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

São Martinho S.A.

Interim Financial Statements for the Quarter Ended December 31, 2007 and Independent Accountants' Special Review Report

Deloitte Touche Tohmatsu Auditores Independentes

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

INDEPENDENT ACCOUNTANTS' SPECIAL REVIEW REPORT

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

1. We have performed a special review of the accompanying interim financial statements of São Martinho S.A. (formerly Companhia Industrial e Agrícola Ometto) and subsidiaries, consisting of the individual (Company) and consolidated balance sheets as of December 31, 2007, the related statements of operations for the quarter and nine-month period then ended and the performance report, all expressed in Brazilian reais and prepared in accordance with Brazilian accounting practices under the responsibility of the Company's management.

2. Our review was conducted in accordance with specific standards established by the Brazilian Institute of Independent Auditors (IBRACON), together with the Federal Accounting Council, and consisted principally of: (a) inquiries of and discussions with certain officials of the Company and its subsidiaries who have responsibility for accounting, financial and operating matters about the criteria adopted in the preparation of the interim financial statements, and (b) review of the information and subsequent events that had or might have had material effects on the financial position and results of operations of the Company and its subsidiaries.

3. Based on our special review, we are not aware of any material modifications that should be made to the interim financial statements referred to in paragraph 1 for them to be in conformity with Brazilian accounting practices and standards established by the Brazilian Securities and Exchange Commission (CVM), specifically applicable to the preparation of mandatory interim financial statements.

4. As mentioned in note 2, since the Company changed its fiscal year end to March 31 of each year and in order to allow comparison of the interim financial statements, the individual and consolidated statements of operations for the quarter of the previous year comprise a three-month period ended December 31, 2006. Previously, the Company filed its interim financial statements for the quarter ended January 31, 2007 with the Brazilian Securities and Exchange Commission (CVM). The individual and consolidated statements of operations for the quarter ended December 31, 2006 were subjected to the same review procedures described in paragraph 2, and we are not aware of any material modifications that should be made to these statements of operations for them to be in conformity with Brazilian accounting practices and standards established by the Brazilian Securities and Exchange Commission, specifically applicable to the preparation of mandatory interim financial statements.

5. The accompanying interim financial statements have been translated into English for the convenience of readers outside Brazil.

Campinas, February 5, 2008

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

José Carlos Amadi
Engagement Partner

SÃO MARTINHO S.A.
(FORMERLY COMPANHIA INDUSTRIAL E AGRÍCOLA OMETTO)

BALANCE SHEETS AS OF DECEMBER 31 AND SEPTEMBER 30, 2007
(In thousands of Brazilian reais - R$)

ASSETS	Note	Company 12/31/07	Company 09/30/07	Consolidated 12/31/07	Consolidated 09/30/07
CURRENT ASSETS					
Cash and banks	4	7,495	3,037	59,344	25,740
Temporary cash investments	5	85,358	119,876	89,352	160,252
Receivables from Copersucar	6	4,879	6,841	26,902	34,210
Inventories	7	97,356	80,101	313,151	316,804
Recoverable taxes	8	12,210	12,340	37,493	39,987
Other assets		5,162	5,607	27,772	20,526
		212,460	227,802	554,014	597,519
NONCURRENT ASSETS					
Long-term assets:					
Related parties	9	36,910	21,114	20	1
Assets held for sale	10.2	-	-	35,043	-
Deferred income and social contribution taxes	18 a	43,856	42,250	112,808	85,423
Other assets		3,476	3,949	16,352	13,522
Investments:					
In subsidiaries and affiliates	10.1	1,047,597	1,041,177	-	-
In subsidiaries and affiliates - goodwill	10.2	-	-	38,462	48,945
Other investments		40	40	167	157
Property, plant and equipment	11	569,700	571,565	2,132,111	2,072,213
Deferred charges	12	22	22	26,149	17,296
		1,701,601	1,680,117	2,361,112	2,237,557
TOTAL ASSETS		1,914,061	1,907,919	2,915,126	2,835,076

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Company 12/31/07	Company 09/30/07	Consolidated 12/31/07	Consolidated 09/30/07
CURRENT LIABILITIES					
Loans and financing	13	41,763	29,470	151,992	119,828
Trade accounts payable	14	16,378	17,877	58,615	88,669
Payables to Copersucar	15	23,385	10,467	91,853	39,779
Payroll and related charges		5,476	8,984	21,074	36,604
Taxes payable		2,737	3,887	6,523	8,355
Related parties	9	116	-	103	6
Dividends payable		1	1	1	1
Other liabilities		157	360	1,568	1,390
		90,013	71,046	331,729	294,632
NONCURRENT LIABILITIES					
Long-term liabilities					
Loans and financing	13	61,835	66,360	418,006	356,598
Payables to Copersucar	15	60,370	63,112	226,726	239,210
Taxes in installments		9,130	8,959	9,130	8,959
Deferred income and social contribution taxes	18 a	65,540	64,770	230,160	226,064
Provision for contingencies	19	4,912	4,671	67,865	71,187
Other liabilities		-	-	1,638	1,814
		201,787	207,872	953,525	903,832
MINORITY INTEREST		-	-	7,611	7,611
SHAREHOLDERS' EQUITY	16				
Capital		360,000	360,000	360,000	360,000
Revaluation reserves		1,177,380	1,185,953	1,177,380	1,185,953
Legal reserve		5,079	5,079	5,079	5,079
Capital budget reserve		95,427	95,427	95,427	95,427
Retained earnings (accumulated deficit)		(15,625)	(17,458)	(15,625)	(17,458)
		1,622,261	1,629,001	1,622,261	1,629,001
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,914,061	1,907,919	2,915,126	2,835,076

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

SÃO MARTINHO S.A.
(FORMERLY COMPANHIA INDUSTRIAL E AGRÍCOLA OMETTO)

STATEMENTS OF OPERATIONS
FOR THE QUARTERS AND NINE-MONTH PERIOD ENDED DECEMBER 31, 2007 AND 2006
(In thousands of Brazilian reais - R$, except per share data)

		Company				Consolidated			
		12/31/07	12/31/07	12/31/06	12/31/06	12/31/07	12/31/07	12/31/06	12/31/06
	Note	Quarter	Nine-month period	Quarter	Nine-month period	Quarter	Nine-month period	Quarter	Nine-month period
GROSS SALES		40,181	121,465	64,192	183,108	145,164	530,188	205,838	647,106
DEDUCTIONS		(3,969)	(9,998)	(5,359)	(15,666)	(17,878)	(49,268)	(18,237)	(56,530)
NET SALES		36,212	111,467	58,833	167,442	127,286	480,920	187,601	590,576
COST OF SALES		(34,292)	(119,034)	(45,494)	(126,079)	(114,451)	(438,269)	(142,100)	(409,676)
GROSS PROFIT (LOSS)		1,920	(7,567)	13,339	41,363	12,835	42,651	45,501	180,900
Operating (expenses) income:									
Selling expenses		(945)	(5,206)	(3,595)	(9,144)	(4,949)	(31,142)	(13,652)	(40,049)
General and administrative expenses		(4,308)	(14,929)	(7,133)	(17,823)	(21,490)	(68,745)	(21,205)	(43,886)
Management fees		(1,274)	(3,958)	(1,256)	(2,472)	(1,795)	(6,377)	(2,344)	(5,464)
Equity in subsidiaries	10.1	(4,955)	(27,392)	7,488	53,697	-	-	-	-
Other operating income (expenses), net	20	2,675	(7,485)	4,251	4,237	9,383	(8,563)	12,665	12,702
		(8,807)	(58,970)	(245)	28,495	(18,851)	(114,827)	(24,536)	(76,697)
Income (loss) from operations before financial income (expenses)		(6,887)	(66,537)	13,094	69,858	(6,016)	(72,176)	20,965	104,203
Financial income (expenses)									
Financial income		5,552	23,279	2,891	13,909	20,340	62,398	11,119	47,271
Financial expenses		(6,498)	(17,217)	(7,410)	(23,036)	(23,345)	(63,365)	(20,212)	(65,011)
Monetary and exchange gains		155	1,601	291	3,511	998	8,160	1,536	15,379
Monetary and exchange losses		(158)	(1,803)	(465)	(4,266)	(788)	(7,854)	(2,071)	(15,960)
		(949)	5,860	(4,693)	(9,882)	(2,795)	(661)	(9,628)	(18,321)
Income (loss) from operations		(7,836)	(60,677)	8,401	59,976	(8,811)	(72,837)	11,337	85,882
Nonoperating income	21	260	679	11,306	9,624	284	802	11,325	10,028
Income (loss) before income and social contribution taxes and loss from spun-off net assets		(7,576)	(59,998)	19,707	69,600	(8,527)	(72,035)	22,662	95,910
Income and social contribution taxes - current		-	-	(3,007)	(5,507)	(1,688)	(1,688)	(5,533)	(28,340)
Income and social contribution taxes - deferred		836	10,779	(1,047)	(2,084)	3,475	24,504	(1,476)	(5,561)
	18 b	836	10,779	(4,054)	(7,591)	1,787	22,816	(7,009)	(33,901)
Net loss from spun-off assets and liabilities	1.3	-	-	-	(276)	-	-	-	(276)
Net income (loss)		(6,740)	(49,219)	15,653	61,733	(6,740)	(49,219)	15,653	61,733
Earnings (loss) per share at end of period		(0.06)	(0.44)	0.16	0.62				

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

1. OPERATIONS

1.1. Operations

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

Approximately 69% (65% - Consolidated) of the sugarcane used in production derives from the Company's own plantations, shareholders, related parties and agricultural partnerships, and the remaining 31% (35% - Consolidated), from third-party suppliers.

At the Extraordinary Shareholders' Meeting held on September 28, 2006, shareholders approved the change of the Company's name from Companhia Industrial e Agrícola Ometto to São Martinho S.A.

At the Extraordinary Shareholders' Meeting held on November 24, 2006, the Company's shareholders approved the proposal to list the Company's shares on BOVESPA (São Paulo Stock Exchange) joining the BOVESPA New Market ("*Novo Mercado*"). The registration of Publicly-Traded Company was provided by the CVM (Brazilian Securities and Exchange Commission) on February 7, 2007. The Company conducted an initial public offering of 13,000,000 common shares, which resulted in a capital increase of R$ 260,000.

1.2. Association with COPERSUCAR

The Company and its wholly-owned subsidiary Usina São Martinho S.A., and also the jointly-owned indirect subsidiary Usina Santa Luíza S.A., are associated with the Cooperativa de Produtores de Cana, Açúcar e Álcool do Estado de São Paulo Ltda. – COPERSUCAR [Cooperative of Sugarcane, Sugar and Alcohol Producers of the State of São Paulo] (also called the "Cooperative"), whose cooperative by-laws signed by the parties require the Company to make available immediately and definitely to COPERSUCAR the total production of sugar and alcohol of the Company, the subsidiary Usina São Martinho S.A., and the jointly-owned indirect subsidiary Usina Santa Luíza S.A.

As established in COPERSUCAR's by-laws, revenues from the sale of these products and expenses incurred due to the Cooperative's operations are allocated by COPERSUCAR to each cooperative member, proportionally to the products made available, regardless of the physical amount removed from the cooperative members' warehouses. As stated in its annual financial statements, COPERSUCAR uses the accrual basis to allocate revenues and expenses to its cooperative members in conformity with Brazilian accounting practices and Regulatory Opinion 66, issued by the CST (Coordination of the Tax System) on September 5, 1986.

The amounts of revenues and expenses calculated by COPERSUCAR upon the apportionment to each cooperative member, including the inventory amounts to be allocated to cost of sales, are reported monthly by COPERSUCAR to its cooperative members in specific and detailed reports according to the nature of the event. The total amount is recorded in accounting books and presented in the Cooperative's financial statements, which are prepared in accordance with Brazilian accounting practices and audited by independent auditors, ending March 31 of each year (April 30, up to 2006).

1.3. Partial spin-off of assets and liabilities

On March 31, 2006, the Company and its subsidiary Usina São Martinho S.A. completed a spin-off of certain assets and liabilities not related to sugarcane plantation and sugar and alcohol production, which were transferred to affiliates. The spin-off was approved at the Extraordinary Shareholders' Meetings of both companies, held on April 30, 2006.

The balances of revenues, expenses and the related tax effects arising from spun-off assets and liabilities for the nine-month period ended December 31, 2006 are presented in specific lines of the individual and consolidated statements of operations, for purposes of segregation of other balances representing sugarcane plantation and sugar and alcohol production, allowing for a comparative analysis of the Company's operations for that nine-month period without such effects.

In the nine-month period ended December 31, 2006, the main impact of the spun-off assets and liabilities (Company and Consolidated) on income derives from the loss of equity in subsidiaries of R$ 276.

1.4. Ownership interest in the jointly-owned indirect subsidiary Mogi Agrícola S.A.

On May 5, 2006, the wholly-owned subsidiary Usina São Martinho S.A. acquired 2,039,057 common shares from a Mogi Agrícola S.A. shareholder for R$ 7,233, increasing its ownership interest in that subsidiary to 30.86%. In addition to this acquisition, on May 17, 2006, Usina São Martinho, S.A. granted an intercompany loan of R$ 7,116, payable in 24 months, to the same shareholder, which still holds 2,039,056 common shares (corresponding to 15.16% of total capital) of Mogi Agrícola S.A. This loan is subject to monetary adjustment corresponding to the income distributed by Mogi Agrícola S.A. on any account during the period in which the loan is in effect. Usina São Martinho S.A. will also exercise the voting right arising from the shares held by this shareholder during the loan period. In view of the strategic interest of Usina São Martinho S.A. in Mogi Agrícola S.A.'s operations and the possibility that this loan may be settled through the delivery of 2,039,056 shares of Mogi Agrícola S.A. to Usina São Martinho S.A., according to the agreement between the parties, Usina São Martinho S.A. recorded this transaction as an acquisition, increasing its ownership interest in Mogi Agrícola S.A. to 46.02%. There was no amendment to the shareholders' agreement of Mogi Agrícola S.A. arising from these transactions, and Mogi Agrícola S.A. continued to be a jointly-owned subsidiary of Usina São Martinho S.A. These increases in ownership interest resulted in a negative goodwill of R$ 358, calculated based on Mogi Agrícola S.A.'s financial statements as of April 30, 2006, conformed to the accounting practices of the parent company.

1.5. Merger of shares of Usina São Martinho S.A. into the Company

At the Extraordinary Shareholders' Meeting held on September 28, 2006, the shareholders of Usina São Martinho S.A. approved the merger of all its shares into the Company, based on Usina São Martinho S.A.'s financial statements as of April 30, 2006. This operation was approved by the Company's shareholders at the Extraordinary Shareholders' Meeting held on the same date. The ratio of exchange of Usina São Martinho's shares for the Company's shares was determined through a business valuation of both companies by an independent specialized firm. After this merger, Usina São Martinho S.A. became a wholly-owned subsidiary of the Company. As provided for in the share merger agreement, the Company recorded the income of Usina São Martinho S.A. as equity in subsidiaries, beginning May 1, 2006. The effects on income, resulting from the change in the consolidation percentage of the subsidiary Usina São Martinho S.A., related to May and June 2006, were recorded in the accounting books beginning on the date of the Extraordinary Shareholders' Meeting that took place on September 28, 2006. The effects of this merger of shares are shown in note 24, comprising also April 2006, referring to the nine-month period ended December 31, 2006, for purposes of comparability with the nine-month period ended December 31, 2007.

1.6. Sale of interest in Usina Boa Vista S.A.

On March 26, 2007 the Company and its subsidiary Usina São Martinho S.A. sold to Mitsubishi Corporation, for R$ 7,890, a 10% interest (7,172,627 shares) in the jointly-owned subsidiary Usina Boa Vista S.A. ("Usina Boa Vista"), of which 2,151,788 shares (3% interest) were owned by the Company and 5,020,839 shares (7% interest) were owned by the subsidiary Usina São Martinho S.A. As a result, the Company's interest in in Usina Boa Vista is now 27% (90% - Consolidated).

1.7. Acquisition of companies by the jointly-owned subsidiary Etanol Participações S.A.

On April 12, 2007, Etanol Participações S.A., a holding company composed of the subsidiary Usina São Martinho S.A., together with Cosan S.A. Indústria e Comércio and Santa Cruz S.A. Açúcar e Álcool, with interests of 41.67%, 33.33% and 25.00%, respectively, acquired Usina Santa Luiza S.A, whose management is shared by them, with a board of directors and an executive board composed of representatives of each shareholder. The acquisition value of Usina Santa Luiza S.A. was R$ 184,080. Etanol Participações S.A. also acquired Agropecuária Aquidaban S.A. from the shareholders of Usina Santa Luíza S.A., for R$ 61,360.

In order to achieve one of the objectives of referring acquisition, related to obtain operating and administrative synergies, on December 10, 2007 the shareholders of Etanol Participações S.A. announced their decision to absorb the operations of the jointly-owned subsidiaries Usina Santa Luiza S.A. and Agropecuária Aquidaban S.A. The activities of said subsidiaries will be developed directly by their shareholders, in accordance with each percentage of interest on the capital of Etanol Participações S.A., beginning the 2008/2009 crop.

On December 21, 2007, the subsidiary Usina São Martinho S.A., Cosan S.A. Indústria e Comércio and Santa Cruz S.A. Açúcar e Álcool resolved to conduct a full spin-off of the assets and liabilities of Etanol Participações S.A., which were transferred to Usina Santa Luiza S.A. and Agropecuária Aquidaban S.A. Such spin-off followed by merger was approved by the Extraordinary Shareholders' Meetings held on December 21, 2007. The spun-off and merged net assets, according to the book value appraisal report issued by independent experts, were R$ 226,948 as of October 31, 2007.

2. PRESENTATION OF INTERIM FINANCIAL STATEMENTS

At the Extraordinary Shareholders' Meeting held on September 28, 2006, the shareholders resolved to change the end of the Company's fiscal year to March 31 of every year, in line with the initiative of COPERSUCAR and the start and end of the sugarcane crop.

Due to the change in the Company's fiscal year end date and in order to allow the comparability of the interim financial statements, the individual and consolidated statements of operations for the previous year, presented in the interim financial statements, comprise the three-month and nine-month periods ended December 31, 2006. Previously, the Company filed interim financial statements for the quarter and nine-month period ended January 31, 2007 with the Brazilian Securities and Exchange Commission (CVM). The statements of operations for the quarter and nine-month period ended December 31, 2006, including the combined balances mentioned in note 24, comprise certain cost reallocations among periods of the respective year, related to depreciation, whose recognition method was modified in the current year for the crop period (previously the straight-line method was adopted) based on the annual rates defined in note 11 and production estimates during the crop months, in order to allow comparability with the statements of operations for the quarter and nine-month period ended December 31, 2007.

The individual and consolidated interim financial statements have been prepared in accordance with Brazilian accounting practices and consistently with the annual financial statements of the Company and its subsidiaries. The interim financial statements should be read together with such annual financial statements.

3. CONSOLIDATION CRITERIA

The consolidated balance sheets as of December 31 and September 30, 2007, and the consolidated statements of operations for the quarters and nine-month periods ended December 31, 2007 and 2006 consider the percentage of ownership interest in subsidiaries in effect on the respective dates and the applicable proportionate consolidation criteria. The consolidated balances include the following subsidiaries:

Company	Main activities
Usina São Martinho S.A. – 100% interest as of December 31, 2007 and September 30, 2007 and 11.4% interest up to April 30, 2006.	Sugarcane processing; own production and production acquired from third parties; manufacture and sale of sugar, alcohol and their by-products; agricultural production and cattle raising; import and export of goods, products and raw material; and holding of equity interests in other companies.

Company	Main activities
Usina Boa Vista S.A. - 27% interest as of December 31, 2007 and September 30, 2007 (90% including the interest of Usina São Martinho S.A.) and 30% up to March 26, 2007 (100% including the interest of Usina São Martinho S.A.).	Sugarcane processing; own production and production acquired from third parties; manufacture and sale of sugar, alcohol and their by-products; agricultural production and cattle raising; import and export of goods, products and raw material; and holding of equity interests in other companies. Usina Boa Vista S.A. is in the preoperating stage.
Omtek Indústria e Comércio Ltda. – 99.99% interest for all reported periods.	Sodium salt processing and sale in the foreign market. The operating cycle is the same as the parent company's, which is responsible for supplying (under specific conditions) raw material represented by sugarcane molasses, steam and electric power, inputs necessary for the company's production.

Usina São Martinho S.A. was a jointly-owned subsidiary until September 28, 2006, since no shareholder individually had ownership control over the company until that date, as established in paragraph 1, article 32 of CVM Instruction No. 247, of March 27, 2006. Due to the event described in note 1.5, related to the increase in the Company's interest in Usina São Martinho S.A. with the merger of shares approved at the Extraordinary Shareholders' Meeting on September 28, 2006, beginning in the second quarter of the year ended March 31, 2007 (i.e., October 31, 2006), the consolidation of the financial statements started being made considering a 100% interest in Usina São Martinho S.A. In compliance with the respective merger agreement, the Company recognized as equity in subsidiaries and consolidated Usina São Martinho S.A.'s results of operations beginning May 1, 2006. This fact should be considered in the comparative analysis of the consolidated statements of operations for the quarters and nine-month periods ended December 31, 2007 and 2006.

The interim financial statements of Usina São Martinho S.A are consolidated prior to the consolidation by the Company, using accounting practices and consolidation criteria consistent with those used by the Company.

The consolidation of Usina São Martinho includes the following subsidiaries:

- Usina Boa Vista S.A. - 63% interest as of December 31, 2007 and September 30, 2007 (70% interest up to March 26, 2007). Usina São Martinho S.A. fully consolidates Usina Boa Vista S.A, stating in a separate caption of its consolidated interim financial statements the 37% minority interest (30% up to March 26, 2007).

- Mogi Agrícola – 46.02% interest as of December 31 and September 30, 2007 (15.7% up to April 30, 2006) – see note 1.4. Mogi Agrícola S.A. is engaged in agricultural production and holding equity interests in other companies. Usina São Martinho S.A. is the parent company of Mogi Agrícola S.A. jointly with other shareholders under an agreement between them.

- Usina Santa Luiza S.A. – 41.67% interest as of December 31, 2007 and September 30, 2007 (at that date, through the jointly-owned subsidiary Etanol Participações S.A.). Usina Santa Luiza S.A. is engaged in the processing of sugarcane purchased from third parties, production of sugar and alcohol (all processes) traded through COPERSUCAR, fuel resale, import and export, cogeneration of electric power and other business-related services. Usina São Martinho S.A. is the parent company of Usina Santa Luiza S.A. jointly with other shareholders under an agreement between them.

- Agropecuária Aquidaban S.A. – 41.67% interest as of December 31, 2007 and September 30, 2007 (at that date, through the jointly-owned subsidiary Etanol Participações S.A.). Agropecuária Aquidaban S.A. is engaged in agricultural, livestock, and other directly related activities, mainly planting and trading of sugarcane exclusively for Usina Santa Luiza S.A. Usina São Martinho S.A.is the parent company of Agropecuária Aquidaban S.A. jointly with other shareholders under an agreement between them.

As mentioned in note 1.3, the spin-off of assets and liabilities not related to sugarcane plantation and sugar and alcohol production operations, which occurred on March 31, 2006, refers to investments in other companies that were not consolidated into the Company's statements of operations for the year ended April 30, 2006 and subsequent periods. The equity in subsidiaries arising from these investments is summarized and presented in the specific account "net loss from spun-off assets and liabilities" in the individual and consolidated statements of operations for the nine-month period ended December 31, 2006.

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

a) Elimination of interests in shareholders' equity of subsidiaries;

b) Elimination of investments and equity in subsidiaries;

c) Elimination of intercompany balances and unrealized profits arising from intercompany transactions;

d) Reclassification of negative goodwill in indirect subsidiaries to long-term liabilities – other.

4. CASH AND BANKS

Include deposits in bank accounts available for immediate use. These balances reflect amounts resulting from the normal flow of operations of the Company and its subsidiaries and the use of such cash to pay commitments at the beginning of the month subsequent to the closing of the interim financial statements.

5. TEMPORARY CASH INVESTMENTS

		Company	
Type	Yield (weighted average rate)	12/31/07	09/30/07
Debenture repurchase agreements	101.10% of the CDI (interbank deposit rate) variation	5,098	-
CDB (bank certificates of deposit)	101.10% of the CDI variation	5,098	-
Fixed-income fund	99.59% of the CDI variation – weighted average rate	75,162	119,876
Total		85,358	119,876

		Consolidated	
Type	Yield (weighted average rate)	12/31/07	09/30/07
CDB	101.10% of the CDI variation	5,098	-
Repurchase agreements	100% of the CDI variation	-	996
Debenture repurchase agreements	101.3% of the CDI variation	2,340	3,848
Debenture repurchase agreements	100.52% of the CDI variation	-	7,099
Debenture repurchase agreements	101.10% of the CDI variation	5,098	-
Overnight	US dollar variation + floating rate of 2.68% to 2.75% p.a.	1,077	442
Fixed-income fund	99.59% of the CDI variation	75,739	144,844
Variable-income funds	100% of the CDI variation	-	628
Variable-income funds	80% of the CDI variation	-	2,395
Total		89,352	160,252

Repurchase and debenture repurchase agreements represent fixed-income investments backed by government securities, ensuring fixed rate yield as specified above, regardless of the change in the yield of the acquired securities.

The Company has invested in an exclusive fixed-income fund, which does not have any liabilities or other assets than quotes of other fixed-income funds managed by Financial Institutions in Brazil.

All investments may be redeemed within 30 days, without loss of yield.

6. RECEIVABLES FROM COPERSUCAR

Receivables from COPERSUCAR are similar to a current account, including amounts receivable for apportionment of sales of products and amounts deductible for apportionment of expenses and advances. The advances received that exceed the cooperative members' right arising from the apportionment of revenues and expenses are subject to interest equivalent to 100% of the daily DI (interbank deposit rate) disclosed by CETIP (Clearinghouse for the Custody and Financial Settlement of Securities), representing the average funding by COPERSUCAR. Other components of this account are not subject to interest.

Average collection periods are as follows:

- 12 days for alcohol sales in the domestic market;
- 21 days for alcohol sales in the foreign market ;
- 29 days for sugar sales in the domestic market;
- 23 days for sugar sales in the foreign market.

The above collection profile results in an expected average turnover of 20 days for these receivables as of December 31, 2007 (22 days as of September 30, 2007).

The apportioned operating expenses are offset against amounts receivable on a monthly basis.

COPERSUCAR passes on to the cooperative members any expenses arising from provisions for losses on end customers, in view of its management of the credit granting and collection processes. The Company identified no need to record an allowance for doubtful accounts in addition to the amounts passed on by COPERSUCAR. Historically, receivables from COPERSUCAR have not presented material losses.

7. INVENTORIES

	Company	
	12/31/07	09/30/07
Finished products transferred to Copersucar:		
Sugar and Alcohol	67,956	48,057
Sugarcane – crop treatment	22,356	23,603
Advances – purchases of sugarcane	3,328	2,750
Inputs, indirect materials, maintenance materials and other	9,484	10,279
Provision for inventory write-down to net realizable value	(5,768)	(4,588)
	97,356	80,101

	Consolidated	
	12/31/07	09/30/07
Finished products transferred to Copersucar:		
Sugar and Alcohol	178,727	173,140
Sodium salt	7,293	5,074
Sugarcane – crop treatment	82,267	73,355
Advances – purchases of sugarcane	24,954	38,868
Inputs, indirect materials, maintenance materials and other	27,783	31,628
Provision for inventory write-down to net realizable value	(7,873)	(5,261)
	313,151	316,804

As the Company's and subsidiaries' production is immediately made available to COPERSUCAR and the distribution to customers by the Cooperative is not necessarily linked to sales proportionally attributed to the Company and subsidiaries, the amount of sugar and alcohol inventory that is physically kept by the Company differs from the book balance of inventories . As of December 31, 2007, the Company, the subsidiary Usina São Martinho S.A. and the jointly-owned indirect subsidiary Usina Santa Luiza S.A. physically kept sugar and alcohol inventories in the amounts of R$ 86,083 (R$ 167,473 - Consolidated), and R$ 64,859 (R$ 173,078 - Consolidated) as of September 30, 2007, stated at average production cost. The Company and its subsidiaries are responsible for the physical safekeeping of inventories made available to COPERSUCAR that are stored in their facilities. The risk associated to the physical safekeeping of the alcohol made available to COPERSUCAR is mitigated through the purchase of insurance coverage, whose costs are charged to the Company and its subsidiaries.

8. RECOVERABLE TAXES

Recoverable taxes as of December 31, 2007 and September 30, 2007 are as follows:

	Company	
	12/31/07	09/30/07
COFINS (tax on revenue)	5,847	5,766
ICMS (state VAT)	1,714	1,668
IRPJ (corporate income tax)	10	997
IRRF (withholding income tax)	3,000	1,980
CSLL (social contribution tax)	208	537
PIS (tax on revenue)	1,272	1,251
Other	159	141
	12,210	12,340

	Consolidated	
	12/31/07	09/30/07
COFINS (tax on revenue)	9,746	10,071
ICMS (state VAT)	10,996	11,842
IRPJ (corporate income tax)	4,400	8,311
IRRF (withholding income tax)	4,732	3,226
CSLL (social contribution tax)	3,608	3,521
PIS (tax on revenue)	2,366	2,396
Other	646	620
	37,493	39,987

The balances of recoverable taxes arise from commercial transactions and prepayments. These balances are considered realizable by Management in the normal course of the Company's and subsidiaries' operations. The balances of ICMS, PIS and COFINS comprise credits derived from purchases of fixed assets.

9. RELATED-PARTY TRANSACTIONS

a) Company and consolidated balances:

	Company			
	12/31/07		09/30/07	
	Long-term assets	Current liabilities	Long-term assets	Current liabilities
Of subsidiaries:				
Usina São Martinho S.A.	834	-	263	-
Omtek Ind. e Com. Ltda.	3,402	116	4,488	-
Usina Boa Vista S.A.	32,674	-	16,363	-
Subtotal	36,910	116	21,114	-
Of shareholders, arising from purchase of sugarcane (suppliers)	-	858	-	132
	36,910	974	21,114	132

	Consolidated			
	12/31/07		09/30/07	
	Long-term assets	Current liabilities	Long-term assets	Current liabilities
Of indirect subsidiary:				
Mogi Agrícola S.A.	20	103	1	6
Of shareholders, arising from purchase of sugarcane (suppliers)		2,850		2,869
	20	2,953	1	2,875

The balances with subsidiaries refer to advance for future capital increase and other intercompany transactions.

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

b) Company's transactions

	12/31/07 (quarter)		12/31/06 (quarter)		
	Financial expenses and cost	Sales revenue	Financial income	Financial expenses and cost	Sales revenue
Usina São Martinho S.A.	-	139	-	561	901
Omtek Ind. e Com. Ltda.	-	1,811	16	-	2,908
Usina Boa Vista S.A.	-	112	-	-	-
Rental of properties from shareholders	16	-	-	16	-
Purchase of sugarcane from shareholders	497	-	-	390	-
	513	2,062	16	967	3,809

Intercompany transactions refer to revenues and expenses related to revenue from sale of molasses, electric power and steam to Omtek Indústria e Comércio Ltda., sale of agricultural products to Usina São Martinho S.A., rental of properties and purchase of sugarcane from shareholders.

The consolidated amounts of purchases of sugarcane from shareholders for the quarters ended December 31, 2007 and 2006 were R$ 99 and R$ 406, respectively.

10. INVESTMENTS

The Company's investments in subsidiaries are as follows:

10.1. In subsidiaries:

	12/31/07			
	Usina São Martinho S.A.	Usina Boa Vista S.A.	Omtek Indústria e Comércio Ltda.	Total
In subsidiaries:				
Shares held (thousands)	23,500	71,726	5,598	
Ownership interest	100%	27%	99.99%	
Capital	60,000	71,726	10,518	
Shareholders' equity	1,007,364	76,111	19,684	
Net loss for the quarter	(3,566)	-	(1,389)	
Changes in investments:				
Balances as of September 30, 2007	999,834	20,550	20,793	1,041,177
Capital increase	11,095	-	280	11,375
Equity in subsidiaries	(3,566)	-	(1,389)	(4,955)
Balances as of December 31, 2007	1,007,363	20,550	19,684	1,047,597

	09/30/07			
	Usina São Martinho S.A.	Usina Boa Vista S.A.	Omtek Indústria e Comércio Ltda.	Total
In subsidiaries:				
Shares held (thousands)	23,500	71,726	5,598	
Ownership interest	100%	27%	99.99%	
Capital	48,905	71,726	10,238	
Shareholders' equity	1,005,228	76,111	20,793	
Net loss for the quarter	(16,735)	-	(798)	
Changes in investments:				
Balances as of June 30, 2007	984,533	20,550	16,951	1,022,034
Capital increase	32,036	-	4,640	36,676
Equity in subsidiaries	(16,735)	-	(798)	(17,533)
Balances as of September 30, 2007	999,834	20,550	20,793	1,041,177

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

As of December 31, 2007, the following plots of land were pledged as collateral for lawsuits and loans: 5,945 hectares of land used in sugarcane planting by the subsidiary Usina São Martinho S.A., in the revalued book value of R$ 120,943, of which 3,553 hectares of land worth R$ 72,931 for the Company and 2,392 hectares of land worth R$48,012 for the subsidiary Usina Boa Vista S.A.

10.2. Goodwill, spin-off and merger of Etanol Participações S.A.

As mentioned in Note 1.7, the jointly-owned indirect subsidiary Etanol Participações S.A. acquired interest in Usina Santa Luiza S.A. and Agropecuária Aquidaban S.A. for R$ 184,080 and R$ 61,360, respectively, recording total goodwill in the amount of R$ 210,117, of which R$ 154,013 refers to the acquisition of Usina Santa Luiza S.A. and R$ 56,104 refers to the acquisition of Agropecuária Aquidaban S.A., based on their financial statements as of March 31, 2007.

The goodwill paid by Etanol Participações S.A. on the acquisitions was segregated into future earnings (amount recorded in consolidated noncurrent assets - investments) and appreciation of assets. The portion of goodwill attributable to the appreciation of assets was determined based on the appraisal report issued by independent experts. The portion of goodwill attributable to future earnings, in the amount of R$ 49,106, will be amortized over a period not in excess of ten years, according to the expected investment return provided for in the economic value report issued by independent experts. Based on the forecasted results for each acquired company - Agropecuária Aquidaban S.A. will incur loss in the first year following the acquisition, while Usina Santa Luzia S.A. will report profit - the amount of R$ 15,691 of goodwill related to Agropecuária Aquidaban S.A. will begin to be amortized in April 2008, with an amortization percentage estimated at 10.65% in the first year, and R$ 33,415 related to Usina Santa Luzia S.A. began to be amortized this year, based on the percentage of 2.40% per year. The amortization for the quarter ended December 31, 2007 was R$ 700 (R$ 1,052 for the nine-month period ended December 31, 2007).

As mentioned in note 1.7, on December 10, 2007 the shareholders of Etanol Participações S.A. announced to the market the discontinuation of the operations of the jointly-owned subsidiaries Usina Santa Luiza S.A. and Agropecuária Aquidaban S.A. Subsequently, on December 21, 2007, the shareholders of Etanol Participações S.A. resolved to conduct a full spin-off of Etanol Participações S.A.'s assets and liabilities, which were transferred to Usina Santa Luiza S.A. and Agropecuária Aquidaban S.A. The ownership interests of Etanol Participações S.A. in Usina Santa Luiza S.A. and Agropecuária Aquidaban S.A. were eliminated, and the shares previously held by Etanol Participações S.A. on Usina Santa Luiza S.A. and Agropecuária Aquidaban S.A. were transferred to its shareholders.

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

Such review was based on independent experts' economic appraisal report, taking into consideration the absortion of the operations of the subsidiaries by its shareholders and the sale of a significant portion of their fixed assets. The portion of assets held for sale was reclassified in the consolidated balance sheet to a specific caption in noncurrent assets, by the amount of the historic accounting cost plus the respective goodwill, which comprise the estimated realizable value, as determined in a report issued by independent appraisers. The assets that will not be sold remain classified in the caption of property, plant and equipment by the historic accounting cost plus the respective goodwill. The portion of goodwill related to the future profitability, net of the related tax benefit, is supported by independent experts' economic appraisal report, taking into consideration the new operating scenary determined in December 2007.

The portion of goodwill related to the future profitability will be amortized in a period not in excess of 10 years, according to the expected return on investment as set forth in the independent experts' report, following the new operating scenary of the investment. The appreciation of assets will be amortized in accordance with their depreciation or disposal. The appreciation of assets held for sale will be amortized at the realization of such assets. The tax benefit arose related to the future profitability will be amortized in accordance with its effective utilization in the effective tax calculations subsequent to December 31, 2007.

After said events, the distribution of the net balance of remaining goodwill as of December 31, 2007, is as follows:

	Balance of goodwill
Future profitability	38,462
Appreciation of assets held for sale	27,936
Appreciation of fixed assets	285
Tax benefit related to the portion of future profitability (Deferred taxes)	19,814
Total	86,497

11. PROPERTY, PLANT AND EQUIPMENT

	Company				
	12/31/07				09/30/07
	Cost	Revaluation	Accumulated depreciation	Net	Net
Land	20,301	293,200	-	313,501	313,501
Buildings and premises	12,668	11,084	(4,371)	19,381	15,169
Industrial equipment and facilities	52,801	88,478	(33,924)	107,355	81,764
Vehicles	7,152	8,615	(3,335)	12,432	12,955
Agricultural machinery and implements	21,890	21,484	(9,842)	33,532	31,870
Sugarcane crops	100,950	-	(34,504)	66,446	66,913
Other	13,355	-	(5,628)	7,727	7,117
Construction in progress	9,326	-	-	9,326	42,276
Total	238,443	422,861	(91,604)	569,700	571,565

	Consolidated				
	12/31/07				09/30/07
	Cost	Revaluation	Accumulated depreciation	Net	Net
Land	92,227	905,368	-	997,595	997,512
Buildings and premises	31,049	47,642	(10,561)	68,130	68,659
Industrial equipment and facilities	142,659	340,304	(143,238)	339,725	339,265
Vehicles	31,732	30,450	(9,970)	52,212	50,088
Agricultural machinery and implements	88,701	70,219	(30,321)	128,599	128,846
Sugarcane crops	382,933	-	(112,561)	270,372	255,619
Other	115,150	-	(22,379)	92,771	93,040
Construction in progress	182,707	-	-	182,707	139,184
Total	1,067,158	1,393,983	(329,030)	2,132,111	2,072,213

In the quarter ended December 31, 2007, the Company invested R$ 4,099 (R$ 6,299 in the quarter ended December 30, 2006) in the development and/or renewal of sugarcane plantation, and R$ 24,898 (R$ 26,493 in the quarter ended December 31, 2006) in consolidated.

As of December 31, 2007, the Company's balance of construction in progress refers to boiler soot treatment system, fermentation process, adjustment of the vinasse application process and improvements of the plant. The consolidated balance of construction in progress also includes improvements of the plant of the subsidiary Usina São Martinho S.A. related to improvements of the electricity self-sufficiency system, and improvements of the sugar granularity and temperature, in addition to construction works of the plant of the indirect subsidiary Usina Boa Vista S.A.

The sugar warehouses and alcohol tanks of the Company and its subsidiary Usina São Martinho S.A. are granted on a commodatum basis to COPERSUCAR, free of charge, for storage of the production made available for sale by the Cooperative.

As of December 31, 3007, R$ 364,429 of fixed asset items were pledged as collateral for certain loans and financing of the Company and its subsidiaries. These items are mostly represented by industrial equipment and facilities, and agricultural machinery and implements. In addition, the amount of R$ 201,439 (R$ 498,516 - consolidated) in land was pledged as collateral for securitized rural credits, recorded in current and long-term liabilities.

As described in note 3, to update the revaluation recorded in April 2003, in conformity with the frequency established by the Pronouncement of the Brazilian Institute of Independent Auditors (IBRACON), as of March 31, 2007, the Company, its wholly-owned subsidiary Usina São Martinho S.A. (including respective subsidiaries) and the subsidiary Omtek Indústria e Comércio Ltda. recorded a revaluation of land, buildings, industrial equipment and facilities, based on appraisal reports issued by independent experts.

The amount of goodwill mentioned in note 10.2, related to the appreciation of assets, is included in the column “revaluation” and distributed among the assets that gave rise to it, with impact only on the consolidated balances, in the amount of R$ 285 as of December 31 (R$ 37,577 as of September 30, 2007), gross of the respective depreciation.

The consolidated balances of revaluation of property, plant and equipment, net of depreciation and gross of deferred charges, as of December 31 and September 30, 2007, were R$ 1,328,286 and R$ 1,375,574, respectively, of which R$ 923,177 and R$ 966,993, respectively, are derived from subsidiaries, already including the goodwill mentioned in the previous paragraph. Taxes levied on the depreciable portion of the revaluation are recorded in noncurrent liabilities, as deferred income and social contribution taxes (note 17).

Depreciation and write-offs of revaluation which impacted the results for the quarters ended December 31, 2007 and 2006 totaled R$ 12,990 and R$ 7,557, respectively, net of amounts allocated to inventories and gross of taxes, in consolidated. The variations in these amounts between the reported quarters are due to the effects of the revaluation recorded as of March 31, 2007.

As of March 31, 2007, revalued assets began to be depreciated based upon their estimated remaining useful life specified in the revaluation report at the following weighted average rates below, when applicable:

	Annual depreciation rates	
Property, plant and equipment	Company	Consolidated
Buildings and premises	7.49%	7.03%
Industrial equipment and facilities	14.34%	13.96%
Vehicles	23.08%	21.59%
Agricultural machinery and implements	12.08%	13.51%

12. DEFERRED CHARGES

Deferred charges represent costs related to the implementation of an integrated management system in the subsidiary Usina São Martinho S.A., and the amortization is calculated under the straight-line method, considering an estimated useful life of 5 years; and costs incurred on the construction of the industrial plant of the indirect subsidiary Usina Boa Vista S.A., which is still in the preoperating stage, whose amortization will be calculated when the plant starts its regular operations, under the straight-line method, based on a rate to be timely defined according to the estimated time of the future benefit.

13. LOANS AND FINANCING

Type	Charges	Maturity	Company 12/31/07	Company 09/30/07
In local currency:				
Securitized rural credits	IGP-M (General market price index) paid annually	Annual installments with final maturities between September 2018 and July 2020	40,434	40,395
Rural credit	Fixed-rate weighted average interest of 7.67% p.a. paid on final maturity of contracts	Single installment with final maturities between February 2008 and July 2008	11,676	8,114
Finame / BNDES loan	TJLP (long-term interest rate) + weighted average interest of 4.13% p.a. paid monthly	Monthly installments with final maturities between January 2008 and Junho 2012	31,359	33,313
Finame / BNDES loan	Fixed-rate weighted average interest of 11.94% p.a. paid monthly	Monthly installments with final maturities between January 2008 and April 2011	11,746	13,052
Other securitized credits	Fixed-rate interest of 3% p.a paid annually	Annual installments with maturity in October 2025	81	85
Working capital	Fixed-rate weighted average interest of 0.75% p.a. + Variation of 100% of CDI OVER CETIP (average rate for interbank loans for one day registered with CETIP) paid on final maturities of contracts	Single installment with final maturities between November 2008 and December 2008	7,487	-
In foreign currency:				
Finame / BNDES loan	Currency basket (Dollar, Euro and Yen) + fixed-rate weighted average interest of 12.01% p.a. paid monthly	Monthly installments with final maturity between January 2008 and March 2009	815	871
Total			103,598	95,830
Current liabilities			41,763	29,470
Long-term liabilities			61,835	66,360

Type	Charges	Maturity	Consolidated 12/31/07	09/30/07
In local currency:				
Securitized rural credits	IGP-M (General market price index) paid annually	Annual installments with final maturities between September 2018 and July 2020	117,271	115,663
Rural credit	Fixed-rate weighted average interest of 7.5% p.a. paid on final maturity of contract	Single installment with final maturities between January 2008 and November 2008	61,016	60,179
Rural credit	Fixed-rate interest of 9.973% p.a. + monetary adjustment of TR (managed prime rate) paid on final maturity of contract	Single installment with maturity in November 2008	7,086	-
Finame / BNDES loan	Quarterly TJLP (long-term interest rate) + weighted average interest of 2.56% p.a. paid monthly	Monthly installments with final maturities between January 2008 and March 2015	289,781	226,286
Finame / BNDES loan	Fixed-rate weighted average interest of 11.73% p.a. paid monthly	Monthly installments with final maturities between January 2008 and November 2019	49,934	47,269
Working capital	TR+ Interest of 12.99% p.a. paid on final maturity of contract	Single installment with maturity in October 2007	-	283
Working capital	Fixed-rate weighted average interest of 0.745% p.a. + Variation of 100% of CDI OVER CETIP (average rate for interbank loans for one day registered with CETIP) paid on final maturities of contracts	Single installment with final maturity between November 2008 and December 2008	20,629	-
Swap	Fixed-rate interest of 2.35% p.a. + Variation of 100% of CDI OVER CETIP paid on final maturities of contracts	Single installment with maturity in January 2008	1,252	-
Other securitized credits	Fixed-rate interest of 3% p.a. paid annually	Single installment with maturity in October 2025	148	154
In foreign currency:				
Finame / BNDES loan	Currency basket (Dollar, Euro and Yen) + fixed rate of 8.45% p.a. paid monthly	Monthly installments with final maturities between January 2008 and April 2015	22,881	17,260
Commercial papers	US dollar variation + 9% p.a. paid semiannually	Single installment with final maturity in July 2011	-	9,332
Total			569,998	476,426
Current liabilities			151,992	119,828
Long-term liabilities			418,006	356,598

Loans and financing are guaranteed by mortgages, liens on property, plant and equipment, including land, promissory notes, cash investments and liens on agricultural and industrial equipment. The land offered as collateral for loans and financing refers to sugarcane plantation areas.

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

	12/31/07	
	Company	Consolidated
From 1/1/09 to 12/31/09	17,028	69,274
From 1/1/10 to 12/31/10	9,622	67,429
From 1/1/11 to 12/31/11	6,799	61,587
From 1/1/12 to 12/31/12	3,836	51,661
From 1/1/13 to 12/31/13	3,517	49,682
From 1/1/14 to 12/31/26	21,033	118,373
	61,835	418,006

Based on Central Bank of Brazil Resolution No. 2471/98 and other current legal provisions, in 1998, 1999 and 2000 the Company and its subsidiary Usina São Martinho S.A. securitized debts with financial institutions, by means of the acquisition of CTNs (National Treasury Certificates) in the secondary market, as collateral for the payment of the principal. The securitized financing will be automatically settled on the maturity dates upon the redemption of the CTNs, which are under the custody of the creditor financial institutions. Said certificates are non-negotiable and are exclusively intended for paying this debt. The Company's and its subsidiary Usina São Martinho's disbursement during the 20 years in which this securitization is effective is limited to the annual payment of amounts equivalent to variable percentages between 3.90% and 4.96% per year on the securitized amount monetarily adjusted based on the IGP-M (general market price index) through the annual payment date. This obligation was recorded in the individual and consolidated interim financial statements as of December 31, 2007 and September 30, 2007 according to the amount of these future disbursements. The balance of this obligation is subject to adjustment based on the IGP-M variation.

14. TRADE ACCOUNTS PAYABLE

	Company	
	12/31/07	09/30/07
Sugarcane	7,151	7,703
Materials, services and other	9,227	10,174
	16,378	17,877

	Consolidated	
	12/31/07	09/30/07
Sugarcane	19,874	49,087
Materials, services and other	38,741	39,582
	58,615	88,669

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

15. PAYABLES TO COPERSUCAR

COPERSUCAR provides funds to its cooperative members through bills of exchange aimed at financing their operations. These funds come from the following sources:

(a) Funds obtained by the Cooperative in the market and transferred to cooperative members with short-term maturity;

(b) The Cooperative's temporary cash surplus arising from injunctions in lawsuits claiming the suspension of liabilities. This cash surplus is related to provisions for contingencies recorded by the Cooperative in long-term liabilities. Accordingly, the Company also records these liabilities in long-term liabilities. However, in case of an unfavorable outcome in lawsuits in which the Cooperative obtained an injunction, the Company may be required to disburse, within 120 days, the amount that was transferred to it.

The Company's payables to COPERSUCAR are as follows:

	Company	
	12/31/07	09/30/07
Exchange bill – Updated from 92.0% to 105.5% of the CDI (interbank deposit rate)	20,904	10,105
Exchange bill – Updated based on SELIC (Central Bank overnight rate)	31,823	31,862
Exchange bill – Onlending not subject to charges	22,096	22,289
Exchange bill – Updated based on TJLP (long-term interest rate)	6,195	6,404
Exchange bill - Updated based on the US dollar variation + interest of 5.65% p.a.	2,737	2,919
Total	83,755	73,579
Current liabilities	23,385	10,467
Long-term liabilities	60,370	63,112

	Consolidated	
	12/31/07	09/30/07
Exchange bill – Updated from 92.0% to 105.5% of the CDI	84,175	42,338
Exchange bill – Updated based on SELIC	122,027	124,648
Exchange bill – Onlending not subject to charges	83,849	82,402
Exchange bill – Updated based on TJLP	18,923	19,358
Exchange bill - Updated based on the US dollar variation + interest of 5.65% p.a.	9,605	10,243
Total	318,579	278,989
Current liabilities	91,853	39,779
Long-term liabilities	226,726	239,210

All obligations of the Company, its wholly-owned subsidiary Usina São Martinho S.A. and its jointly-owned subsidiary Usina Santa Luiza S.A. with COPERSUCAR are guaranteed by directors' collateral signatures. Exchange bill amounts that exceed the indebtedness limit established in the Cooperative agreement are collateralized also by bank guarantees. Considering the indebtedness limits in each period, it was not necessary to issue bank guarantees for the quarters ended December 31 and September 30, 2007.

16. SHAREHOLDERS' EQUITY

(a) Capital

Capital as of December 31, 2007 is represented by 113,000,000 registered common shares without par value.

Shareholders are entitled to receive a minimum dividend of 25% (6% in December 2006) on net income for the year, after the recognition of the legal reserve.

Following is a summary of changes in accumulated deficit and total shareholders' equity for the quarter ended December 31, 2007:

	Accumulated deficit	Shareholders' equity
As of September 30, 2007:	(17,458)	1,629,001
Realization of revaluation reserve	8,573	-
Loss for the quarter	(6,740)	(6,740)
As of December 31, 2007:	(15,625)	1,622,261

17. PROFIT SHARING PROGRAM

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

The profit sharing as of December 31, 2007, recorded as operating costs or expenses in the consolidated statement of operations for the quarter, was R$ 1,707 (R$ 2,731 for the quarter ended December 30, 2006).

18. INCOME AND SOCIAL CONTRIBUTION TAXES

a) Deferred income and social contribution taxes:

	Company		Consolidated	
	12/31/07	09/30/07	12/31/07	09/30/07
Assets				
Income tax loss carryforwards	27,291	26,634	44,477	40,427
Social contribution tax loss carryforwards	10,484	10,248	18,209	16,736
Provision for contingencies	2,192	2,074	19,808	19,446
Securitized financing	-	-	3,214	3,742
Income and social contribution taxes on goodwill absorbed	-	-	19,814	-
Other	3,889	3,294	7,286	5,072
Deferred income and social contribution tax assets	43,856	42,250	112,808	85,423
Liabilities				
Revaluation of assets	(30,690)	(31,770)	(141,343)	(145,755)
Accelerated depreciation	(27,500)	(26,152)	(81,467)	(73,461)
Securitized financing	(7,328)	(6,826)	(7,328)	(6,826)
Other	(22)	(22)	(22)	(22)
Deferred income and social contribution tax liabilities	(65,540)	(64,770)	(230,160)	(226,064)
Total net – (Liabilities)	(21,684)	(22,520)	(117,352)	(140,641)

Tax losses can be carried forward indefinitely to be offset against 30% of annual taxable income, without monetary adjustment or interest. Deferred tax credits arising from tax loss carryforwards are recognized based on projections of taxable income of the Company and its subsidiaries, which support the recovery of the tax credits in accordance with applicable accounting practices. On a conservative basis, the Company classifies all deferred tax credits into long-term assets.

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

The Company is currently reviewing its projections of future results, considering the aspects related to expected prices of its products in local and international markets, the recent acquisition of jointly-owned subsidiaries, the investments in Usina Boa Vista and the opportunities to diversify its operations. The assumptions adopted to assess the recovery of the deferred tax assets up to the quarter ended September 30, 2007 are outdated due to such aspects. The projections of taxable income for the recovery of the deferred tax assets for the next years will be prepared after the conclusion of theses analyses and will be submitted to the approval by the Executive Board before the disclosure of the financial statements for the year ending March 31, 2008.

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

Company	12/31/07 – quarter		12/31/06 – quarter	
	Income tax	Social contribution tax	Income tax	Social contribution tax
Income (loss) before income and social contribution taxes and income (loss) from spun-off net assets	(7,576)	(7,576)	19,707	19,707
Statutory rates - %	25%	9%	25%	9%
Income and social contribution taxes at statutory rates	1,894	682	(4,927)	(1,774)
Reconciliation to effective rate:				
Permanent differences				
Equity in subsidiaries	(1,239)	(446)	1,872	674
Other permanent differences	(40)	(15)	(51)	(20)
PAT (Workers' Meal Program)	-	-	172	-
Income and social contribution taxes	615	221	(2,934)	(1,120)
Income and social contribution taxes	836		(4,054)	

Consolidated:

	12/31/07 – quarter		12/31/06 – quarter	
	Income tax	Social contribution tax	Income tax	Social contribution tax
Income (loss) before income and social contribution taxes and income (loss) from spun-off net assets	(8,527)	(8,527)	22,662	22,662
Statutory rates - %	25%	9%	25%	9%
Income and social contribution taxes at statutory rates	2,132	767	(5,665)	(2,040)
Reconciliation to effective rate:				
Permanent differences				
Nondeductible expenses	(818)	(294)	(206)	(79)
PAT (Workers' Meal Program)	-	-	981	-
Income and social contribution taxes	1,314	473	(4,890)	(2,119)
Income and social contribution taxes	1,787		(7,009)	

19. PROVISION FOR CONTINGENCIES

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

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

	Company				
	09/30/07	Additions	Uses	Monetary adjustments	12/31/07
Tax	2,948	-	-	10	2,958
Civil	1,952	-	-	34	1,986
Labor	3,362	290	(87)	100	3,665
	8,262	290	(87)	144	8,609
(-) Escrow deposits	(3,591)	-	-	(106)	(3,697)
Total	4,671	290	(87)	38	4,912

	Consolidated				
	09/30/07	Additions	Uses	Monetary adjustments	12/31/07
Tax	42,310	1,103	-	371	43,784
Civil	3,592	-	-	62	3,654
Labor	46,612	1,567	(2,437)	1,249	46,991
	92,514	2,670	(2,437)	1,682	94,429
(-) Escrow deposits	(21,327)	-	-	(5,237)	(26,564)
Total	71,187	2,670	(2,437)	(3,555)	67,865

As of December 31, 2007, the nature of the main lawsuits assessed by Management as probable loss based on the legal counsel's opinion and which, therefore, were included in the above provisions is as follows (Company and Consolidated):

a) Tax lawsuits:

(i) Offset of tax loss carryforwards: Federal tax authorities filed a tax collection action to collect the IRPJ (corporate income tax) for 1997, when the wholly-owned subsidiary Usina São Martinho S.A., supported by a lawsuit, offset tax losses determined from 1992 to 1996 without complying with the 30% limit required by Law No. 8981/95. The total amount involved in this lawsuit is R$ 10,581 (Consolidated).

(ii) Offset of tax loss carryforwards of merged company: Federal tax authorities filed a tax collection action to collect the IRPJ for the period from October 1997 to March 1998, which was not paid by the company merged into the wholly-owned subsidiary Usina São Martinho S.A. due to the offset of tax losses incurred between 1992 and 1994 without complying with the 30% limit required by Law No. 8981/95.The total amount involved is R$ 20,001 (Consolidated).

(iii) Social contribution tax loss carryforwards: Federal tax authorities filed a tax collection action against Usina São Martinho S.A. to collect the CSLL (social contribution on net profit) for 1997, which was not paid due to the offset of social contribution tax loss carryforwards determined from 1992 to 1996. The total amount involved is R$ 8,850 (Consolidated).

(iv) Social Security Contribution on fringe benefits: The National Institute of Social Security (INSS) issed a tax debt assessment notice (NFLD) against the Company for collecting social security contributions on benefits paid to management and employees and classified by the tax authority as fringe benefits. These debts refer to the period from January 1999 to March 2006. A provision was recorded for the period from January 2001 to March 2006 in the amount of R$ 782 (Company and Consolidated), which corresponds to the portion assessed as remote risk.

(v) Other tax lawsuits involving: (i) INSS (social security contribution) at 2.6% for the period from November 1990 to November 1991; (ii) contribution to SENAR (National Rural Learning Service) for the period from November 1992 to September 1997; (iii) SAT (Occupational Accident Insurance) for the period from February 1993 to April 1994; (iv) social security contribution for rural employees for the period from May to July 1994; (v) PIS (tax on revenue) basis for the period from December 2000 to November 2002; (vi) COFINS (tax on revenue) basis for the period from August 2001 to March 2003; (vii) FGTS (severance pay fund) and surtax on termination fine for the period from November 2001 to December 2002; (viii) INSS (social security contribution) related to profit sharing paid to employees in the period from January to August 2001, and (ix) IPI (federal VAT) deemed credit on materials used in the production process in the period from the 2nd quarter of 2000 to the 1st quarter of 2002. The total amount involved is R$ 2,176 (R$ 3,570 - Consolidated).

b) Civil lawsuits:

The Company and its subsidiaries have provisions for 17 civil lawsuits in which they are defendants, involving: (i) indemnity for property damage and pain and suffering for occupational illness and accidents; (ii) indemnity for property damage and pain and suffering for traffic accidents; (iii) rescission of residential land sale agreements; and (iv) public civil actions and tax foreclosure for sugarcane burning. These lawsuits total R$ 1,986 (R$ 3,654 – Consolidated).

c) Labor lawsuits:

The Company and its subsidiaries have provisions for contingencies for labor lawsuits in which they are defendants, involving claims for: (i) overtime; (ii) commute hours; (iii) indemnity for elimination of lunch break; (iv) hazardous duty premium and health hazard premium; (v) refund of payroll deductions such as union confederation dues, union dues, etc.; (vi) night shift premium; and (vii) continuity of employment relationship with the consequent payment of 13th salary and vacation pay plus 1/3 vacation bonus. These lawsuits total R$ 3,665 (R$ 46,991 – Consolidated).

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

Tax proceedings:

			Stage				
Subject		Number of proceedings	Administrative	Trial court	Lower court	Higher court	Total
(i)	Social security contribution	18	42,196	30,144	-	-	72,340
(ii)	Funrural *(rural worker assistance fund)*	3	-	-	34	6,197	6,231
(iii)	Negative balance of income tax (IRPJ)	5	3,462	2,155	173	-	5,790
(iv)	Offset of credits – PIS (tax on revenue)	2	3,122	-	1,407	-	4,529
(v)	Income tax on investment losses	2	-	-	1,462	-	1,462
(vi)	Offset of federal taxes	5	916	142	1,181	-	2,239
(vii)	Other tax proceedings	42	1,074	58	2,323	-	3,455
	Total	77	50,770	32,499	6,580	6,197	96,045

(i) *Social security contribution.* The National Institute of Social Security (INSS) filed four tax collection actions against the Company seeking collection of the social security contribution for 1997, since the amounts were determined according to Law No. 8212/92 and not according to Law No. 8870/94. At present, such tax collection actions are suspended because of an injunction intended to assure the Company's right not to pay the social security contribution according to Regulatory Guidance No 7/97 and Service Order No 157/97, alleging that the principles of legal security, equal treatment and contribution capacity, among others, were violated. The total amount of the tax collection actions is R$ 30,144. The case was not judged by the higher courts and is unresolved in the federal regional courts. There are favorable precedents (Injunction Appeal No 98.05.39590-1 – 1st Panel of the Federal Regional Court of the 5th Region and Bill of Review No. 1998.01.00.043888-1 – 2nd Panel of the Federal Regional Court of the 1st Region) and unfavorable precedents (Injunction Appeal No 94.03.047472-6 – 2nd Panel of the Federal Regional Court of the 3rd Region). On the other hand, Law No. 10,736 of September 15, 2003 was published, permitting remission of social security debts for the period from April 1994 to April 1997, relating to the payment of this social security contribution, by agribusiness companies based on Law No. 8870/94; however, the INSS understood that the remission would not apply to the total amount of the debt, despite the classification of the social security debts under tax collection actions into Law No. 10,736/2003. Thus, as the remission of said social security debts will depend on an analysis of the peculiarities of the case, the Company's legal counsel understands that an unfavorable outcome is possible

(ii) The National Social Security Institute (INSS) filed a tax debt assessment notice (NFLD) against the Company seeking to collect the social security contribution due by agribusiness companies for the period from November 2001 to April 2002, as a result of the amounts being determined based on Law No. 8212/91, without taking into consideration the changes introduced by Law No. 10,256/2001. The tax debt assessment notice also seeks the collection of contributions for the period from November 2001 to March 2006 (interrupted), upon the delivery of the production to Copersucar for later sale and not upon the recognition of revenue based on Regulatory Opinions CST No 77/76 and No. 66/86, in relation to the total gross revenue earned based on Regulatory Instruction MPS/SRP No 03/2004. A tax debt assessment notice (NFLD) was also issued against the wholly-owned subsidiary Usina São Martinho S.A. seeking to collect social security contribution on revenues from exports made through Copersucar. The total amount involved in this proceeding is R$ 29,734. The payment requirement is suspended as a result of an administrative appeal filed by the Company based on the understanding that revenues from exports to foreign markets, made through Coopersucar, are exempt from social security contribution, based on article 149, paragraph 1 of the Federal Constitution. The Company further believes that the taxable event is the sale of the production and not the delivery of the production to the Cooperative. The Company and its subsidiary São Martinho S.A. are discussing in court the tax immunity of revenues from exports to foreign markets through the Cooperative. The success of this discussion will depend on an analysis of the peculiarities of the case and the Company's legal counsel understands that an unfavorable outcome is possible.

(iii) The National Institute of Social Security (INSS) filed a tax debt assessment notice (NFLD) against the Company to collect payment of the contributions not withheld or withheld in lower amounts than required by legislation applicable to companies that contract services, corresponding to 11% of the gross value of the invoice, as set forth in article 31 of Law No. 8212/91, with wording of Law No. 9711/98. The total amount involved in this proceeding is R$ 9,086. The tax debt assessment notice is suspended as a result of the administrative appeal filed by the Company. The success in this case will depend on an analysis of the peculiarities of the case and the Company's legal counsel understands that an unfavorable outcome is possible.

(iv) The National Institute of Social Security (INSS) filed five tax delinquency notices against the Company for noncompliance with the accessory obligations established by Law No. 8212/91. The debts relate to the period from January 1999 to March 2006. The total amount involved in these proceedings is R$ 2,304. The tax debt assessment notices are suspended as a result of the administrative appeal filed by the Company. The success in this case will depend on an analysis of the peculiarities of the case and the Company's legal counsel understands that an unfavorable outcome is possible.

(v) The National Institute of Social Security (INSS) filed a tax debt assessment notice (NFLD) against the Company seeking to collect the social security contribution on benefits paid to management and employees and classified by the tax authority as fringe benefits. The debts relate to the period from January 1999 to March 2006. Based on the opinion of its legal counsel, the Company understands that for the amount of R$ 490, relating to the period from January 1999 to December 2000, the INSS's right to collect the tax has already expired, since the social security contributions are of a tax nature and are, therefore, subject to the prescreptive period established by Law No. 5172/66. The tax debt assessment notice is suspended as a result of the administrative appeal filed by the Company. The success in this case will depend on an analysis of the peculiarities of the case and the Company's legal counsel understands that an unfavorable outcome is possible for this period.

(vi) The National Institute of Social Security (INSS) filed a tax debt assessment notice (NFLD) and a tax delinquency notice against the Company to collect differences in the social security contributions on employees' compensation that are intended to finance premiums paid for environmental risks in the workplace. Based on the legal counsel's opinion, the Company understands that, for the amount of R$583 relating to the period prior to January 1, 2001, the INSS's right to collect the payment has already expired, since the social security contributions are of a tax nature and are, therefore, subject to the prescriptive period established by Law No. 5172/66. The tax debt assessment notice is suspended as a result of an escrow deposit made. The success in this case will depend on an analysis of the peculiarities of the case and the Company's legal counsel understands that an unfavorable outcome is possible for this period.

(vii) *Funrural (rural worker assistance fund).* The National Institute of Social Security (INSS) filed three tax collection actions against the subsidiary Usina São Martinho S.A, seeking collection of the Funrural contribution on the sale of the production acquired from suppliers for the periods from October 1991 to August 2001, based on Law No. 8212/91. The thesis discussed is that there was not sufficient legislation for the collection of this contribution, since Supplementary Law No. 11/71 was not considered by the Federal Constitution enacted in 1988 and, even if it had been considered, it would have been revoked by article 138 of Law No. 8213/91. Currently, two tax collection actions are in the Higher Courts due to an appeal against the unfavorable decision by the appellate court and a tax collection action is in the appeal stage. The amount involved is R$ 6,232. There is no established case law for the matters of the tax collection. The Company's legal counsel understands that an unfavorable outcome is possible.

(viii) *Negative balance of income tax (IRPJ).* Usina São Martinho S.A. filed a request for offset of credits derived from the negative balance of income tax of the merged company Usina São Martinho S.A. - Açúcar e Álcool for the year 1996, as stated in the Income Tax Return filed in 1997, against IRRF (withholding income tax), Cofins (tax on revenue), PIS (tax on revenue) and third parties' debts. For the determination of the negative balance for 1996, the IRRF on cash investments in 1993 and 1994 was offset. The Federal Revenue Service did not approve the offsets since it understood that the procedure adopted has no legal basis. Although there is an administrative appeal filed with the Board of Tax Appeals, the federal tax authorities filed four tax collection actions for the collection of these debts, which are suspended because of appeals. The adjusted amount of these actions is R$ 5,790. There is no established case law for the matters of this tax collection. The Company's legal counsel understands that an unfavorable outcome is possible.

(ix) *Offset of PIS Credits.* In view of Federal Senate Resolution No. 49, of October 9, 1995, which suspended Decree-laws No. 2445 and No. 2449, both of 1998, Usina São Martinho S.A. filed a request for refund and offset of the amounts paid according to said decrees and that exceeded the amounts due according to Supplementary Law No. 7/70. The Federal Revenue Service did not approve the offsets made under the allegation that the right to refund had expired. Although there is an administrative appeal in the Board of Tax Appeals, the federal tax authorities filed two tax collection actions for the collection of these debts, which are suspended because of the bringing of motions. The adjusted amount of these actions is R$ 4,529. There are unfavorable precedents at the administrative level and favorable precedents at the judicial level. The Company's legal counsel understands that an unfavorable outcome is possible.

(x) *Income Tax on Investment Losses.* The Federal Revenue Service filed two tax collection actions against the merged company Usina São Martinho S.A. - Açúcar e Álcool seeking the collection of IRPJ (corporate income tax) for the period from 1987 to 1991 (tax years 1986 to 1990) on the provision for investment losses arising from the interest in Coopersucar, based on article 32 and paragraphs of Decree-Law No. 1598/77. At present, the tax collection actions are in the higher court due to appeals filed against the unfavorable decision by the trial court. The adjusted amount of these actions is R$ 1,462. There is no established case law for the matters of the present tax collection actions. The Company's legal counsel understands that an unfavorable outcome is possible.

(xi) *Offset of federal taxes.* The Federal Revenue Service sent several collection notices to the Company seeking collection of several federal taxes of the Company and third parties that were offset by the Company against credits arising from: (a) IPI (federal VAT) on purchases of raw material, intermediate products and packaging materials until December 31, 1998 and used in the Company's industrial process, based on article 82, item I, Decree No. 87,981/82 and Regulatory Instruction No. 114/88 of the Federal Revenue Service; (b) overpayment of Finsocial (tax on revenue) on gross revenue at the rates established by article 9 of Law No. 7689/88, article 7 of Law No. 7894/89 and article 1 of Law No. 8147/90, which were subsequently declared unconstitutional; (c) negative balances of income tax arising from withholding income tax on cash investments, determined in tax years 1997, 1998 and 1999, which were offset against ITR (rural land tax) payable and gave rise to three tax collection actions. Against these collections the Company filed an annulment action to assure its right to offset. The collections are suspended as a result of escrow deposits made. The adjusted amount of these actions is R$ 2,240. There is no established case law for the matters of the present tax collection. The Company's legal counsel understands that an unfavorable outcome is possible.

(xii) *Other Tax Proceedings.* Refer to several administrative and judicial collection proceedings filed by the INSS, federal, state and municipal tax authorities and are related, respectively, to differences in payroll taxes of rural workers and self-employed, other offsets of federal taxes, differences in ITR (rural land tax), ICMS (state VAT) on purchase of fixed assets, and differences in ISS (municipal service tax). The adjusted amount of these proceedings is R$ 3,452. There is no established case law for the matters of the present tax collection actions. The Company's legal counsel understands that an unfavorable outcome is possible, considering the peculiarities of each case.

Civil Proceedings:

			Stage				
Subject		Number of proceedings	Administrative	Trial court	Lower court	Higher court	Total
(i)	*Environmental*	109	1,051	5,194	3,928	1,814	11,987
(ii)	*Civil*						
a)	Indemnities for occupational disease or accidents	33	-	2,359	471	-	2,830
b)	Contract revisions	16	-	11	25	-	37
c)	Rectification of area and real estate registration	1	-	-	-	-	-
d)	Permits for obtaining Mining Research license	5	-	68	-	-	68
		164	1,051	7,632	4,424	1,814	14,921

(i) *Environmental.* The Company is a party to several administrative and judicial proceedings relating principally to sugarcane burning and legal reserve. Regarding sugarcane burning, the matters arise from different interpretations of the applicable laws and regulations, although they can be divided into two groups: (i) burning upon tacit authorization of the state government since, according to Law No. 10,547, of May 2, 2000, the absence of a response to authorization requests filed for more than 15 days implies tacit authorization; and (ii) burning from fire caused by third parties, accidental fire or arson, in areas operated by the Company or its subsidiaries or areas of suppliers. The adjusted amount of these proceedings is R$ 11,987. There is no established case law for the matters of the present proceedings. The Company's legal counsel understands that an unfavorable outcome is possible, considering the peculiarities of each case.

(ii) The Company and its subsidiaries are defendants in other 55 lawsuits in various courts, involving the following matters: (a) indemnity for occupational illness and accidents; (b) indemnity for property damage and pain and suffering; (c) contract revisions; (d) rectification of area and property registration; and (e) mining research license. These lawsuits total approximately R$ 2,934. There is no established case law for the matters discussed in these lawsuits. The Company's legal counsel understands that an unfavorable outcome is possible, considering the peculiarites of each case.

Labor lawsuit:

The Public Prosecution Office filed a lawsuit against the subsidiary Usina Boa Vista S.A. so as to prevent the subsidiary from using outsourced labor in sugarcane cutting. The Company understands that the sugarcane cutting does not fall under the activity addressed by Statement 331 of the Superior Labor Court (TST). The legal counsel understands that an unfavorable outcome is possible, considering the peculiarities of each case. Usina Boa Vista S.A. is negotiating with authorities an adjustment of conduct term on this issue.

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

20. OTHER OPERATING INCOME (EXPENSES), NET

The caption "other operating expenses, net" for the nine-month period ended December 31, 2007 is impacted by expenses of R$ 7,364 related to the payment of ICMS (state VAT) on credits taken from merged companies, considered undue, and to the monetary adjustment of ICMS untimely used credits, which were being challenged in court and were until then evaluated by the Company's management, based on the opinion of its legal counsel, as possible loss. Considering the recent change to a scenario unfavorable to the taxpayer at the Federal Superior Court, the Company decided to withdraw from the lawsuit and use the benefits of reduction of 40% in interest and 50% in fine granted by the Installment Payment Program – PPI (in up to 120 months), related to ICMS tax debts of the São Paulo State (State Decree No. 51,960 of July 4, 2007), definitively terminating these lawsuits.

In addition, this caption, for the nine-month period ended December 31, 2007, is also impacted by expenses of R$ 2,919 (R$ 10,243 – Consolidated) incurred by COPERSUCAR due to the portion attributable to the Company, the subsidiary Usina São Martinho S.A. and the jointly-owned indirect subsidiary Usina Santa Luiza S.A., related to the payment of ICMS levied on sale of alcohol that was being challenged in court by COPERSUCAR. Considering the recent change to a scenario unfavorable to the taxpayer at the Federal Superior Court, COOPERSUCAR decided to withdraw from the lawsuit, with the purpose of using the benefits granted by the Installment Payment Program mentioned above. COOPERSUCAR's decision for the payment of this tax under the above-mentioned Program was made in September 2007. COOPERSUCAR's transfer of this amount to the Company and subsidiaries will be made through the mechanism provided for in Opinion 66 (monthly apportionment of revenues, costs and expenses) in October 2007. The contra entry of this amount was recorded by the Company under "payables to Copersucar", and this liability will be settled within 60 months, adjusted by the US dollar variation, plus interest of 5.62% to 5.70% p.a.

In addition, this caption for the quarter and nine-month period ended December 31, 2007 is impacted by income of R$ 2,491 (R$ 11,718 – Consolidated) transferred by COPERSUCAR for the amount attributable to the Company, the subsidiary Usina São Martinho S.A. and the jointly-owned indirect subsidiary Usina Santa Luiza S.A., relating to the reversal of provisions and proceeds from sale of properties by COPERSUCAR.

21. NONOPERATING INCOME

Non operating revenues in the quarter ending on December 31, 2006 is impacted by R$ 10,883 related to net earnings on the disposal to third parties of a grinding unit which was deactivated by the Company during the such quarter.

22. FINANCIAL INSTRUMENTS

22.1. General considerations of risk management

Financial instruments are stated in the balance sheet at cost plus related income and expenses. Financial instruments consist of temporary cash investments, trade accounts receivable and onlendings from COPERSUCAR, and loans and financing – the related charges are presented in the respective notes to the financial statements.

Since the responsibility for selling the sugar and alcohol produced by the Company and its subsidiary Usina São Martinho S.A. and its jointly-owned indirect subsidiary Usina Santa Luíza S.A. lies with COPERSUCAR, the risk management policy - guaranteeing protection of cooperative members against fluctuations in exchange rates or prices of their products - is the responsibility of the Cooperative, which enters into hedge contracts in the futures market for commodities and exchange rates. COPERSUCAR has a Risk Management Committee composed of 3 members of the respective Board of Directors, which determines the strategy of these operations. Gains or losses on hedge transactions and other financial instruments conducted by COPERSUCAR are passed through to the cooperative members according to monthly apportionments added to or deducted from the revenue from sales of sugar and alcohol, as applicable.

22.2. Temporary cash investments

Temporary cash investments consist principally of repurchase agreements backed by government securities and CDBs (bank certificates of deposit) and fixed-income funds indexed to the CDI (interbank deposit rate), with high liquidity and trading on the market.

22.3. Concentration of credit risk

The credit risk is low due to the diversification of the customer portfolio and the risk control procedures of COPERSUCAR. Historically, the Company has not recorded the pass-through of significant losses on the Cooperative’s trade accounts receivable.

22.4. Loans and financing and payables to COPERSUCAR

Loans and financing are represented by rural credit, financing from the BNDES and short-term working capital loans, and are subject to market interest rates. Long-term loans and financing as of December 31, 2007, if stated at present value calculated at the discounted interest rate of 11% per year (which corresponds to the basic interest rate defined by the Central Bank of Brazil – SELIC - in force during the close of the interim financial statements as of December 31, 2007), would amount to R$ 41,376 (R$ 280,607 - Consolidated).

Payables to COPERSUCAR refer to funds obtained by the Cooperative at more attractive interest rates from those that would be obtained directly by cooperative members and cash surplus with low interest rate or free of interest. Such payables as of December 31, 2007, if stated at present value calculated at the discounted interest rate of 11% per year, would amount to R$ 48,860 (R$ 183,319 - Consolidated).

23. AMENDMENT TO BRAZILIAN CORPORATE LAW, INTRODUCING CHANGES TO ACCOUNTING PRACTICES GENERALLY ACCEPTED IN BRAZIL, EFFECTIVE FOR FISCAL YEARS BEGINNING ON OR AFTER JANUARY 1, 2008

On December 28, 2007, Law No. 11,638 ("Law 11,638") was enacted that alters, revokes and adds new provisions to the Brazilian Corporate Law, especially with respect to Chapter XV *Fiscal Year and Financial Statements* and takes effect from January 1st, 2008. Law 11,638 updates accounting practices as contemplated in Brazilian Corporate Law so as to enable the convergence of Brazilian accounting practices with accounting standards generally accepted in the international capital markets and contemplates broad changes to accounting practices generally accepted in Brazil as they relate to statutory accounting practices and procedures. The Law also allows the Brazilian Securities Commission (CVM) to issue new accounting standards and procedures, applicable to public companies in Brazil, in conformity with such international accounting standards.

The financial statement provisions of the Brazilian Corporate Law, changed by the Law 11,638 are applicable to all companies incorporated as corporations *(Sociedades Anônimas),* including public companies (*companhias de capital aberto*) registered with the Brazilian Securities and Exchange Commission (*Comissão de Valores Mobiliários – CVM*).

The changes and requirements introduced by the Law have to be applied by the Company for the next fiscal year which begins on April 1st, 2008. Certain of these changes shall be subject to additional interpretation and regulation by CVM, including the application for Interim Financial Statements, as informed by CVM in the Comunication to the Market dated of January 14, 2008.

The main changes introduced by the Law 11,638 can be summarized as follows:

- Elimination of the requirement to present a Statement of Changes in Financial Position and a new requirement to present a Statement of Cash Flows.
- A new requirement for the presentation of a Statement of Value Added, as part of the Financial Statements.

- The ability to maintain separate or auxiliary accounting ledgers and records for purposes of reflecting necessary adjustments to financial statements prepared for income tax or other regulatory requirements in order to prepare the required financial statements in conformity with the Brazilian Corporate Law.
- Creation of a new account group, Intangible Assets, which includes Goodwill, for purposes of balance sheet presentation.
- Modification of the definition of those assets to be recorded under the caption Property, Plant and Equipment in the balance sheet, to be those rights in tangible assets that are maintained or used in the operations of the company's business, including those rights received as a result of transactions that transfer the benefits, risks and control of such assets to the company (e.g. capital leases).
- Modification of the definition of those assets to be recorded under the caption Deferred Charges in the balance sheet.
- Requirement that periodic review and analysis of the recoverability of amounts recorded in property, plant and equipment, intangible assets and deferred charges, the recording of valuation allowance for impairment losses and the criteria used to determine the estimated remaining useful life of such assets for purposes of recording depreciation, amortization and depletion expense are reviewed and adjusted.
- Requirement that investments in financial instruments, including derivatives, be accounted for (i) at fair value or equivalent value for trading securities or securities available for sale or (ii) at the lower of historical cost, adjusted for contractual interest and other contractual provisions, and realizable value for other investments. Additional fair value concepts and considerations have also been defined for such financial instruments.
- Creation of a new account group, Valuation Adjustments to Shareholders' Equity, for purposes of balance sheet presentation, to be used to record certain valuation adjustments not recorded in earnings for certain assets and liabilities. Such adjustments may include, among others, fair value adjustments for certain qualifying financial instruments, foreign currency exchange rate variations on foreign investments accounted for under the equity method of accounting, and certain fair value adjustments related to assets and liabilities as a result of a merger between unrelated parties that results in the transfer of control.
- Requirement that certain long-term assets and liabilities be recorded at present value, and if material, for certain other short-term assets and liabilities.
- Elimination of the ability to record (i) the premium received on issue of debentures and (ii) donations and government investment grants (including tax incentives) directly as capital reserves in shareholders' equity. To avoid the distribution as dividends, donations and government grants (including tax incentives) may be required to be allocated, after being recorded in earnings, to the Tax Incentive Reserve in equity.
- Discontinuation, on a prospective basis, of creating and recording Revaluation Reserves as a component of equity. Companies will have an irrevocable option to (i) maintain any balance of existing Revaluation Reserve as of the first day of the first fiscal year beginning on or after January 1st, 2008 until its effective realization or (ii) fully reverse the balance of existing Revaluation Reserve by the end of first fiscal year beginning on or after January 1st, 2008.
- Requirement that for transactions involving the merger or spin-off between unrelated parties that result in the effective transfer of control, the related assets and liabilities of the entity being merged or spun-off should be recorded at fair market value.

- Elimination of the materiality parameter in determining the applicability of the equity method of accounting for investments in affiliates and subsidiaries and a new requirement that the equity method of accounting for such investments is required when management has significant influence over the investee or when the company's direct and indirect interest in the voting capital of the investee is greater than 20% of the outstanding voting capital of the investee.

Management is currently evaluating the impacts of the changes introduced by the Law. However, as the changes have only been introduced recently, and many of them still are and will be subject to further interpretation and regulation by CVM, management has not yet an assessment of the effects of all the changes that are reasonably likely to have a significant impact on its financial statements, financial position and results of operations.

24. SUPLEMENTAL FINANCIAL INFORMATION

In view of the significance of the merger of shares of Usina São Martinho S.A. into the Company, as mentioned in note 1.5, and the fact that the Company and Usina São Martinho S.A. were under common management and control before this merger of shares, the Company decided to present the combined statement of operations for the nine-month period ended December 31, 2006, based on the corporate structure as of December 31, 2007 and the following:

- The combined statement of operations for the nine-month period ended December 31, 2006 includes April 2006, considering the 100% interest in Usina São Martinho S.A., which is not included in the consolidated statement of operations for the nine-month period then ended due to the effect of the merger of shares mentioned in note 1.5.

This information is presented to provide the financial statement readers with a broader and comparative view of the Company's operations considering the merger of shares.

In compliance with the *BOVESPA New Market* rules, the Company presents below, also as supplemental information, the consolidated statements of cash flows for the quarter and nine-month period ended December 31, 2007.

SÃO MARTINHO S.A.
(FORMERLY COMPANHIA INDUSTRIAL E AGRÍCOLA OMETTO)

COMBINED STATEMENTS OF OPERATIONS
FOR THE QUARTER AND NINE-MONTH PERIOD ENDED DECEMBER 31, 2006
(In thousands of Brazilian reais - R$)

	Combined 12/31/06 Nine-month period
GROSS SALES	705,392
DEDUCTIONS	(62,620)
NET SALES	642,772
COST OF SALES	(435,890)
GROSS PROFIT	206,882
Operating (expenses) income:	
Selling expenses	(41,881)
General and administrative expenses	(59,836)
Management fees	(5,773)
Other operating income (expenses), net	12,697
	(94,793)
Income from operations before financial income (expenses)	112,089
Financial income (expenses)	
Financial income	52,470
Financial expenses	(70,826)
Monetary and exchange gains	16,258
Monetary and exchange losses	(19,112)
	(21,210)
Income from operations	90,879
Nonoperating income	10,136
Income before income and social contribution taxes and loss from spun-off net assets	101,015
Income and social contribution taxes - current	(30,863)
Income and social contribution taxes - deferred	(4,732)
	(35,595)
Net loss from spun-off assets and liabilities	(276)
Net income	65,144

SÃO MARTINHO S.A.
(FORMERLY COMPANHIA INDUSTRIAL E AGRÍCOLA OMETTO)

STATEMENTS OF CASH FLOWS
FOR THE QUARTER AND NINE-MONTH PERIOD ENDED DECEMBER 31, 2007
(In thousands of Brazilian reais - R$)

	Consolidated 12/31/07	Consolidated 12/31/07
	Quarter	Nine-month period
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(6,740)	(49,219)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	32,914	131,249
Net book value of property, plant and equipment written off	1,750	2,317
Financial charges and exchange variation on long-term intercompany balances, loans, financing and taxes payable	6,468	30,360
Reversal of provision for contingencies	2,112	2,843
Recognition of deferred income and social contribution taxes	(3,475)	(17,908)
(Increase) decrease in assets:		
Receivables from Copersucar	7,308	(4,194)
Inventories	6,918	(102,281)
Recoverable taxes	3,109	(15,659)
Other current assets	(7,246)	(6,122)
Other noncurrent assets	(2,849)	(5,090)
Increase (decrease) in liabilities:		
Trade accounts payable	(30,054)	3,147
Payroll and related charges	(15,530)	1,010
Taxes payable	(2,447)	(975)
Taxes in installments	171	9,130
Related parties	97	57
Other current liabilities	178	(1,446)
Provision for contingencies	(1,880)	(6,768)
Other noncurrent liabilities	(176)	(70)
Net cash used in operating activities	(9,372)	(29,619)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments	(10)	(25)
Investments - goodwill	-	(87,549)
Purchases of property, plant and equipment and increase in deferred charges	(148,163)	(365,102)
Property, plant and equipment and deferred charges resulting from the acquisitions of Usina Santa Luiza S.A. and Agropecuária Aquidaban S.A.	-	(25,000)
Net cash used in investing activities	(148,173)	(477,676)
CASH FLOWS FROM FINANCING ACTIVITIES		
Financing resulting from the acquisitions of Usina Santa Luiza S.A. and Agropecuária Aquidaban S.A.	-	18,402
Payables to Copersucar resulting from the proportionate consolidation of Usina Santa Luiza S.A.	-	10,304
Borrowings from third parties	135,276	346,348
Payables to Copersucar	36,683	76,280
Payment of financing - third parties	(51,710)	(142,308)
Payment of dividends and interest on capital	-	(19,999)
Net cash provided by financing activities	120,249	289,027
DECREASE IN CASH AND CASH EQUIVALENTS	(37,296)	(218,268)
CASH AND CASH EQUIVALENTS (including temporary cash investments)		
Beginning of period	185,992	366,964
End of period	148,696	148,696
DECREASE IN CASH AND CASH EQUIVALENTS	(37,296)	(218,268)
SUPPLEMENTAL INFORMATION		
Interest paid during the period	(12,004)	(29,303)
Payments to suppliers for purchases of property, plant and equipment	20,434	20,434