crushed 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 9M11, total cash COGS declined by 0.1%, basically reflecting the 1.9% drop in TRS sales volume in the comparison period.

## SELLING EXPENSES

| SELLING EXPENSES | 3Q11 | 3Q10 | Chg. (%) | 9M11 | 9M10 | Chg. (%) |
|---|---|---|---|---|---|---|
| R$ Thousand | | | | | | |
| Port Costs | 2,918 | 1,170 | 149.5% | 5,992 | 6,054 | -1.0% |
| Freight | 14,997 | 10,933 | 37.2% | 43,439 | 38,587 | 12.6% |
| Sales Commission | 156 | 1,093 | -85.7% | 1,395 | 2,514 | -44.5% |
| **Selling Expenses** | **18,072** | **13,196** | **37.0%** | **50,826** | **47,155** | **7.8%** |
| TRS Sold ('000 Tons) | 523 | 494 | 5.8% | 1,424 | 1,451 | -1.9% |
| % of Net Revenues | 4.6% | 4.1% | 0.6 p.p. | 5.0% | 5.7% | -0.7 p.p. |

When comparing with 3Q10, the selling expenses increased 37.0% in 3Q11, mainly due to the increase of 21.7% in sugar export volume.

In 9M11, selling expenses increased by 7.8% to R$50.8 million, despite the 24.5% growth in sugar export volume, when in comparison with the same period of the previous year.

## GENERAL AND ADMINISTRATIVE EXPENSES

| G&A EXPENSES - (CASH) | 3Q11 | 3Q10 | Chg. (%) | 9M11 | 9M10 | Chg. (%) |
|---|---|---|---|---|---|---|
| R$ Thousand | | | | | | |
| Personnel | 10,429 | 7,510 | 38.9% | 27,321 | 21,259 | 28.5% |
| Taxes, Fees and Contributions | 4,434 | 2,872 | 54.4% | 10,187 | 9,929 | 2.6% |
| Provisions for Contingencies | (1,312) | 10 | n.m | 7,912 | 8,967 | -11.8% |
| General Expenses and Third-Party Services | 5,882 | 5,812 | 1.2% | 16,170 | 15,215 | 6.3% |
| Management Fee | 4,122 | 1,903 | 116.6% | 8,341 | 5,675 | 47.0% |
| **Total recorrente das Despesas Gerais e Administrativas** | **23,555** | **18,107** | **30.1%** | **69,931** | **61,045** | **14.6%** |
| Itens não-recorrentes | - | - | n.m | 5,900 | - | n.m |
| **Total General and Administrative Expenses** | **23,555** | **18,107** | **30.1%** | **75,831** | **61,045** | **24.2%** |

In 3Q11, general and administrative expenses increased by 30.1% or R$5.4 million from 3Q10, mainly reflecting the provision for the variable compensation of the executive board and employees this harvest year. Note that in the previous harvest year this impact was concentrated entirely in the fourth quarter, given that no provision was made in the third quarter of the 2009/10 harvest year.

In 9M11, in addition to the reasons mentioned above, G&A expenses were impacted by non-recurring expenses of R$5.9 million that were 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$69.9 million, 14.6% more than in the previous year.

## EBITDA

| EBITDA RECONCILIATION | 3Q11 | 3Q10 | Chg. (%) | 9M11 | 9M10 | Chg. (%) |
|---|---|---|---|---|---|---|
| R$ Thousand | | | | | | |
| **Adjusted EBITDA** | **165,838** | **122,787** | **35.1%** | **411,413** | **243,484** | **69.0%** |
| Adjusted EBITDA Margin | 42.5% | 37.9% | 4.6 p.p. | 40.6% | 29.4% | 11.1 p.p. |
| Non Recurring Operating Revenues (Expenses) | 7,566 | (1,993) | n.m. | 6,743 | (2,743) | n.m. |
| Non Cash Items Launched in the COGS | 1,009 | - | n.m. | 2,201 | (6,313) | n.m. |
| **EBITDA** | **157,263** | **124,780** | **26.0%** | **402,469** | **252,540** | **59.4%** |
| EBITDA Margin | 40.3% | 38.5% | 1.8 p.p. | 39.7% | 30.5% | 9.2 p.p. |
| (-) Depreciation and Amortization | (73,332) | (72,046) | 1.8% | (194,018) | (192,481) | 0.8% |
| (-) Financial Revenue (Expense), net | (11,411) | (34,736) | -67.1% | (32,507) | 35,360 | n.m. |
| (=) Operating Income | 72,520 | 17,998 | 302.9% | 175,944 | 95,419 | 84.4% |

### Adjusted EBITDA

In 3Q11, the São Martinho Group recorded adjusted EBITDA of R$165.8 million, up 35.1% from 3Q10. In 9M11, adjusted EBITDA totaled R$411.4 million, 69.0% higher than in 9M10.

### Reconciliation of EBITDA to adjusted EBITDA

**The main adjustments made to EBITDA are detailed below:**

**3Q11 - Positive adjustment to EBITDA:**

1) "Operating Revenue (Expenses)– non-recurring: + R$7.5 million, composing the following items: 1) + R$10.3 million related to the non-recurring expense from the conclusion of the operation with Petrobrás Biocombustível S.A. S.A. to inject capital at Nova Fronteira S.A.; 2) + R$1.0 million from expenses with the project for the Corporate Reorganization of the Group; 3) – R$3.1 million from the reversal of the gain obtained from the change in the interest held in Usina Boa Vista S.A.; and 4) – R$0.6 million from the reversal of the gain from the net sale of assets booked under the line other operating revenues and expenses.

## HEDGE

### U.S. Dollar

On December 31, 2010, the São Martinho Group held a US$26.7 million short position in USD currency futures through non-deliverable forwards (NDFs) at an average price of R$1. 8893/US$, with maturities through December 2011.

### Sugar

On December 31, 2010, the São Martinho Group held positions in derivatives and prices fixed with clients and in the futures market in the following amounts:

**2010/11 Harvest Year** – 108,475 metric tons of sugar hedged at an average price of US$23.08 cents/pound, corresponding to approximately 61% of the sugar volume available for sale from the 2010/11 harvest.

**2011/12 Harvest Year** – 295,558 metric tons of sugar hedged at an average price of US$22.45 cents/pound, corresponding to approximately 34% of the sugar production volume estimated for the 2011/12 harvest year (900,000 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 under the specific balance sheet line ("Adjustments to book value"), net of deferred income tax and social contribution tax (potential loss of R$38.6 million in December 2010).

## NET FINANCIAL RESULT

| FINANCIAL RESULT | 3Q11 | 3Q10 | Chg. (%) | 9M11 | 9M10 | Chg. (%) |
|---|---|---|---|---|---|---|
| R$ Thousand | | | | | | |
| Financial Revenues | 7,631 | 994 | 667.5% | 17,493 | 4,709 | 271.5% |
| Financial Expenses | (15,981) | (17,089) | -6.5% | (56,376) | (43,865) | 28.5% |
| Hedge Result - Sugar | (5,097) | (27,645) | -81.6% | (11,023) | (48,339) | -77.2% |
| Exchange Variation | 3,584 | 10,387 | -65.5% | 21,935 | 127,471 | -82.8% |
| Copersucar Monetary Variation | (1,548) | (1,383) | 12.0% | (4,537) | (4,615) | -1.7% |
| **Net Financial Result** | **(11,411)** | **(34,736)** | -67.1% | **(32,507)** | **35,360** | n.m. |

The net financial result in 3Q11 was an expense of R$11.4 million, which represents a reduction of R$23.3 million from the financial expense of R$34.7 million registered in 3Q10.

The main impact was the reduction in the line Hedge Result – Sugar, since in 3Q10 hedge accounting had not been adopted yet, and consequently all variations in sugar and currency hedge positions were booked under the net financial result in the period.

As the above table shows, the 3Q11 financial result was impacted by the financial expense of R$5.1 million booked under the line Hedge Result – Sugar, reflecting the marking to market of operations in sugar options that do not fall under the scope of hedge accounting.

## OPERATING WORKING CAPITAL

| OPERATING WORKING CAPITAL | 3Q10 | 2Q11 | 3Q11 | 3Q11 x 2Q10 | 3Q11 x 3Q10 |
|---|---|---|---|---|---|
| R$ Thousand | | | | | |
| **ASSETS** | **585,327** | **664,749** | **577,831** | **86,918** | **7,496** |
| Accounts Receivable | 62,804 | 72,236 | 77,082 | (4,846) | (14,278) |
| Inventories | 447,581 | 510,657 | 456,434 | 54,223 | (8,853) |
| Tax receivable | 74,942 | 81,856 | 44,315 | (37,541) | (30,627) |
| **LIABILITIES** | **157,390** | **210,644** | **188,987** | **(21,657)** | **31,597** |
| Suppliers | 109,211 | 135,874 | 131,681 | (4,193) | 22,470 |
| Payroll and social contribution | 35,815 | 47,209 | 37,654 | (9,555) | 1,839 |
| Tax payable | 12,364 | 27,561 | 19,652 | (7,909) | 7,288 |
| **WORKING CAPITAL** | **427,937** | **454,105** | **388,844** | **65,261** | **39,093** |

As the above table shows, in 3Q11 the São Martinho Group invested R$388.8 million in working capital in its operations, for a decrease of nearly R$39.0 million from the total invested in 3Q10. In comparison with 2Q11, there was a reduction of R$65.2 million in working capital invested, due to the allocation of working capital that typically occurs in the second half of the harvest year.

## NET INCOME

Net income was R$53.8 million in 3Q11, R$30.7 million higher than the R$23.1 million recorded in the same quarter last year. In 9M11, consolidated net income was R$123.4 million, growing by 70.7% from 9M10.

## DEBT WITH COPERSUCAR

On December 31, 2010, the São Martinho Group recognized on its balance sheet debt of R$196.6 million with Copersucar. In view of the terms negotiated in the process to terminate the membership at Copersucar, we will continue to book under "Obligations – Copersucar" all liabilities related to the contingencies currently being resolved judicially that were filed by legal counsel at Copersucar. These obligations continue to be secured by suretyships in the amount of R$152.8 million on a consolidated basis.

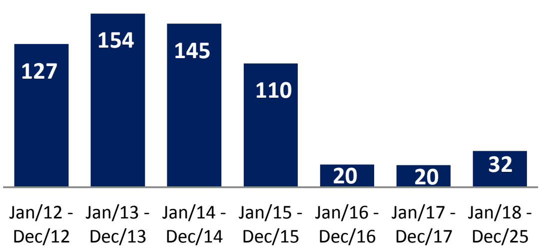
## INDEBTEDNESS

| DEBT | Dec/10 | Dec/09 | Chg. (%) |
|---|---|---|---|
| R$ Thousand | | | |
| PESA | 73,756 | 73,200 | 0.8% |
| Rural Credit | 38,102 | 36,537 | 4.3% |
| BNDES / FINAME | 372,439 | 475,677 | -21.7% |
| Working Capital | - | 128,796 | -100.0% |
| ACC (Advances on Foreign Exchange Contracts) | 92,308 | 200,989 | -54.1% |
| PPE (Export prepayment) | 251,378 | 175,667 | 43.1% |
| Others | 536 | 750 | -28.5% |
| **Gross Debt** | **828,519** | **1,091,616** | **-24.1%** |
| Cash and Cash Equivalents | 249,655 | 138,610 | 80.1% |
| **Net Debt** | **578,864** | **953,006** | **-39.3%** |

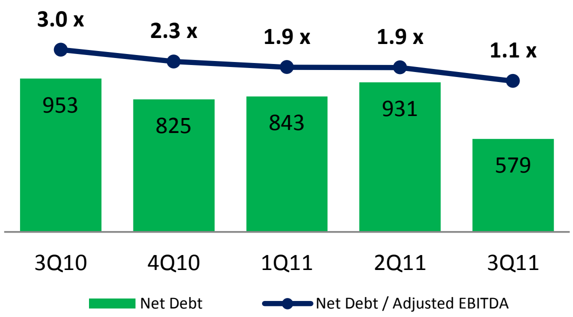
The Group's net debt stood at R$578.9 million in December 2010, which represents a reduction of 39.3% from 3Q10. The group's lower consolidated net debt reflects the conclusion of the operation with Petrobrás Biocombustível S.A. to form Nova Fronteira Bioenergia S.A. When the operation was announced, we informed that Petrobrás would make a R$420 million capital injection at Nova Fronteira and would assume 49% of its debt, which corresponds to its interest in the capital of Nova Fronteira Bioenergia S.A.

As a result, even considering just the partial capital injection from Petrobras of R$ 257 million in December 2010, the Net Debt/EBITDA ratio stood at 1.1x, down significantly from 3.0x in December 2009.

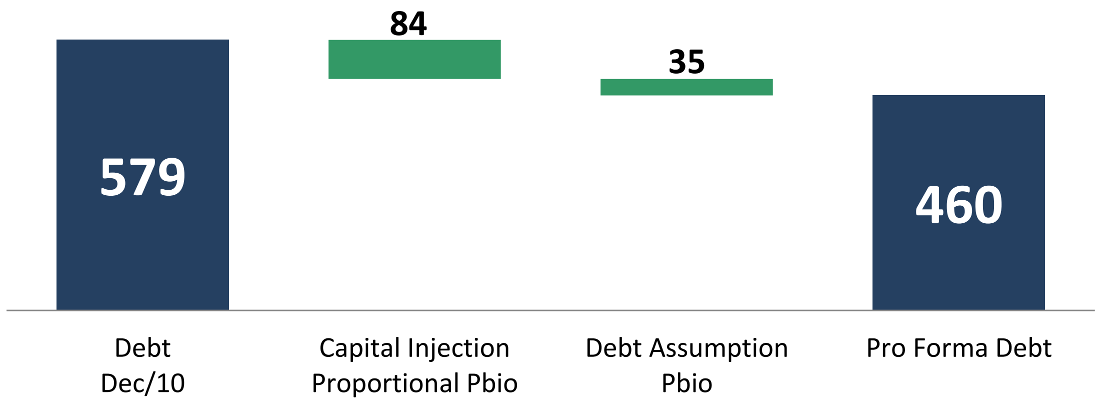
**Amortization Schedule**
R$ - Million




**Net Debt / EBITDA LTM**
Evolution



After the second tranche (R$163 million) of the injection by Petrobrás Biocombustível S.A., which should be concluded by end-2011, the net debt of the São Martinho group should decline by approximately R$120 million.




## CAPEX

| SÃO MARTINHO - CONSOLIDATED | 3Q11 | 3Q10 | Chg. (%) | 9M11 | 9M10 | Chg. (%) |
|---|---|---|---|---|---|---|
| Capex (Maintenance) | | | | | | |
| Sugarcane Planting | 19,447 | 19,577 | -0.7% | 48,354 | 62,840 | -23.1% |
| Industrial / Agricultural | 30,711 | 16,481 | 86.3% | 47,670 | 35,573 | 34.0% |
| **Sub Total** | **50,158** | **36,058** | **39.1%** | **96,024** | **98,413** | **-2.4%** |
| Upgrading, Mechanization and Expansion | | | | | | |
| Industrial / Agricultural | 11,084 | 2,079 | 433.2% | 19,247 | 2,575 | 647.3% |
| Other | - | - | n.m. | 787 | 306 | 156.9% |
| **Sub Total** | **11,084** | **2,079** | **433.2%** | **20,034** | **2,882** | **595.2%** |
| Boa Vista Mill (Greenfield) | | | | | | |
| Sugarcane Planting | 11,632 | 10,341 | 12.5% | 38,408 | 44,610 | -13.9% |
| Industrial / Agricultural | 23,598 | 4,163 | 466.9% | 56,323 | 33,696 | 67.2% |
| **Sub Total** | **35,230** | **14,503** | **142.9%** | **94,732** | **78,306** | **21.0%** |
| **Total** | **96,472** | **52,640** | **83.3%** | **210,790** | **179,601** | **17.4%** |

As the above table shows, Capex in 3Q11 increased by 83.3% from 3Q10. The main impacts came from maintenance capex, which this harvest year is more concentrated in the second half of the harvest year, and from the higher investments to expand crushing capacity at the Boa Vista Mill.

In 9M11, capex increased 17.4%, reflecting the higher investments made in the Boa Vista Mill and to modernize mills in order to optimize certain production processes and provide greater flexibility for sugar production.

## 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 (in the Ribeirão Preto region of São Paulo state); Iracema in Iracemápolis (in the Limeira region of São Paulo state) and Boa Vista in Quirinópolis (300 km from Goiânia in Goiás state), as well as a unit producing a ribonucleic acid known as Omtek (also in Iracemápolis). For more information, please visit the website at www.saomartinho.ind.br.

## INCOME STATEMENT

| SÃO MARTINHO S.A. - CONSOLIDATED | 3Q11 | 3Q10 | Chg. (%) | 9M11 | 9M10 | Chg. (%) |
|---|---|---|---|---|---|---|
| R$ Thousand | | | | | | |
| Gross Revenue | 417,645 | 353,399 | 18.2% | 1,079,163 | 902,816 | 19.5% |
| Deductions from Gross Revenue | (27,360) | (29,242) | -6.4% | (64,675) | (74,907) | -13.7% |
| **Net Revenue** | **390,285** | **324,157** | **20.4%** | **1,014,488** | **827,909** | **22.5%** |
| Cost of Goods Sold (COGS) | (254,994) | (240,779) | 5.9% | (665,926) | (655,454) | 1.6% |
| **Gross Profit** | **135,291** | **83,378** | **62.3%** | **348,562** | **172,455** | **102.1%** |
| Gross Margin (%) | *34.7%* | *25.7%* | 8.9 p.p | *34.4%* | *20.8%* | 13.5 p.p |
| **Operating Expenses** | **(51,360)** | **(30,644)** | **67.6%** | **(140,111)** | **(112,396)** | **24.7%** |
| Selling Expenses | (18,072) | (13,196) | 37.0% | (50,826) | (47,155) | 7.8% |
| General and Administrative Expenses | (22,357) | (18,723) | 19.4% | (76,561) | (64,088) | 19.5% |
| Management Fees | (4,122) | (1,903) | 116.6% | (8,341) | (5,675) | 47.0% |
| Other Operating Expenses, Net | (6,809) | 3,178 | n.m. | (4,383) | 4,522 | n.m. |
| **Operating Profit, Before Financial Effects** | **83,931** | **52,734** | **59.2%** | **208,451** | **60,059** | **247.1%** |
| **Financial Result, Net** | **(11,411)** | **(34,736)** | **-67.1%** | **(32,507)** | **35,360** | **n.m.** |
| Financial Revenues | 11,030 | 12,111 | -8.9% | 22,417 | 52,796 | -57.5% |
| Financial Expenses | (26,020) | (53,325) | -51.2% | (76,825) | (110,020) | -30.2% |
| Monetary and Exchange Variations - Net | 3,579 | 6,478 | -44.8% | 21,901 | 92,584 | -76.3% |
| **Income Before Income and Social Contribution Taxes** | **72,520** | **17,998** | **302.9%** | **175,944** | **95,419** | **84.4%** |
| Income Tax and Social Contribution - Current | (18,211) | (260) | 6904.2% | (51,986) | (8,691) | 498.2% |
| Income Tax and Social Contribution - Deferred | (461) | 5,718 | n.m. | (564) | (11,346) | -95.0% |
| **Net Income Before Minority Interest** | **53,848** | **23,456** | **129.6%** | **123,394** | **75,382** | **63.7%** |
| Minority Interest | - | (316) | n.m. | - | (3,086) | n.m. |
| **Net Income** | **53,848** | **23,140** | **132.7%** | **123,394** | **72,296** | **70.7%** |
| Net Margin (%) | *13.8%* | *7.1%* | 6.7 p.p | *12.2%* | *8.7%* | 3.4 p.p |

# BALANCE SHEET (ASSETS)

## SÃO MARTINHO S.A. CONSOLIDATED- ASSETS

R$ Thousand

| ASSETS | Dec/10 | Sep/10 |
|---|---|---|
| **SHORT-TERM ASSETS** | | |
| Cash and Cash Equivalents | 249,655 | 216,386 |
| Accounts Receivable | 77,082 | 72,236 |
| Derivatives Financial Instruments | - | 16,562 |
| Inventories | 456,434 | 510,657 |
| Recoverable Taxes | 44,315 | 81,856 |
| Other Assets | 8,287 | 13,789 |
| **TOTAL SHORT-TERM ASSETS** | **835,773** | **911,486** |
| **LONG-TERM ASSETS** | | |
| **Long-term Receivables** | | |
| Related Parties | 554 | 391 |
| Deferred Income Tax and Social Contribution | 112,159 | 112,254 |
| Accounts Receivable - Copersucar | 4,149 | 4,104 |
| Recoverable Taxes | 34,132 | 35,471 |
| Other Assets | 1,614 | 196 |
| | **152,608** | **152,416** |
| **Investments** | 3,540 | 3,540 |
| **Fixed Assets** | 2,234,628 | 2,473,913 |
| **Intangible** | 36,138 | 36,806 |
| **Deferred** | 22,393 | 37,848 |
| **TOTAL LONG-TERM ASSETS** | **2,449,307** | **2,704,523** |
| **TOTAL ASSETS** | **3,285,080** | **3,616,009** |

# BALANCE SHEET (LIABILITIES)

## SÃO MARTINHO S.A. CONSOLIDATED- LIABILITIES

R$ Thousand

| LIABILITIES AND SHAREHOLDERS' EQUITY | Dec/10 | Sep/10 |
|---|---|---|
| **SHORT-TERM LIABILITIES** | | |
| Loans and Financing | 219,435 | 419,192 |
| Derivatives Financial Instruments | 51,389 | 12,766 |
| Suppliers | 131,681 | 135,874 |
| Accounts Payable - Copersucar | 2,203 | 2,203 |
| Payroll and Social Contribution | 37,654 | 47,209 |
| Tax Payable | 19,652 | 27,561 |
| Related Companies | 199 | 89 |
| Other Liabilities | 29,023 | 42,113 |
| **TOTAL SHORT-TERM LIABILITIES** | **491,236** | **687,007** |
| **LONG-TERM LIABILITIES** | | |
| Loans and Financing | 609,084 | 727,877 |
| Accounts Payable - Copersucar | 194,394 | 194,205 |
| Tax Installments | 52,779 | 48,261 |
| Deferred Income Tax and Social Contribution | 196,230 | 202,526 |
| Provision for Contingencies | 30,357 | 34,949 |
| Other Liabilities | 11,049 | 14,754 |
| **TOTAL LONG-TERM LIABILITIES** | **1,093,893** | **1,222,572** |
| **SHAREHOLDERS' EQUITY** | | |
| Capital Stock | 455,900 | 455,900 |
| Capital Reserve | 1,038,030 | 1,049,197 |
| Adjustments to Book Value | (38,644) | 2,125 |
| Capital Budget Reserve | 112,556 | 112,556 |
| Treasury Shares | (1,899) | (1,899) |
| Accumlated Profit | 134,008 | 88,551 |
| **TOTAL SHAREHOLDERS' EQUITY** | **1,699,951** | **1,706,430** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **3,285,080** | **3,616,009** |

# CONSOLIDATED CASH FLOW

| SÃO MARTINHO S.A. | 3Q11 | 9M11 |
|---|---|---|
| R$ Thousand | | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| **Net Income in the period** | **53,848** | **123,394** |
| **Adjustments** | | |
| Depreciation and amortization | 73,332 | 194,018 |
| Residual cost of investment and property, plant and equipment disposals | 634 | 4,273 |
| Interest, monetary and foreign exchange variations, net | 22,528 | 49,383 |
| Constitution of provision for contingencies, net | (3,406) | 1,331 |
| Deferred income tax and social contribution on net income | 461 | 564 |
| Constitution (reversal) of provision for inventory losses | 1,009 | 2,200 |
| Adjustments to present value and others | (740) | (1,493) |
| | **147,666** | **373,670** |
| **Changes in assets and liabilities** | | |
| Trade accounts receivable | (10,873) | (41,482) |
| Inventories | 3,904 | (218,166) |
| Taxes recoverable | 22,465 | 26,926 |
| Related parties - assets | (163) | (343) |
| Derivative financial instruments | 64,243 | 103,006 |
| Other assets | (14,073) | (21,870) |
| Suppliers | 6,314 | 68,015 |
| Salaries and social charges | (6,088) | (425) |
| Taxes payable | (2,024) | 11,221 |
| Related parties - liabilities | 328 | 294 |
| Taxes payable in installments | 4,373 | 5,080 |
| Provision for contingencies | (2,381) | (14,375) |
| Other liabilities | (77,202) | (115,892) |
| **Cash provided by operations** | **136,489** | **175,659** |
| Interest paid | (10,857) | (38,095) |
| Income tax and social contribution on net income paid | (7,833) | (14,859) |
| **Net cash provided by operating activities** | **117,799** | **122,705** |
| **CASH FLOW FROM INVESTMENT ACTIVITIES** | | |
| Additions to property, plant and equipments, intangible assets and deferred charges | (98,389) | (217,110) |
| **Net cash used in investing activities** | **(98,389)** | **(217,110)** |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Financing - third parties | 95,358 | 532,999 |
| Repayment of financing - Copersucar | (806) | (3,760) |
| Repayment of financing - third parties | (196,334) | (416,147) |
| Payment of dividends and interest on own equity | (19,558) | (34,865) |
| **Net cash provided by (used in) financing activities** | **(121,340)** | **78,227** |
| **Increase (decrease) in cash and cash equivalents** | **(101,930)** | **(16,178)** |
| **Increase in cash and cash equivalents to decrease in holding - NF** | **135,199** | **135,199** |
| **Cash and cash equivalents at the beginning of the period** | **216,386** | **130,634** |
| **Cash and cash equivalents at the end of the period** | **249,655** | **249,655** |
| **ADDITIONAL INFORMATION** | | |
| Payables to suppliers for purchases of property, plant and equipment | 13,863 | 13,863 |