(A free translation of the original in Portuguese)

# São Martinho S.A.

**Quarterly Information (ITR)**
**at September 30, 2011 and**
**Report on Review of Quarterly Information**

(A free translation of the original in Portuguese)

# Report on Review of Quarterly Information

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

## Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of São Martinho S.A., included in the Quarterly Information (ITR) Form for the quarter ended September 30, 2011, comprising the balance sheet at that date and the statements of income and comprehensive income for the three and six-month periods then ended, as well as the statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company interim accounting information in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and of the consolidated interim accounting information in accordance with accounting standard CPC 21 and International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of Quarterly Information. Our responsibility is to express a conclusion on this interim accounting information based on our review.

## Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion on the parent company interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the Brazilian Securities Commission (CVM).

**Conclusion on the consolidated interim information**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the Brazilian Securities Commission (CVM).

**Other matters**

**Interim statements of value added**

We have also reviewed the parent company and consolidated interim statements of value added for the six-month period ended September 30, 2011, which are required to be presented in accordance with the standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which does not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been properly prepared, in all material respects, in relation to the parent company and consolidated interim accounting information taken as a whole.

Ribeirão Preto, November 14, 2011

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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

## São Martinho S.A.

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

| Assets | Note | Parent company September 30, 2011 | Parent company March 31, 2011 | Consolidated September 30, 2011 | Consolidated March 31, 2011 |
|---|---|---|---|---|---|
| Current assets | | | | | |
| Cash and cash equivalents | 6 | 240,068 | 116,461 | 274,626 | 225,067 |
| Trade receivables | 7 | 52,419 | 50,439 | 62,490 | 59,673 |
| Derivative financial instruments | 28 | 11,454 | 5,967 | 11,454 | 5,967 |
| Inventories | 8 | 365,581 | 116,042 | 443,851 | 139,106 |
| Taxes recoverable | 9 | 30,556 | 12,650 | 41,201 | 33,520 |
| Income tax and social contribution | 24 | 7,363 | 1,023 | 9,323 | 5,037 |
| Dividends receivable | | 16,304 | | | |
| Other assets | 11 | 4,778 | 4,958 | 5,801 | 5,692 |
| | | 728,523 | 307,540 | 848,746 | 474,062 |
| Non-current assets | | | | | |
| Long-term receivables | | | | | |
| Related parties | 10 | 9,654 | 4,833 | 4,022 | 33 |
| Deferred income tax and social contribution | 24 | 74,249 | 86,068 | 120,216 | 132,676 |
| Trade receivables - Copersucar | | 6,787 | 9,749 | 6,902 | 9,939 |
| Taxes recoverable | 9 | 14,900 | 14,354 | 36,299 | 37,220 |
| Judicial deposits | 27 | 39,012 | 30,564 | 40,650 | 32,367 |
| Other assets | 11 | 253 | 5,619 | 1,670 | 7,101 |
| | | 144,855 | 151,187 | 209,759 | 219,336 |
| Investments | 12 | 1,151,328 | 1,179,411 | 2,532 | |
| Biological assets | 13 | 342,658 | 342,152 | 468,295 | 435,532 |
| Property, plant and equipment | 14 | 1,314,348 | 1,328,183 | 2,842,663 | 2,864,761 |
| Intangible assets | 15 | 37,077 | 35,846 | 37,818 | 36,726 |
| | | 2,990,266 | 3,036,779 | 3,561,067 | 3,556,355 |
| Total assets | | 3,718,789 | 3,344,319 | 4,409,813 | 4,030,417 |

| Liabilities and equity | Note | Parent company September 30, 2011 | Parent company March 31, 2011 | Consolidated September 30, 2011 | Consolidated March 31, 2011 |
|---|---|---|---|---|---|
| Current liabilities | | | | | |
| Borrowings | 16 | 169,658 | 80,291 | 233,013 | 140,982 |
| Derivative financial instruments | 28 | 61,308 | 25,910 | 61,308 | 25,910 |
| Trade payables | 17 | 162,652 | 46,642 | 168,054 | 61,096 |
| Payables to Copersucar | 18 | 2,040 | 2,040 | 2,203 | 2,203 |
| Salaries and social charges | | 44,827 | 37,015 | 53,698 | 44,000 |
| Taxes payable | | 11,259 | 18,294 | 15,475 | 20,343 |
| Income tax and social contribution | 24 | | 829 | 556 | 829 |
| Related parties | 10 | | 33 | 7,870 | 705 |
| Dividends payable | | | 9,180 | | 9,180 |
| Advances from customers | | 1,762 | 14,455 | 2,924 | 14,475 |
| Other liabilities | 20 | 15,734 | 21,398 | 12,472 | 21,137 |
| | | 469,240 | 256,087 | 557,573 | 340,860 |
| Non-current liabilities | | | | | |
| Borrowings | 16 | 468,776 | 335,790 | 707,854 | 570,711 |
| Payables to Copersucar | 18 | 200,983 | 201,650 | 207,531 | 207,645 |
| Taxes payable in installments | 19 | 55,286 | 54,910 | 55,286 | 55,833 |
| Deferred income tax and social contribution | 24 | 456,967 | 461,942 | 810,270 | 817,127 |
| Provision for contingencies | 27 | 67,176 | 70,043 | 70,876 | 74,284 |
| Other liabilities | 20 | 11,235 | 10,411 | 11,297 | 10,471 |
| | | 1,260,423 | 1,134,746 | 1,863,114 | 1,736,071 |
| Equity | 21 | | | | |
| Share capital | | 455,900 | 455,900 | 455,900 | 455,900 |
| Carrying value adjustments | | 1,254,921 | 1,304,969 | 1,254,921 | 1,304,969 |
| Revenue reserves | | 173,454 | 194,516 | 173,454 | 194,516 |
| Treasury shares | | (1,899) | (1,899) | (1,899) | (1,899) |
| Retained earnings | | 106,750 | | 106,750 | |
| | | 1,989,126 | 1,953,486 | 1,989,126 | 1,953,486 |
| Total liabilities and equity | | 3,718,789 | 3,344,319 | 4,409,813 | 4,030,417 |

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

## São Martinho S.A.

**Statement of Income**
**All amounts in thousands of reais** (A free translation of the original in Portuguese)

| | | Parent company | | | |
|---|---|---|---|---|---|
| | | 9/30/2011 | | 9/30/2010 | |
| | Note | Quarter | Six-months | Quarter | Six-months |
| Revenue | 30 | 344,650 | 643,096 | 84,212 | 164,644 |
| Cost of sales | 31 | (216,286) | (428,124) | (53,813) | (111,446) |
| **Gross profit** | | 128,364 | 214,972 | 30,399 | 53,198 |
| **Operating income (expenses)** | | | | | |
| Selling expenses | 31 | (17,183) | (29,714) | (3,377) | (6,513) |
| General and administrative expenses | 31 | (28,192) | (48,452) | (8,919) | (13,557) |
| Equity in the earnings of subsidiaries | 12 | 3,789 | 9,117 | 34,619 | 43,179 |
| Other income (expenses), net | 32 | 1,049 | 2,113 | (1,900) | 649 |
| | | (40,537) | (66,936) | 20,423 | 23,758 |
| **Operating profit** | | 87,827 | 148,036 | 50,822 | 76,956 |
| **Finance result** | 33 | | | | |
| Finance income | | 24,861 | 35,244 | 2,407 | 3,529 |
| Finance costs | | (27,414) | (47,778) | (4,139) | (7,883) |
| Monetary and foreign exchange variations, net | | (13,028) | (11,524) | (1,275) | (1,771) |
| | | (15,581) | (24,058) | (3,007) | (6,125) |
| **Profit before taxation** | | 72,246 | 123,978 | 47,815 | 70,831 |
| Income tax and social contribution | 24(b) | | | | |
| Current | | (4,648) | (16,611) | (4,172) | (8,383) |
| Deferred | | (18,931) | (20,736) | (1,967) | (1,700) |
| **Profit for the period** | | 48,667 | 86,631 | 41,676 | 60,748 |
| **Basic and diluted earnings per share - R$** | 34 | 0.43 | 0.77 | 0.37 | 0.54 |

## Statement of Income

**All amounts in thousands of reais** **(continued)**

| | | | | | Consolidated |
|---|---|---|---|---|---|
| | | | 9/30/2011 | | 9/30/2010 |
| | Note | Quarter | Six-months | Quarter | Six-months |
| Revenue | 30 | 398,122 | 727,070 | 338,752 | 624,203 |
| Cost of sales | 31 | (244,650) | (476,659) | (220,792) | (426,809) |
| **Gross profit** | | 153,472 | 250,411 | 117,960 | 197,394 |
| **Operating income (expenses)** | | | | | |
| Selling expenses | 31 | (18,711) | (32,117) | (18,446) | (32,754) |
| General and administrative expenses | 31 | (34,422) | (58,003) | (34,334) | (55,759) |
| Equity in the results of investees | 12 | (2,783) | (2,783) | | |
| Other income (expenses), net | 32 | 353 | 1,241 | (225) | 2,302 |
| | | (55,563) | (91,662) | (53,005) | (86,211) |
| **Operating profit** | | 97,909 | 158,749 | 64,955 | 111,183 |
| **Finance result** | 33 | | | | |
| Finance income | | 27,103 | 40,453 | 7,715 | 11,387 |
| Finance costs | | (39,553) | (63,617) | (30,963) | (50,805) |
| Monetary and foreign exchange variations, net | | (13,029) | (11,455) | 21,109 | 18,322 |
| | | (25,479) | (34,619) | (2,139) | (21,096) |
| **Profit before taxation** | | 72,430 | 124,130 | 62,816 | 90,087 |
| Income tax and social contribution | 24(b) | | | | |
| Current | | (4,846) | (16,818) | (21,201) | (33,775) |
| Deferred | | (18,917) | (20,681) | 61 | 4,436 |
| **Profit for the period** | | 48,667 | 86,631 | 41,676 | 60,748 |

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

# São Martinho S.A.

## Statement of Comprehensive Income

**All amounts in thousands of reais**

(A free translation of the original in Portuguese)

| | Parent company | | | | Consolidated | | | |
|---|---|---|---|---|---|---|---|---|
| | 9/30/2011 | | 9/30/2010 | | 9/30/2011 | | 9/30/2010 | |
| | Quarter | Six-month period | Quarter | Six-month period | Quarter | Six-month period | Quarter | Six-month period |
| **Profit for the period** | 48,667 | 86,631 | 41,676 | 60,748 | 48,667 | 86,631 | 41,676 | 60,748 |
| **Other comprehensive income (loss)** | | | | | | | | |
| Gains (losses) on derivative transactions - hedge accounting | (43,237) | (29,929) | (40,811) | (43,696) | (43,237) | (29,929) | (40,811) | (43,696) |
| **Total comprehensive income for the period** | 5,430 | 56,702 | 865 | 17,052 | 5,430 | 56,702 | 865 | 17,052 |

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

## São Martinho S.A.

### Statement of Changes in Equity

**All amounts in thousands of reais**

(A free translation of the original in Portuguese)

| | | | Carrying value adjustments | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Deemed cost | | Results of derivative transactions - hedge accounting | | Revenue reserves | | | | Retained earnings | |
| | Note | Share capital | Parent | Subsidiaries | Parent | Subsidiaries | Legal | Capital investments | Additional dividends | Treasury shares | (accumulated deficit) | Total |
| **At April 1, 2010** | | 360,000 | 423,429 | 934,418 | 25,458 | 20,363 | 9,731 | 200,062 | 8,838 | (1,899) | (71,009) | 1,909,391 |
| Realization of the deemed cost increment | 21(c) | | (6,461) | (11,590) | | | | | | | 18,051 | |
| Gains (losses) on derivative transactions - hedge accounting | 21(c) | | | | (18,517) | (25,179) | | | | | | (43,696) |
| Capital increase with reserves | 21(d) | 95,900 | | | | | | (95,900) | | | | |
| Prior-year additional dividends paid | | | | | | | | | (8,838) | | | (8,838) |
| Profit for the period | | | | | | | | | | | 60,748 | 60,748 |
| **At September 30, 2010** | | 455,900 | 416,968 | 922,828 | 6,941 | (4,816) | 9,731 | 104,162 | | (1,899) | 7,790 | 1,917,605 |
| **At April 1, 2011** | | 455,900 | 645,687 | 674,582 | (15,300) | | 15,199 | 158,255 | 21,062 | (1,899) | | 1,953,486 |
| Realization of the deemed cost increment | 21(c) | | (19,901) | (218) | | | | | | | 20,119 | |
| Merger of the deemed cost of OMTEK | 1.2 | | 3,374 | (3,374) | | | | | | | | |
| Gains (losses) on derivative transactions - hedge accounting | 21(c) | | | | (29,929) | | | | | | | (29,929) |
| Prior-year additional dividends distributed | 21(e) | | | | | | | | (21,062) | | | (21,062) |
| Profit for the period | | | | | | | | | | | 86,631 | 86,631 |
| **At September 30, 2011** | | 455,900 | 629,160 | 670,990 | (45,229) | | 15,199 | 158,255 | | (1,899) | 106,750 | 1,989,126 |

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

## São Martinho S.A.

### Statement of Cash Flows
### Quarters Ended September 30
**All amounts in thousands of reais** (A free translation of the original in Portuguese)

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 9/30/2011 | 9/30/2010 | 9/30/2011 | 9/30/2010 |
| **Cash flows from operating activities** | | | | |
| **Profit for the period** | 86,631 | 60,748 | 86,631 | 60,748 |
| **Adjustments** | | | | |
| Depreciation and amortization | 71,607 | 10,642 | 85,779 | 22,312 |
| Harvested biological assets (depreciation) | 83,362 | 36,727 | 88,335 | 139,436 |
| Changes in the fair value of biological assets | (30,856) | 2,200 | (27,431) | 17,104 |
| Equity in the results of investees | (9,117) | (43,179) | 2,783 | |
| Residual cost of investment and property, plant and equipment disposals | 677 | 1,393 | 838 | 3,640 |
| Interest, monetary and foreign exchange variations, net | 58,151 | 7,124 | 74,930 | 26,821 |
| Provision for contingencies | 5,830 | 1,037 | 5,661 | 4,737 |
| Deferred income tax and social contribution | 20,736 | 1,700 | 20,681 | (4,436) |
| Provision for inventory losses | (377) | | (3,809) | 1,192 |
| Adjustments to present value and others | 299 | 1,169 | (553) | (755) |
| | 286,943 | 79,561 | 333,845 | 270,799 |
| Changes in assets and liabilities | | | | |
| Trade receivables | (2,906) | (2,450) | (4,120) | (30,692) |
| Inventories | (183,089) | (31,306) | (217,689) | (207,842) |
| Taxes recoverable | (8,622) | 2,252 | (7,857) | 4,460 |
| Related parties | 3,216 | (5,687) | 294 | (305) |
| Other assets | (6,944) | (1,711) | (8,449) | (7,711) |
| Trade payables | 112,852 | 8,348 | 100,285 | 54,128 |
| Salaries and social charges | 7,347 | 1,749 | 9,699 | 5,662 |
| Taxes payable | 4,899 | 1,014 | 7,359 | 15,136 |
| Taxes payable in installments | (2,364) | (852) | (2,563) | (1,186) |
| Provision for contingencies | (12,446) | (5,311) | (12,682) | (11,985) |
| Other liabilities | (18,705) | 5,209 | (20,276) | 27,512 |
| **Cash from operations** | 180,181 | 50,816 | 177,846 | 117,976 |
| Interest paid | (6,432) | (4,593) | (17,219) | (27,239) |
| Income tax and social contribution paid | (12,893) | (4) | (12,893) | (7,026) |
| **Net cash provided by operating activities** | 160,856 | 46,219 | 147,734 | 83,711 |
| **Cash flows from investing activities** | | | | |
| Financial resources used in investments | (1,584) | | | |
| Additions to property, plant and equipment and intangible assets | (79,108) | (7,462) | (101,374) | (60,770) |
| Additions to biological assets (crop planting and treatment) | (86,618) | (23,026) | (134,487) | (109,443) |
| Cash and cash equivalents of merged subsidiary | 1,320 | | | |
| Advances for future capital increase | (7,322) | | (3,342) | 153 |
| Dividends and interest on own capital received | 4,312 | 103,896 | | |
| **Net cash provided by (used in) investing activities** | (169,000) | 73,408 | (239,203) | (170,060) |
| **Cash flows from financing activities** | | | | |
| Derivative financial instruments | (2,231) | (6,118) | (2,231) | (27,394) |
| New borrowings - third parties | 327,443 | 35,422 | 359,443 | 437,641 |
| Repayment of borrowings - Copersucar | (2,714) | (928) | (2,076) | (2,954) |
| Repayment of borrowings - third parties | (160,505) | (51,489) | (191,043) | (219,812) |
| Borrowings received (repaid) - related parties | | | 7,177 | (73) |
| Payment of dividends and interest on own capital | (30,242) | (15,307) | (30,242) | (15,307) |
| **Net cash provided by (used in) financing activities** | 131,751 | (38,420) | 141,028 | 172,101 |
| **Increase in cash and cash equivalents** | 123,607 | 81,207 | 49,559 | 85,752 |
| **Cash and cash equivalents at the beginning of the period** | 116,461 | 24,200 | 225,067 | 130,634 |
| **Cash and cash equivalents at the end of the period** | 240,068 | 105,407 | 274,626 | 216,386 |

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

## São Martinho S.A.

### Statement of Value Added
### Quarters Ended September 30
**All amounts in thousands of reais** (A free translation of the original in Portuguese)

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 9/30/2011 | 9/30/2010 | 9/30/2011 | 9/30/2010 |
| **Revenue** | | | | |
| Gross sales of products and goods | 670,522 | 170,595 | 765,222 | 661,399 |
| Revenue from the construction of own assets | 93,601 | 23,580 | 142,776 | 114,045 |
| Other income | 2,046 | 1,654 | 2,142 | 2,154 |
| | 766,169 | 195,829 | 910,140 | 777,598 |
| **Inputs acquired from third parties** | | | | |
| Cost of products and goods sold | (212,339) | (36,508) | (224,872) | (168,285) |
| Materials, energy, outsourced servcies and others | (127,688) | (45,800) | (188,314) | (206,653) |
| Recovery (impairment) of assets | 377 | | 3,808 | (1,191) |
| | (339,650) | (82,308) | (409,378) | (376,129) |
| **Gross value added** | 426,519 | 113,521 | 500,762 | 401,469 |
| Depreciation and amortization | (71,607) | (10,642) | (85,779) | (22,312) |
| Harvested biological assets (depreciation) | (83,362) | (36,727) | (88,335) | (139,436) |
| **Net value added generated by the entity** | 271,550 | 66,152 | 326,648 | 239,721 |
| **Value added received through transfer** | | | | |
| Equity in the results of investees | 9,117 | 43,179 | (2,783) | |
| Finance income | 77,025 | 10,027 | 82,352 | 67,598 |
| Other | 159 | (328) | 697 | 1,308 |
| **Total value added to distribute** | 357,851 | 119,030 | 406,914 | 308,627 |
| **Distribution of value added** | | | | |
| Personnel and payroll charges | | | | |
| Direct remuneration | 81,858 | 18,577 | 98,969 | 78,097 |
| Benefits | 20,577 | 4,481 | 24,862 | 18,138 |
| Government Severance Indemnity Fund for Employees (FGTS) | 6,486 | 1,547 | 7,760 | 6,875 |
| Management fees | 5,311 | 2,273 | 6,042 | 4,219 |
| Taxes and contributions | | | | |
| Federal | 49,408 | 13,367 | 54,136 | 44,160 |
| State | 1,611 | (3,717) | 9,586 | 1,974 |
| Municipal | 281 | 34 | 317 | 219 |
| Less: state tax incentives | | | (2,772) | (3,577) |
| Creditors | | | | |
| Interest | 24,857 | 8,426 | 41,582 | 36,944 |
| Rentals | 2,880 | 96 | 1,447 | 254 |
| Foreign exchange differences | 53,305 | 8,269 | 53,354 | 37,889 |
| Other | 24,646 | 4,929 | 25,000 | 22,687 |
| Profits reinvested | 86,631 | 60,748 | 86,631 | 60,748 |
| **Value added distributed** | 357,851 | 119,030 | 406,914 | 308,627 |

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

# 1 Operations

## 1.1 General information

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

Approximately 52% of the sugar cane used in the production of the products derives from the Company's own plantations, from those of stockholders, related companies and agricultural partnerships, and the remaining 48% from third-party suppliers.

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

The sale of sugar and ethanol is carried out through a consortium agreement with USJ Açúcar e Álcool S.A. ("USJ") and Santa Cruz S.A. Açúcar e Álcool ("SC"), denominated Allicom Consortium. The costs, expenses and obligations arising from consortium operations are assumed by the members proportionally to their percentage interest in the volume sold through Allicom. In August 2011, the Company informed that the consortium will be wound up, and the parties decided that this winding up will be carried out by USJ. Currently, the São Martinho, Santa Cruz and Nova Fronteira groups, because of the strategic alignment of their product portfolios (large scale ethanol production plants and significant production of sugar for the foreign market), are discussing the formation of a partnership for the joint trading of sugar and ethanol. This partnership will adopt the most efficient corporate structure for the fulfillment of its commercial purpose.

As part of its strategic objectives, the Company maintains investments in the following subsidiaries jointly-controlled companies and associates:

- Vale do Mogi Empreendimentos Imobiliários S.A. ("Vale do Mogi"), current corporate name of Usina São Martinho S.A. ("USM");
- Nova Fronteira Bioenergia S.A. ("NF") and its subsidiaries:
  - Usina Boa Vista S.A. ("UBV"); and
  - SMBJ Agroindustrial S.A. ("SMBJ");
- SMA Indústria Química S.A. ("SMA");
- Usina Santa Luiza S.A. ("USL");
- São Martinho Energia S.A. ("SME"); and
- Omtek Indústria e Comércio Ltda. ("Omtek") - investment merged into the Company on May 30, 2011.

The Company is a listed corporation headquartered in Pradópolis, State of São Paulo, and registered with the São Paulo Futures, Commodities and Stock Exchange - BM&FBovespa S.A. ("BM&FBovespa") in the Novo Mercado (New Market) category. It is a subsidiary of the holding company LJN Participações S.A. ("LJN"), with a controlling interest of 56.12% in its voting capital. In turn, LJN's owners are the family holding companies Luiz Ometto Participações S.A., João Ometto Participações S.A. and Nelson Ometto Participações Ltda.

The issue of this quarterly financial information was approved by the Company's Board of Directors on November 7, 2011.

**All amounts in thousands of reais unless otherwise stated**

## 1.2 Merger of Omtek Indústria e Comércio Ltda. ("Omtek")

At the Extraordinary General Meeting held on May 30, 2011, the stockholders approved the merger of the assets and liabilities of Omtek Indústria e Comércio Ltda., based on an appraisal report at book value as of April 30, 2011, issued by independent appraisers. The net assets merged by the Company, including the equity variations up to May 30, 2011, as well as the effects arising from the adoption of the new CPCs/IFRS, were as follows:

| Assets | Assets spun-off | Liabilities | Liabilities spun-off |
|---|---|---|---|
| Current assets | | Current liabilities | |
| Cash and cash equivalents | 1,320 | Trade payables | 723 |
| Trade receivables | 321 | Salaries and social charges | 465 |
| Inventories | 1,400 | Taxes payable | 57 |
| Taxes recoverable | 13,799 | Other liabilities | 21 |
| Other assets | 895 | | |
| | | | 1,266 |
| | 17,735 | | |
| Non-current assets | | Non-current liabilities | |
| Long-term receivables | | Taxes payable in installments | 469 |
| Deferred income tax and social contribution | 259 | Deferred income tax and social contribution | 1,760 |
| Taxes recoverable | 49 | Provision for contingencies | 358 |
| Other assets | 262 | | |
| | | | 2,587 |
| | 570 | | |
| Property, plant and equipment | 9,198 | | |
| Intangible assets | 2 | | |
| | 9,200 | | |
| **Total assets** | 27,505 | **Total liabilities** | 3,853 |
| | | **Total net assets spun-off and merged** | **23,652** |

## 1.3 Changes in corporate structure

In addition to the merger of Omtek, as described above in Item 1.2, other important corporate transactions were carried out in the current year, but after the quarter ended September 30, 2010, which significantly affected the comparison of current year results with those of the prior year, mostly as concerns the parent company and mainly because of the merger of a substantial portion of the spun-off net assets of Vale do Mogi (former USM). These transactions are described in detail in the annual financial statements for the year ended March 31, 2011 in the following notes:

- Capital increase in NF - Note 1.5;
- Total spin-off of Mogi Agrícola ("Mogi") - Note 1.6; and
- Partial spin-off of Vale do Mogi (USM) and merger of the spun-off net assets into the Company - Note 1.7.

## 2 Summary of Significant Accounting Policies

### 2.1 Basis of preparation

The interim accounting information included in this financial information was prepared in accordance with the Brazilian technical pronouncement CPC 21 - Interim Financial Reporting, and with the international accounting standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and is presented in accordance with the standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of Quarterly Information.

Accordingly, and as described in CVM's Circular Letter CVM/SNC/SEP 03/2011, the Company elected to present the explanatory notes in this Quarterly Information( ITR) in a summarized manner when the information is the same as that presented in the annual financial statements. In such cases, number of the complete explanatory note in the annual financial statements is indicated to facilitate the understanding of the Company's financial position and performance during the interim period.

The Company declares that the basis of preparation, including the consolidation criteria, and the accounting policies are the same as those used in preparing the annual financial statements for the year ended March 31, 2011. Accordingly, the corresponding information should be referred to in explanatory notes 2.1 through 2.21 to those financial statements.

## 3 Critical Accounting Estimates and Judgments

The Company confirms that the critical accounting estimates and judgments described in the annual financial statements for the year ended March 31, 2011 in Note 3.1 remain valid for this Quarterly Information - ITR.

## 4 Financial Risk Management

There are no differences between the current financial risk factors and risk management policy and those described in Note 5 to the financial statements for the year ended March 31, 2011.

All amounts in thousands of reais unless otherwise stated

### 4.1 Assets and liabilities subject to foreign exchange variations

The table below summarizes foreign currency-denominated assets and liabilities (in U.S. dollars - US$), recorded in the consolidated balance sheet at September 30, 2011:

| **Current assets** | **R$** | **Thousands of US$ equivalents** |
|---|---|---|
| Cash and cash equivalents (banks - demand deposits) | 26,222 | 14,147 |
| Trade receivables | 24,513 | 13,225 |
| Derivative financial instruments | 11,454 | 6,179 |
| Total assets | 62,189 | 33,551 |
| **Liabilities** | | |
| Current liabilities: | | |
| Borrowings | 110,460 | 59,566 |
| Derivative financial instruments | 61,308 | 33,061 |
| Trade payables | 36 | 19 |
| Other liabilities | 3,490 | 1,882 |
| Non-current liabilities: | | |
| Borrowings | 273,541 | 147,509 |
| Other liabilities | 10,469 | 5,645 |
| Total liabilities | 459,304 | 247,682 |
| Subtotal, net | 397,115 | 214,131 |
| ( - ) Export-linked financing - ACC and PPE (*) | (335,211) | (180,765) |
| Net exposure - liabilities | 61,904 | 33,366 |

These assets and liabilities were adjusted and recorded in the quarterly information at September 30, 2011 at the exchange rate in effect on that date, of R$ 1.8536 per US$ 1.00 for assets and R$ 1.8544 per US$ 1.00 for liabilities.

(*) The balance of borrowings in foreign currency refers mainly to Advances on Foreign Exchange Contracts (ACC) and Export Prepayment Loans (PPE), maturing from October 2011 to June 2015, which are linked to exports. As the above agreements will be settled through product exports, the Company's management understands that these transactions represent a natural hedge and that, therefore, the foreign exchange variations will only have a temporary accounting effect on the financial statements, without a corresponding effect on the companies' cash flows.

### 4.2 Volatility risk of commodity price

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

At September 30, 2011, the prices of 125,911 metric tons of sugar were subject to sales contracts for future delivery forecast for the period between October 2011 and March 2012, at an average of 25.72 ¢/lb (cents per pound weight) with the New York - ICE Futures US Exchange.

All amounts in thousands of reais unless otherwise stated

## 4.3 Liquidity risk

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

Surplus cash held by the operating entities over and above the balance required for working capital management is invested in interest-earning current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide enough headroom as determined by the above-mentioned forecasts. At September 30, 2011, the Company and its subsidiaries had financial investments consisting mainly of repurchase agreements backed by government securities and fixed-income funds, indexed to the Interbank Deposit Certificates (CDI) interest rate, with high liquidity and active trading in the market, that are expected to readily generate cash inflows for managing liquidity risk.

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

| | Parent company | | | |
|---|---|---|---|---|
| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
| At September 30, 2011 | | | | |
| Borrowings | 169,658 | 97,591 | 307,698 | 63,487 |
| Derivative financial instruments | 61,308 | | | |
| Trade payables | 162,652 | | | |
| Other liabilities | 15,734 | 4,256 | 6,979 | |
| At March 31, 2011 | | | | |
| Borrowings | 80,291 | 72,062 | 243,015 | 20,713 |
| Derivative financial instruments | 25,910 | | | |
| Trade payables | 46,642 | | | |
| Related parties | 33 | | | |
| Other liabilities | 21,398 | 4,845 | 5,566 | |

| | Consolidated | | | |
|---|---|---|---|---|
| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
| At September 30, 2011 | | | | |
| Borrowings | 233,013 | 183,964 | 428,422 | 95,468 |
| Derivative financial instruments | 61,308 | | | |
| Trade payables | 168,054 | | | |
| Related parties | 7,870 | | | |
| Other liabilities | 12,472 | 4,319 | 6,978 | |
| At March 31, 2011 | | | | |
| Borrowings | 140,982 | 130,467 | 371,715 | 68,529 |
| Derivative financial instruments | 25,910 | | | |
| Trade payables | 61,096 | | | |
| Related parties | 705 | | | |
| Other liabilities | 21,137 | 4,598 | 5,873 | |

All amounts in thousands of reais unless otherwise stated

## 4.4 Sensitivity analysis

In accordance with CVM Instruction 475, the sensitivity analysis below has been prepared by the Company showing the effects of changes in the fair values of financial instruments relating to hedging of price and foreign currency risks and other financial assets and liabilities denominated in foreign currency at September 30, 2011, considered by management as the major risks to which the Company is exposed. This analysis reflects management expectations with respect to the future scenario projected.

| Parent Company and Consolidated: | | Probable scenario | | Possible scenarios | |
|---|---|---|---|---|---|
| | Risk | Average rate/price | Effect on the statement of income and cash flows | Deterioration 25% | Deterioration 50% |
| **Foreign exchange rate risk** | | | | | |
| Cash and banks | US$ depreciation | 1.75 | (1,476) | (7,663) | (13,849) |
| Trade receivables | US$ depreciation | 1.75 | (1,380) | (7,163) | (12,947) |
| Short and long-term borrowings | US$ appreciation | 1.73 | 22,991 | (55,241) | (133,474) |
| Forward contracts - foreign currency - NDF | US$ appreciation | 1.75 | (8,313) | (128,011) | (247,710) |
| Trade payables | US$ appreciation | 1.73 | 974 | (2,272) | (5,518) |
| **Price risk** | | | | | |
| Forward contracts - sugar - NDF | Increase in the commodity price | 23.66 | 638 | (15,784) | (32,207) |
| Futures market - sale - ethanol | Increase in the commodity price | 1,345.94 | (90) | (272) | (454) |
| Futures market - purchase - sugar | Decrease in the commodity price | 25.11 | (174) | (8,122) | (16,337) |
| Futures market - sale - sugar | Increase in the commodity price | 24.56 | 803 | (8,084) | (37,152) |
| "Put" sale - sugar | Increase in the commodity price | 22.07 | 274 | (287) | (849) |
| "Put" purchase - sugar | Decrease in the commodity price | 24.35 | (84) | (532) | (980) |

## 4.5 Measurement of fair value

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

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

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

**All amounts in thousands of reais unless otherwise stated**

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

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

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

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

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

| | Parent company and Consolidated | | |
|---|---|---|---|
| **As per balance sheet** | **Level 1** | **Level 2** | **Total** |
| At September 30, 2011 | | | |
| Assets - derivative financial instruments | | | |
| Ethanol futures | 10 | | 10 |
| Sugar futures | 6,148 | | 6,148 |
| Foreign exchange forward contracts | | 4,900 | 4,900 |
| Liabilities - derivative financial instruments | | | |
| U.S. dollar options | | (579) | (579) |
| Sugar options | (648) | | (648) |
| Foreign exchange forward contracts | | (60,081) | (60,081) |
| At March 31, 2011 | | | |
| Assets - derivative financial instruments | | | |
| Ethanol futures | 14 | | 14 |
| Sugar options | 129 | | 129 |
| U.S. dollar options | | 221 | 221 |
| Foreign exchange forward contracts | | 3,894 | 3,894 |
| Liabilities - derivative financial instruments | | | |
| Sugar futures | (2,634) | | (2,634) |
| Sugar forward contracts | | (23,276) | (23,276) |

**All amounts in thousands of reais unless otherwise stated**

## 5 Financial Instruments by Category

| Assets as per balance sheet | Loans and receivables | Assets at fair value through profit or loss | Derivatives used for hedging | Total |
|---|---|---|---|---|
| | | | | **Parent company** |
| At September 30, 2011 | | | | |
| Cash and cash equivalents | 27,240 | 212,828 | | 240,068 |
| Trade receivables | 52,419 | | | 52,419 |
| Derivative financial instruments | 396 | | 11,058 | 11,454 |
| Related parties | 9,654 | | | 9,654 |
| Judicial deposits | 39,012 | | | 39,012 |
| Other assets | 5,031 | | | 5,031 |
| At March 31, 2011 | | | | |
| Cash and cash equivalents | 18,791 | 97,670 | | 116,461 |
| Trade receivables | 50,439 | | | 50,439 |
| Derivative financial instruments | 1,709 | | 4,258 | 5,967 |
| Related parties | 4,833 | | | 4,833 |
| Judicial deposits | 30,564 | | | 30,564 |
| Other assets | 10,577 | | | 10,577 |

| Liabilities as per balance sheet | Derivatives used for hedging | Other financial liabilities | Total |
|---|---|---|---|
| | | | **Parent company** |
| At September 30, 2011 | | | |
| Borrowings | | 638,434 | 638,434 |
| Derivative financial instruments | 61,308 | | 61,308 |
| Trade payables | | 162,652 | 162,652 |
| Other liabilities | | 26,969 | 26,969 |
| At March 31, 2011 | | | |
| Borrowings | | 416,081 | 416,081 |
| Derivative financial instruments | 25,910 | | 25,910 |
| Trade payables | | 46,642 | 46,642 |
| Related parties | | 33 | 33 |
| Other liabilities | | 31,809 | 31,809 |

**All amounts in thousands of reais unless otherwise stated**

**Consolidated**

| Assets as per balance sheet | Loans and receivables | Assets at fair value through profit or loss | Derivatives used for hedging | Total |
|---|---|---|---|---|
| At September 30, 2011 | | | | |
| Cash and cash equivalents | 28,618 | 246,008 | | 274,626 |
| Trade receivables | 62,490 | | | 62,490 |
| Derivative financial instruments | 396 | | 11,058 | 11,454 |
| Related parties | 4,022 | | | 4,022 |
| Judicial deposits | 40,650 | | | 40,650 |
| Other assets | 7,471 | | | 7,471 |
| At March 31, 2011 | | | | |
| Cash and cash equivalents | 20,937 | 204,130 | | 225,067 |
| Trade receivables | 59,673 | | | 59,673 |
| Derivative financial instruments | 1,709 | | 4,258 | 5,967 |
| Related parties | 33 | | | 33 |
| Judicial deposits | 32,367 | | | 32,367 |
| Other assets | 12,793 | | | 12,793 |

**Consolidated**

| Liabilities as per balance sheet | Derivatives used for hedging | Other financial liabilities | Total |
|---|---|---|---|
| At September 30, 2011 | | | |
| Borrowings | | 940,867 | 940,867 |
| Derivative financial instruments | 61,308 | | 61,308 |
| Trade payables | | 168,054 | 168,054 |
| Related parties | | 7,870 | 7,870 |
| Other liabilities | | 23,769 | 23,769 |
| At March 31, 2011 | | | |
| Borrowings | | 711,693 | 711,693 |
| Derivative financial instruments | 25,910 | | 25,910 |
| Trade payables | | 61,096 | 61,096 |
| Related parties | | 705 | 705 |
| Other liabilities | | 31,608 | 31,608 |

**All amounts in thousands of reais unless otherwise stated**

## 6 Cash and Cash Equivalents

| | Remuneration | Parent company September 30, 2011 | Parent company March 31, 2011 |
|---|---|---|---|
| Cash and banks | | 27,240 | 18,791 |
| Financial investments | | | |
| . Agribusiness Credit Note (LCA) | 40% of the Interbank Deposit Certificate (CDI) interest rate - weighted average rate | | 3,008 |
| . Bank Deposit Certificate (CDB) | 100.40% (March - 100.71%) of the CDI interest rate - weighted average rate | 75,935 | 17,103 |
| . Debenture repurchase agreements | 101.46% (March - 100.95%) of the CDI interest rate - weighted average rate | 136,893 | 77,559 |
| | | 240,068 | 116,461 |

| | Remuneration | Consolidated September 30, 2011 | Consolidated March 31, 2011 |
|---|---|---|---|
| Cash and banks | | 28,618 | 20,937 |
| Financial investments | | | |
| . Agribusiness Credit Note (LCA) | 40% of the Interbank Deposit Certificate (CDI) interest rate - weighted average rate | | 3,008 |
| . Bank Deposit Certificate (CDB) | 100.39% (March - 100.75%) of the CDI interest rate - weighted average rate | 77,938 | 82,494 |
| . Debenture repurchase agreements | 101.33% (March - 101.02%) of the CDI interest rate - weighted average rate | 164,804 | 115,780 |
| . Funds - Financial Treasury Bills (LFT | 100% of the Special System for Settlement and Custody (Selic) interest rate | 3,266 | 2,848 |
| | | 274,626 | 225,067 |

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

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

All amounts in thousands of reais unless otherwise stated

## 7 Trade Receivables

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

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2011 | March 31, 2011 | September 30, 2011 | March 31, 2011 |
| Local customers | 27,906 | 36,303 | 37,977 | 44,111 |
| Foreign customers | 24,513 | 14,136 | 24,513 | 15,562 |
| | 52,419 | 50,439 | 62,490 | 59,673 |

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

As of September 30, 2011, trade receivables of R$ 24,542 (R$ 26,114 - consolidated) were past due but not impaired. These relate to a number of customers for whom there is no history of default. The ageing analysis of these trade receivables is as follows:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| **Past due and not provided for:** | September 30, 2011 | March 31, 2011 | September 30, 2011 | March 31, 2011 |
| up to 30 days | 77 | 14,593 | 1,575 | 16,027 |
| from 31 to 60 days | | | | |
| over 60 days | 203 | 123 | 277 | 313 |
| **Falling due:** | | | | |
| up to 30 days | 50,564 | 33,514 | 59,058 | 41,082 |
| from 31 to 60 days | 1,495 | 2,185 | 1,480 | 2,185 |
| over 60 days | 80 | 24 | 100 | 66 |
| | 52,419 | 50,439 | 62,490 | 59,673 |

At March 31, 2011, the past due amounts mainly refer to export transactions which were billed for immediate payment and take on average 30 days to be collected. The average collection period for trade receivables was 14 days (19 days - consolidated).

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

**All amounts in thousands of reais unless otherwise stated**

## 8 Inventories

| | Parent company | |
|---|---|---|
| | September 30, 2011 | March 31, 2011 |
| Finished products and work in process | 252,915 | 66,674 |
| Advances - purchases of sugar cane | 75,128 | 19,931 |
| Inputs, indirect, maintenance and other materials | 37,538 | 29,437 |
| | 365,581 | 116,042 |

| | Consolidated | |
|---|---|---|
| | September 30, 2011 | March 31, 2011 |
| Finished products and work in process | 299,128 | 80,510 |
| Advances - purchases of sugar cane | 99,959 | 23,986 |
| Inputs, indirect, maintenance and other materials | 44,855 | 38,510 |
| Provision for reduction of inventories to realizable value | (91) | (3,900) |
| | 443,851 | 139,106 |

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

## 9 Taxes Recoverable

The balance of taxes recoverable can be summarized as follows:

| | Parent company | |
|---|---|---|
| | September 30, 2011 | March 31, 2011 |
| COFINS, including credits on purchases of property, plant and equipment | 22,680 | 18,162 |
| ICMS, including credits on purchases of property, plant and equipment | 17,145 | 4,438 |
| PIS, including credits on purchases of property, plant and equipment | 4,947 | 3,950 |
| Other | 684 | 454 |
| | 45,456 | 27,004 |
| Current assets | (30,556) | (12,650) |
| Non-current assets | 14,900 | 14,354 |

**All amounts in thousands of reais unless otherwise stated**

| | Consolidated | |
|---|---|---|
| | September 30, 2011 | March 31, 2011 |
| COFINS, including credits on purchases of property, plant and equipment | 46,280 | 42,116 |
| ICMS, including credits on purchases of property, plant and equipment | 20,243 | 18,819 |
| PIS, including credits on purchases of property, plant and equipment | 10,127 | 9,236 |
| Other | 850 | 569 |
| | 77,500 | 70,740 |
| Current assets | (41,201) | (33,520) |
| Non-current assets (mainly credits on purchases of property, plant and equipment) | 36,299 | 37,220 |

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

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

## 10 Balances and Transactions with Related Parties

### (a) Parent company and consolidated balances

| | Parent company | | | | |
|---|---|---|---|---|---|
| | September 30, 2011 | | | March 31, 2011 | |
| | Current assets | Non-current assets | Current liabilites | Non-current assets | Current liabilites |
| Subsidiaries and related parties: | | | | | |
| Vale do Mogi (formerly USM) | 203 | | 20,008 | 203 | |
| Omtek | | | | 2,962 | |
| UBV | 931 | | 3 | 80 | 33 |
| USL | 42 | 1,000 | 506 | 1,586 | |
| Monte Sereno Agrícola Ltda. | | | | 2 | |
| Uniduto | | 2,524 | | | |
| SME | | 4,632 | | | |
| CTC | | 1498 | | | |
| SC | 230 | | | | |
| SMA | 79 | | | | |
| Other | 19 | | | | |
| **Sub-total** | 1,504 | 9,654 | 20,517 | 4,833 | 33 |
| Stockholders (including liabilities arising from purchases of sugar cane - trade payables) | 2,071 | | 3,260 | | 877 |
| | 3,575 | 9,654 | 23,777 | 4,833 | 910 |

All amounts in thousands of reais unless otherwise stated

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | September 30, 2011 | | | March 31, 2011 | |
| | Current assets | Non-current assets | Current liabilites | Non-current assets | Current liabilites |
| Subsidiaries and related parties: | | | | | |
| UBV | 345 | | 1 | | |
| SC | 230 | | | | |
| SMA | 39 | | | | 693 |
| SMBJ | | | | 30 | 12 |
| Monte Sereno Agrícola Ltda. | | | | 2 | |
| USL | 24 | | 295 | 1 | |
| Uniduto | | 2,524 | | | |
| CTC | | 1,498 | | | |
| Other | 20 | | | | |
| **Sub-total** | 658 | 4,022 | 296 | 33 | 705 |
| Stockholders (including liabilities arising from purchases of sugar cane - trade payables) | 2,314 | | 3,512 | | 4,541 |
| | 2,972 | 4,022 | 3,808 | 33 | 5,246 |

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

## (b) Parent company transactions in the quarter

| | September 30, 2011 | | | |
|---|---|---|---|---|
| | Finance costs administrative expenses | Sales revenue | Expenses reimbursed by subsidiaries | Purchases of products and services |
| Omtek | | 47 | | |
| UBV | | | 3,247 | 40 |
| USL | | 52 | 234 | |
| Vale do Mogi | | | | 25,094 |
| SMA | | | 98 | |
| Stockholders | | | | |
| - rental of properties | 114 | | | |
| - rendering of services | 505 | | | |
| - purchases of sugar cane | | | | 8,218 |
| | 619 | 99 | 3,579 | 33,352 |

| | September 30, 2010 | | | | |
|---|---|---|---|---|---|
| | Finance costs administrative expenses | Sales revenue | Expenses apportioned by subsidiary | Expenses reimbursed by subsidiaries | Purchases of products and services |
| USM | | 2 | 1,113 | 1,013 | 15 |
| Omtek | | 1,628 | | 41 | 5 |
| UBV | | 87 | | 492 | |
| Stockholders | | | | | |
| - rental of properties | 21 | | | | |
| - rendering of services | 73 | | | | |
| - purchases of sugar cane | | | | | 380 |
| | 94 | 1,717 | 1,113 | 1,546 | 400 |

**All amounts in thousands of reais unless otherwise stated**

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

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

## (c) Consolidated transactions in the quarter

| | September 30, 2011 | | | |
|---|---|---|---|---|
| | Finance costs administrative expenses | Sales revenue | Expenses reimbursed by subsidiaries | Purchases of products and services |
| Omtek | | | | |
| UBV | | | 1,205 | 15 |
| USL | | 30 | 136 | |
| SMA | | | 49 | |
| Stockholders | | | | |
| - rental of properties | 114 | | | |
| - rendering of services | 528 | | | |
| - purchases of sugar cane | | | | 8,986 |
| | 642 | 30 | 1,390 | 9,001 |

| | September 30, 2010 | |
|---|---|---|
| | Finance costs administrative expenses | Purchases of products and services |
| Stockholders | | |
| - rental of properties | 63 | |
| - rendering of services | 257 | |
| - purchases of sugar cane | | 2,476 |
| | 320 | 2,476 |

**All amounts in thousands of reais unless otherwise stated**

### (d) Key management compensation

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

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2011 | September 30, 2010 | September 30, 2011 | September 30, 2010 |
| Wages and salaries | 799 | 133 | 995 | 133 |
| Fees and bonuses | 5,311 | 2,273 | 6,042 | 4,219 |
| Social security contributions | 1,240 | 470 | 1,311 | 859 |
| Private pension plan | 224 | 84 | 237 | 217 |
| Profit sharing program | 55 | 9 | 67 | 9 |
| Other | 102 | 40 | 106 | 67 |
| | 7,731 | 3,009 | 8,758 | 5,504 |

## 11 Other Assets

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2011 | March 31, 2011 | September 30, 2011 | March 31, 2011 |
| Prepaid expenses | 2,789 | 2,191 | 3,874 | 2,767 |
| Sundry advances | 1,449 | 2,234 | 1,332 | 2,333 |
| Other investments | 142 | 5,347 | 150 | 5,418 |
| Other receivables | 651 | 805 | 2,115 | 2,275 |
| | 5,031 | 10,577 | 7,471 | 12,793 |
| Current assets | (4,778) | (4,958) | (5,801) | (5,692) |
| Non-current assets | 253 | 5,619 | 1,670 | 7,101 |

**All amounts in thousands of reais unless otherwise stated**

## 12 Investments

The parent company's investments in other companies are as follows:

### 12.1 Subsidiaries, jointly-controlled subsidiaries and associates

| | September 30, 2011 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Vale do Mogi | Omtek | SME | NF | SMA | USL | Other | Total |
| In subsidiaries, jointly-controlled subsidiaries and associated companies: | | | | | | | | |
| Shares/quotas held (thousands) | 23,500 | | 1,000 | 426,635 | 50 | 11,898 | | |
| Percentage holding | 100.00% | | 100.00% | 62.89% | 50.00% | 41.67% | | |
| Capital | 59,540 | | 1 | 684,870 | 100 | 7,341 | | |
| Equity (net capital deficiency) | 756,762 | | (107) | 623,514 | (339) | (14,721) | | |
| Profit (loss) for the period | 14,946 | | (108) | (350) | (382) | (3,793) | | |
| Changes in investments: | | | | | | | | |
| At March 31, 2011 | 762,432 | 24,614 | | 392,344 | 21 | | | 1,179,411 |
| Reclassification of other assets | | | | | | | 5,216 | 5,216 |
| Additional dividends distributed | (20,616) | | | | | | | (20,616) |
| Payment and increase of capital | | | 1 | | | 1,583 | | 1,584 |
| Merger of spun-off net aseets - Note 1.2 | | (23,652) | | | | | | (23,652) |
| Equity in the results | 14,946 | (962) | (108) | (220) | (191) | (1,574) | (2,774) | 9,117 |
| Reclassification to current liabilities related to investments with net capital deficiency | | | 107 | | 170 | (9) | | 268 |
| At September 30, 2011 | 756,762 | | | 392,124 | | | 2,442 | 1,151,328 |

| | September 30, 2010 | | | | |
|---|---|---|---|---|---|
| | USM | UBV | Omtek | Nova Fronteira | Total |
| In subsidiaries and jointly-controlled subsidiaries: | | | | | |
| Shares/quotas held (thousands) | 23,500 | | 27,971 | 111,356 | |
| Percentage holding | 100.00% | | 49.78% | 26.08% | |
| Capital | 60,000 | | 27,971 | 427,040 | |
| Equity | 1,190,840 | | 31,816 | 371,408 | |
| Profit (loss) for the period | 35,227 | | (1,136) | 2,304 | |
| Changes in investments: | | | | | |
| At March 31, 2010 | 1,263,806 | 89,061 | 18,906 | | 1,371,773 |
| Additional dividends distributed | (93,567) | | | | (93,567) |
| Capital increase with advances | | 8,377 | | | 8,377 |
| Gain (loss) on revaluation reserve of subsidiaries, due to increase (decrease) in holding | 2,101 | (46) | (2,055) | | |
| Capital subscription with transfer of UBV's shares | | (96,246) | | 96,246 | |
| Equity loss arising from carrying value adjustments | (26,205) | (26) | | | (26,231) |
| Capital gain (loss) due to decrease in participation in accumulated results up to March 31, 2010 | (1,348) | 1,797 | (449) | | |
| Equity in the results | 46,056 | (2,917) | (563) | 603 | 43,179 |
| At September 30, 2010 | 1,190,843 | | 15,839 | 96,849 | 1,303,531 |

There are no cross-holdings between the parent company and the investees.

All amounts in thousands of reais unless otherwise stated

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

Goodwill is described in detail in Note 13.2 to the annual financial statements for the year ended March 31, 2011.

## 13 Biological Assets

At September 30, 2011, the Company and UBV had sugar cane plantations in the States of São Paulo and Goiás used to provide raw material for the industrial process. The cultivation of sugar cane begins with the planting of seedlings in land of the Company or of third parties, and the first harvest occurs after a period of 12 to 18 months after planting, when the cane is harvested and the root ("stubble") remains in the ground. After each harvest (year/crop), the treated stubble grows again, with an average cycle of five or six crops.

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

Key assumptions used for measuring the fair value:

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

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

(b) Outflow of cash represented by the estimate of (i) costs necessary for the biological transformation of the sugarcane (cultivation) up to the harvest; (ii) costs with harvest/cutting, loading and transportation (CCT); (iii) capital costs (land and machinery and equipment); (iv) costs of leases and rural partnerships; and (v) taxes on positive cash flows.

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

| | Consolidated | |
|---|---|---|
| | 9/30/2011 | 3/31/2011 |
| Estimated harvest area (ha) | 112,294 | 109,053 |
| Expected productivity (t/ha) | 71.77 | 84.64 |
| Amount of ATR per metric ton of sugar cane (kg) | 137.52 | 137.47 |
| Estimated average price of ATR (R$) | 0.4570 | 0.4323 |

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

All amounts in thousands of reais unless otherwise stated

The model and assumptions used to determine the fair value represent management's best estimates at the reporting date and are reviewed on a quarterly basis and, if necessary, adjusted.

The change in the fair value of biological assets for the six-month period is as follows:

| | September 30, 2011 | |
|---|---|---|
| | Parent company | Consolidated |
| Biological assets at the beginning of the period | 342,152 | 435,532 |
| Increases arising from planting and treatment | 86,618 | 134,487 |
| Change in fair value | 30,856 | 27,431 |
| Decreases resulting from harvest | (116,968) | (129,155) |
| Biological assets at the end of the period | 342,658 | 468,295 |

### (a) Operating lease and future sugar cane purchase commitments

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

The amounts to be disbursed due to these transactions will be determined at the end of each crop by the price of the metric ton of sugar cane established in the model defined by the Council of Sugar Cane, Sugar and Alcohol Producers of the State of São Paulo (CONSECANA). At September 30 and March 31, 2011, the total payments related to leases and purchase agreements are estimated as follows:

| | Consolidated | |
|---|---|---|
| | September 30, 2011 | March 31, 2011 |
| Less than 1 year | 212,308 | 92,233 |
| Later than 1 year and no later than 5 years | 286,272 | 273,905 |
| Later than 5 years | 122,380 | 121,136 |
| | 620,960 | 487,274 |

**All amounts in thousands of reais unless otherwise stated**

## 14 Property, Plant and Equipment

**Parent company**

| | Land | Buildings and premises | Industrial equipment and facilities | Vehicles | Agricultural machinery and implements | Other | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|
| **At March 31, 2011** | 604,409 | 64,724 | 436,819 | 41,124 | 109,747 | 8,221 | 63,139 | 1,328,183 |
| Total cost | 604,409 | 68,828 | 445,829 | 41,895 | 111,868 | 32,492 | 63,139 | 1,368,460 |
| Accumulated depreciation | | (4,104) | (9,010) | (771) | (2,121) | (24,271) | | (40,277) |
| Net book value | 604,409 | 64,724 | 436,819 | 41,124 | 109,747 | 8,221 | 63,139 | 1,328,183 |
| **At March 31, 2011** | 604,409 | 64,724 | 436,819 | 41,124 | 109,747 | 8,221 | 63,139 | 1,328,183 |
| Purchases | | | 11,682 | 6 | 7 | 1,236 | 68,599 | 81,530 |
| Disposals (residual) | | | (56) | (124) | (438) | (6) | | (624) |
| Transfers | | 524 | 39,504 | 3,896 | 5,990 | (334) | (51,064) | (1,484) |
| Assets merged from OMTEK | 1,260 | 1,543 | 6,325 | | | 70 | | 9,198 |
| Depreciation | | (2,080) | (84,126) | (5,705) | (9,742) | (802) | | (102,455) |
| **At September 30, 2011** | 605,669 | 64,711 | 410,148 | 39,197 | 105,564 | 8,385 | 80,674 | 1,314,348 |
| Total cost | 605,669 | 71,140 | 508,358 | 45,641 | 117,380 | 33,633 | 80,674 | 1,462,495 |
| Accumulated depreciation | | (6,429) | (98,210) | (6,444) | (11,816) | (25,248) | | (148,147) |
| Net book value | 605,669 | 64,711 | 410,148 | 39,197 | 105,564 | 8,385 | 80,674 | 1,314,348 |
| **Net book value of:** | | | | | | | | |
| Historical cost | 21,154 | 19,489 | 159,602 | 32,916 | 56,549 | 8,385 | 80,674 | 378,769 |
| Revaluation increment | 584,515 | 45,222 | 250,546 | 6,281 | 49,015 | | | 935,579 |
| | 605,669 | 64,711 | 410,148 | 39,197 | 105,564 | 8,385 | 80,674 | 1,314,348 |
| Average depreciation rates | | 4.72% | 22.78% | 23.96% | 10.12% | 12.13% | | |

**Consolidated**

| | Land | Buildings and premises | Industrial equipment and facilities | Vehicles | Agricultural machinery and implements | Leasehold improve ments | Other | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| **At March 31, 2011** | 1,732,305 | 162,291 | 630,459 | 63,054 | 141,105 | 20,926 | 11,247 | 103,374 | 2,864,761 |
| Total cost | 1,732,305 | 178,143 | 662,184 | 68,564 | 155,031 | 27,911 | 36,626 | 103,374 | 2,964,138 |
| Accumulated depreciation | | (15,852) | (31,725) | (5,510) | (13,926) | (6,985) | (25,379) | | (99,377) |
| Net book value | 1,732,305 | 162,291 | 630,459 | 63,054 | 141,105 | 20,926 | 11,247 | 103,374 | 2,864,761 |
| **At March 31, 2011** | 1,732,305 | 162,291 | 630,459 | 63,054 | 141,105 | 20,926 | 11,247 | 103,374 | 2,864,761 |
| Purchases | | | 14,463 | 6 | 7 | | 1,317 | 92,239 | 108,032 |
| Disposals (residual) | | | (89) | (251) | (438) | | (7) | | (785) |
| Transfers | | 582 | 42,416 | 3,931 | 6,886 | | (322) | (54,977) | (1,484) |
| Depreciation | | (3,844) | (100,559) | (6,932) | (12,351) | (3,207) | (968) | | (127,861) |
| **At September 30, 2011** | 1,732,305 | 159,029 | 586,690 | 59,808 | 135,209 | 17,719 | 11,267 | 140,636 | 2,842,663 |
| Total cost | 1,732,305 | 178,725 | 718,961 | 72,146 | 161,439 | 27,911 | 37,612 | 140,636 | 3,069,735 |
| Accumulated depreciation | | (19,696) | (132,271) | (12,338) | (26,230) | (10,192) | (26,345) | | (227,072) |
| Net book value | 1,732,305 | 159,029 | 586,690 | 59,808 | 135,209 | 17,719 | 11,267 | 140,636 | 2,842,663 |
| **Net book value of:** | | | | | | | | | |
| Historical cost | 116,536 | 106,715 | 336,144 | 53,443 | 86,047 | 17,719 | 11,267 | 140,636 | 868,507 |
| Revaluation increment | 1,615,769 | 52,314 | 250,546 | 6,365 | 49,162 | | | | 1,974,156 |
| | 1,732,305 | 159,029 | 586,690 | 59,808 | 135,209 | 17,719 | 11,267 | 140,636 | 2,842,663 |
| Average depreciation rates | | 3.47% | 17.99% | 16.48% | 9.45% | 20.00% | 12.65% | | |

The parent company balance of construction in progress at September 30, 2011 refers to the refurbishment of its two industrial facilities to increase sugar and ethanol production and other improvements. The consolidated balance of construction in progress also includes the expansion and improvements to the industrial park of UBV for the production of ethanol and electricity generation.

Under the terms of certain borrowing agreements entered into by the Company and its subsidiaries, property, plant and equipment totaling R$ 666,468 at September 30, 2011 (consolidated) was pledged as collateral. These assets are mainly represented by industrial equipment and facilities, and agricultural machinery and implements. In addition, land totaling R$ 1,012,918 was pledged as collateral for securitized rural credits, recorded in current and long-term liabilities.

**All amounts in thousands of reais unless otherwise stated**

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

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

The Company and its subsidiaries capitalized financial charges of R$ 1,059 and R$ 2,145, in the quarters ended September 30, 2011 and 2010, respectively.

### (a) Deemed cost

See Note 15 (a) to the annual financial statements for the year ended March 31, 2011.

## 15 Intangible Assets

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2011 | March 31, 2011 | September 30, 2011 | March 31, 2011 |
| Goodwill - expected future profitability | 38,826 | 38,826 | 38,826 | 38,826 |
| Accumulated amortization | (4,811) | (4,811) | (4,811) | (4,811) |
| Software | 6,679 | 5,148 | 8,354 | 6,858 |
| Accumulated amortization | (3,617) | (3,317) | (4,551) | (4,147) |
| | 37,077 | 35,846 | 37,818 | 36,726 |

The goodwill attributed to expected future profitability, derived from the spin-off of USL's net assets, currently merged by the Company, is no longer being amortized as from the fiscal year beginning April 1, 2009, as mentioned in Note 13.2 to the annual financial statements for the year ended March 31, 2011.

### All amounts in thousands of reais unless otherwise stated

## 16 Borrowings

| Type | Charges | Guarantees | Maturity | Parent company September 30, 2011 | Parent company March 31, 2011 |
|---|---|---|---|---|---|
| **In local currency:** | | | | | |
| Securitized rural credits | General Market Price Index (IGP-M) + weighted average interest of 4.57% p.a., paid annually | (a) | Annual installments with maturities between Sep 2018 and Jul 2020 | 70,015 | 76,154 |
| Rural credit | Weighted average fixed interest rate of 11.25% p.a. paid on final maturity of the contracts | (b) | Single installment with maturity on October 2011 | 1,674 | 11,721 |
| Rural credit | Fixed interest rate of 6.75% p.a. paid on final maturity of the contract | (b) | Monthly installments with maturities in Oct/11 and Aug/12 | 16,190 | 3,469 |
| Finame / BNDES Automatic loans | Quarterly Long-term Interest Rate (TJLP) + weighted average interest of 2.78% p.a. paid monthly | (c) | Monthly installments with maturities between Oct 2011 and Apr 2015 | 23,686 | 33,415 |
| Finame / BNDES Automatic loans | Weighted average fixed rate of 5.20% p.a. paid monthly | (d) | Monthly installments with maturities between Oct 2011 and April 2016 | 41,207 | 40,266 |
| Other securitized credits | Fixed interest rate of 3% p.a. paid annually | (e) | Annual installments with final maturity in Oct 2025 | 71 | 71 |
| Working capital | Variation of 99 % CDI OVER CETIP (average rate for interbank loans for one day registered with CETIP) paid on final maturities of the contracts | (g) | Single installments with maturities in May 2012, May 2013 and May 2014 | 104,041 | |
| Leases | Fixed rate of 7.51% p.a. paid monthly | (f) | Monthly installments with maturities between Oct 11 and Apr 13 | 356 | 460 |
| FINEM DIRECT | Quarterly Long-term Interest Rate (TJLP) + weighted average interest of 2.85% p.a. paid monthly | (c) | Monthly installments with maturities between Oct 11 and Apr 23 | 12,591 | |
| FINEM DIRECT | Fixed rate of 5.50% p.a. paid monthly | (c) | Monthly installments with maturities betwee Oct 11 and Apr 21 | 32,683 | |
| **In foreign currency:** | | | | | |
| ACC (Advances on foreign exchange contracts) | Fixed rate of 1.30% p.a. + US$ variation paid on final maturity of the contracts | (l) | Single installments with final maturity in Oct 2011 and Jan 2012 | 55,676 | 4,983 |
| Export prepayment - PPE | 6-month Libor + fixed rate of 2% = 2.3952% p.a. + US$ variation paid on final maturity of the contracts | (h) | Semiannual installments with maturities between Oct 11 and Jun 15 | 279,535 | 245,527 |
| Finame / BNDES Automatic loans | Currency basket (U.S. dollar, Euro and Yen) + fixed rate of 6.7913% p.a. paid monthly | (k) | Monthly installments with maturities between Oct 11 and Mar 12 | 8 | 15 |
| FINEM DIRECT | Currency basket (U.S. dollar, Euro and Yen) + fixed rate of 6.6813% p.a. paid monthly | (c) | Monthly installments with maturities between Oct 11 and Apr 23 | 701 | |
| **Total** | | | | 638,434 | 416,081 |
| Current liabilities | | | | (169,658) | (80,291) |
| Non-current liabilities | | | | 468,776 | 335,790 |

### All amounts in thousands of reais unless otherwise stated

| Type | Charges | Guarantees | Maturity | Consolidated September 30, 2011 | Consolidated March 31, 2011 |
|---|---|---|---|---|---|
| **In local currency:** | | | | | |
| Securitized rural credits | General Market Price Index (IGP-M) + weighted average interest of 4.57% p.a., paid annually | (a) | Annual installments with maturities between Sep 2018 and Jul 2020 | 70,208 | 76,367 |
| Rural credit | Weighted average fixed interest rate of 11.25% p.a. paid on final maturity of the contracts | (b) | Monthly installments with maturities between Oct 11 and Jan 12 | 5,885 | 22,252 |
| Rural credit | Fixed interest rate of 6.75% p.a. paid on final maturity of the contracts | (b) | Monthly installments with maturities in Oct 11 and Dec 11 | 16,190 | 3,469 |
| Finame / BNDES Automatic loans | Quarterly Long-term Interest Rate (TJLP) + weighted average interest of 3.04% p.a. paid monthly | (c) and (i) | Monthly installments with maturities between Oct 11 and Apr 15 | 30,760 | 42,174 |
| FINEM - DIRECT | Quarterly Long-term Interest Rate (TJLP) + weighted average interest of 2.30% p.a. paid monthly | (c) and (i) | Monthly installments with maturities between Oct 11 and Apr 23 | 195,983 | 184,828 |
| FINEM - DIRECT | Fixed interest rate of 4.92% p.a. paid monthly | (c) and (i) | Monthly installments with maturities between Oct 11 and Apr 21 | 85,604 | 38,819 |
| Finame / BNDES Automatic loans | Weighted average fixed interest rate of 5.23% p.a. paid monthly | (d) and (j) | Monthly installments with maturities between Oct 11 and April 16 | 41,999 | 41,588 |
| Finame (FCO) | Weighted average fixed interest rate of 11.5% p.a. paid monthly | (j) | Monthly installments with maturities between Oct 11 and Nov 19 | 5,750 | 6,104 |
| Other securitized credits | Fixed interest rate of 3% p.a. paid annually | (e) | Single installment with maturity in Oct 2025 | 71 | 71 |
| Working capital | Variation of 99% CDI OVER CETIP (average rate for interbank loans for one day registered with CETIP) paid on final maturities of the contracts | (g) | Single installments with maturities in May 2012, May 2013 and May 2014 | 104,041 | |
| Leases | Weighted average fixed rate of 7.49% p.a. paid monthly | (f) | Monthly installments with maturities between October 11 and May 13 | 375 | 484 |
| **In foreign currency:** | | | | | |
| Finame / BNDES Automatic loans | Currency basket (U.S. dollar, Euro and Yen) + weighted average fixed rate of 6.7913% p.a. paid monthly | (k) | Monthly installments with maturities between Oct 11 and Mar 12 | 8 | 15 |
| FINEM - DIRECT | Currency basket (US Dollar, Euro and Yen) + weighted average fixed rate of 6.27% p.a. paid monthly | (c) and (k) | Monthly installments with maturities between Oct 11 and Apr 23 | 48,782 | 45,012 |
| ACC (Advances on foreign exchange contracts) | Fixed interest of 1.30% p.a. + US$ variation paid on final maturities | (l) | Single installment with final maturities in Oct 2011 and Jan 2012 | 55,676 | 4,983 |
| Export prepayment - PPE | Six-month Libor + fixed rate of 2% = 2.3952% p.a. + US$ variation paid on final maturities | (h) | Semiannual installments with maturities between Oct 11 and Jun 15 | 279,535 | 245,527 |
| **Total** | | | | 940,867 | 711,693 |
| Current liabilities | | | | (233,013) | (140,982) |
| Non-current liabilities | | | | 707,854 | 570,711 |

**All amounts in thousands of reais unless otherwise stated**

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

| Description of the guarantees for borowings at September 30, 2011 | | Carrying or contractual value |
|---|---|---|
| (a) | Mortgagae - 15,276.09 ha of land | 531,807 |
| (b) | Promissory note | 31,582 |
| (c) | Statutory lien of industrial equipment | 23,526 |
| | Statutory lien of agricultural equipment | 63,942 |
| | Promissory note | 33,472 |
| (d) | Statutory lien of industrial equipment | 55,202 |
| | Statutory lien of agricultural equipment | 39,828 |
| | Promissory note | 1,664 |
| (e) | Mortgage - 78.53 ha of land | 4,779 |
| (f) | Promissory note | 218 |
| (g) | Promissory note | 100,000 |
| (h) | Consolidated financial covenants: maintenance of a principal minimum percentage with a projected flow of receivables and minimum ratio between the net debt and the Earnings before interest, tax, depreciation and amortization (EBITDA). At September 30 and March 31, 2011, the Company was in compliance with all the covenants of financing agreements. | |
| (i) | Mortgage -11,460 ha of land | 390,683 |
| | Statutory lien of industrial equipment | 304,535 |
| | Statutory lien of agricultural equipment | 26,086 |
| | Promissory note | 8,958 |
| (j) | Mortgage - 199.2025 ha of land | 6,158 |
| | Statutory lien of industrial equipment | 142,483 |
| | Statutory lien of agricultural equipment | 5,996 |
| | Promissory note | 5,268 |
| (k) | Mortgage - 2,332 ha of land | 79,490 |
| | Statutory lien of industrial equipment | 4,871 |
| | Statutory lien of agricultural equipment | |
| | Promissory note | |
| (l) | Promissory note | 113,681 |

**All amounts in thousands of reais unless otherwise stated**

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

Long-term borrowings have the following maturities:

| | September 30, 2011 | |
|---|---|---|
| | Parent company | Consolidated |
| From 10/1/12 to 9/30/13 | 97,591 | 183,964 |
| From 10/1/13 to 9/30/14 | 189,784 | 251,476 |
| From 10/1/14 to 9/30/15 | 100,963 | 144,665 |
| From 10/1/15 to 9/30/16 | 16,951 | 32,281 |
| From 10/1/16 to 9/30/17 | 16,672 | 31,442 |
| From 10/1/17 to 9/30/26 | 46,815 | 64,026 |
| | 468,776 | 707,854 |

The carrying amounts and fair values of borrowings are similar.

Based on Brazilian Central Bank Resolution 2471/98 and other pertinent legal provisions, in 1998, 1999 and 2000, the Company and USL securitized debts with financial institutions, by means of the purchase of National Treasury Notes (CTN) in the secondary market, as collateral for the payment of the principal. This securitized financing, recorded as "Securitized agricultural credits", will be automatically settled on the maturity dates through the redemption of the CTNs, which are under the custody of the creditor financial institutions. These certificates are not negotiable and are exclusively intended for paying this debt. The companies' disbursements during the 20 years in which this securitization is effective is limited to the annual payment of amounts equivalent to the application of variable percentages of between 3.9% and 4.96% per annum on the securitized amount, monetarily adjusted based on the General Market Price Index (IGP-M), limited to 9.5% per annum up to the annual payment date. This obligation was recorded in the financial statements at September 30 and March 31, 2011, based on the amount of future disbursements adjusted to present value.

## 17 Trade Payables

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2011 | March 31, 2011 | September 30, 2011 | March 31, 2011 |
| Sugar cane | 124,128 | 26,448 | 120,109 | 31,794 |
| Materials, services and other | 38,524 | 20,194 | 47,945 | 29,302 |
| | 162,652 | 46,642 | 168,054 | 61,096 |

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

**All amounts in thousands of reais unless otherwise stated**

## 18 Payables to COPERSUCAR (Cooperative)

Copersucar provided funds to the companies during the period they were cooperative members through bills of exchange, for the purpose of financing their operations. The funds were obtained by the Cooperative in the market and transferred to the cooperative members for short-term settlement, and from temporary cash surpluses arising from injunctions in lawsuits claiming the suspension of liabilities. These cash surpluses relate to provisions for contingencies recorded by the Cooperative in long-term liabilities. However, in the event of unfavorable outcomes in lawsuits in which the Cooperative obtained an injunction, the Company may be required to reimburse, within 120 days, the amount that was transferred to it. The main amounts included in these liabilities arise from Excise Tax (IPI), whose constitutionality and legality has been challenged in court by the Cooperative, totaling R$ 67,599 and R$ 65,962, as of September 30 and March 31, 2011, respectively (R$ 70,165 and R$ 68,495, respectively, in the consolidated) and from tax liabilities included in the Tax Recovery Program (REFIS) of Copersucar, as shown below.

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

| | Parent Company | |
|---|---|---|
| | September 30, 2011 | March 31, 2011 |
| REFIS - Copersucar - Updated based on the SELIC interest rate | 88,696 | 86,051 |
| Bill of Exchange - Updated based on the SELIC interest rate | 67,599 | 70,096 |
| Bill of Exchange - Onlending of resources not subject to charges | 44,272 | 44,272 |
| Bill of Exchange - Updated based on the US$ variation + interest of 4.53% p.a. | 2,456 | 3,271 |
| Total | 203,023 | 203,690 |
| Current liabilities | (2,040) | (2,040) |
| Non-current liabilities | 200,983 | 201,650 |

| | Consolidated | |
|---|---|---|
| | September 30, 2011 | March 31, 2011 |
| REFIS - Copersucar - Updated based on the SELIC interest rate | 94,158 | 86,051 |
| Bill of Exchange - Updated based on the SELIC interest rate | 70,165 | 75,001 |
| Bill of Exchange - Onlending of resources not subject to charges | 42,792 | 45,225 |
| Bill of Exchange - Updated based on the TJLP rate | | 110 |
| Bill of Exchange - Updated based on the US$ variation + interest of 4.53% p.a. | 2,619 | 3,461 |
| Total | 209,734 | 209,848 |
| Current liabilities | (2,203) | (2,203) |
| Non-current liabilities | 207,531 | 207,645 |

All amounts in thousands of reais unless otherwise stated

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

Copersucar also enrolled in the installment payment REFIS program of Law 11941/09, with the amounts involved already confirmed by the Federal Revenue Secretariat. The amount to be included in the installment payment program was allocated to the cooperative and ex-cooperative members during the year ended March 31, 2011, according to the resolution of the Board of Directors of Copersucar.

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

## 19 Taxes Payable in Installments

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2011 | March 31, 2011 | September 30, 2011 | March 31, 2011 |
| Valued-added Tax on Sales and Services (ICMS) | 8,448 | 8,848 | 8,448 | 8,848 |
| REFIS installment program - Law 11941 | 52,379 | 50,815 | 53,443 | 52,075 |
| | 60,827 | 59,663 | 61,891 | 60,923 |
| Current liabilities (taxes payable) | (5,541) | (4,753) | (6,605) | (5,090) |
| Non-current liabilities | 55,286 | 54,910 | 55,286 | 55,833 |

In October and November 2009, the Company and its subsidiaries Omtek and USL applied for the Tax Recovery Program (REFIS), established by Law 11941, of May 27, 2009, with benefits of reduction of interest, fines and legal charges. Most of the lawsuits included in the installment payment program were being challenged in court and, based on the opinion of the legal advisors had been provided for. As a consequence of the enrollment in REFIS, the Company and its subsidiaries must pay the installments without any delay exceeding three months, as well as waive their legal claims and any plea of rights on which these lawsuits are based, subject to immediate rescission of the installment program and, consequently, loss of the benefits (discounts and advantageous payment terms).

**All amounts in thousands of reais unless otherwise stated**

## 20 Other Liabilities

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **September 30, 2011** | **March 31, 2011** | **September 30, 2011** | **March 31, 2011** |
| Sales to be billed | 1,797 | 7,187 | 4,476 | 10,663 |
| Revenues to be appropriated | 1,108 | 1,458 | 1,108 | 2,913 |
| Taxes payable in installments | 216 | 728 | 216 | 728 |
| Net capital deficiency of subsidiary | 6,410 | 6,142 | | |
| Mitsubishi Corporation | 13,959 | 11,748 | 13,959 | 11,748 |
| Other | 3,479 | 4,546 | 4,010 | 5,556 |
| | 26,969 | 31,809 | 23,769 | 31,608 |
| Current liabilities | (15,734) | (21,398) | (12,472) | (21,137) |
| Non-current liabilities | 11,235 | 10,411 | 11,297 | 10,471 |

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

## 21 Equity

### (a) Capital

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

### (b) Treasury shares

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

The Company repurchased 139,000 common shares for R$ 1,899, at a minimum price per share of R$ 9.30 and a maximum price of R$ 19.20, resulting in an average price of R$ 13.65. At September 30, 2011, the market value of these shares was R$ 2,787 (R$ 3,557 at March 31, 2011).

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

### (c) Carrying value adjustments

See Note 22 (c) to the annual financial statements for the year ended March 31, 2011.

### (d) Legal and capital investments reserves

No changes occurred in the calculation method used for the quarter ended September 30, 2011. See Note 22 (d) to the annual financial statements for the year ended March 31, 2011.

At a meeting held on July 29, 2011, the stockholders approved an additional allocation of R$ 54,091 to the capital investments reserve.

### (e) Dividends and interest on capital

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

The Annual General Meeting of stockholders held on July 29, 2011 approved an additional dividend distribution of R$ 21,062 (R$ 0.1866 per share).

### (f) Stock Option Plan

See Note 22 (f) to the annual financial statements for the year ended March 31, 2011.

## 22 Employee and Management Benefits Plan

For the quarter ended September 30, 2011, there were no changes in the model and assumptions used for the plan, as described in Note 23 to the annual financial statements for the year ended March 31, 2011.

The contributions in the quarters ended September 30, 2011 and 2010, recorded as operating costs or expenses in the consolidated results of operations, amounted to R$ 457 and R$ 433, respectively.

## 23 Profit Sharing Program

There were no changes in the assumptions used for this calculation for the quarter ended September 30, 2011. See Note 24 to the annual financial statements for the year ended March 31, 2011.

The profit sharing for the quarters ended September 30, 2011 and 2010, recorded as operating costs or expenses in the consolidated statements of income, was R$ 3,302 and R$ 3,150, respectively.

All amounts in thousands of reais unless otherwise stated

## 24 Income Tax and Social Contribution

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

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| **Tax assets** | **September 30, 2011** | **March 31, 2011** | **September 30, 2011** | **March 31, 2011** |
| **In current assets - prepayments** | | | | |
| . Income tax and social contribution to be offset | 7,363 | 1,023 | 9,323 | 5,037 |
| **In non-current assets - deferred credits** | | | | |
| . Income tax on tax losses | 8,898 | 14,296 | 30,160 | 33,442 |
| . Social contribution on tax losses | 3,277 | 5,220 | 10,931 | 12,113 |
| Taxes on temporary differences of: | | | | |
| . Provision for contingencies | 16,445 | 17,127 | 16,528 | 17,363 |
| . Biological assets and agricultural product (changes in fair value) | 1,473 | 16,718 | 10,780 | 27,750 |
| . Tax benefit of merged goodwill | 7,470 | 9,509 | 7,470 | 9,509 |
| . Pre-operating expenses (deferred, written off) | 7 | | 7,604 | 7,982 |
| . Derivative financial instruments | 32,910 | 13,784 | 32,910 | 13,784 |
| . Other | 3,769 | 9,414 | 3,833 | 10,733 |
| | 74,249 | 86,068 | 120,216 | 132,676 |
| **Tax liabilities** | | | | |
| **In current liabilities - current payables** | | | | |
| . Income tax and social contribution payable | | 829 | 556 | 829 |
| **In non-current liabilities - deferred liabilities** | | | | |
| Taxes on temporary differences of: | | | | |
| . Revaluation increment of property, plant and equipment (deemed cost) | (321,287) | (329,797) | (674,406) | (684,793) |
| . Accelerated tax-incentive depreciation | (105,958) | (107,366) | (105,958) | (107,366) |
| . Securitized financing | (13,233) | (12,574) | (13,398) | (12,740) |
| . Adjustments to present value | (7,481) | (8,371) | (7,500) | (8,393) |
| . Derivative financial instruments | (5,105) | (3,834) | (5,105) | (3,835) |
| . Other | (3,903) | | (3,903) | |
| | (456,967) | (461,942) | (810,270) | (817,127) |

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

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

| | Estimated realization | |
|---|---|---|
| **Periods ended March 31:** | **Parent company** | **Consolidated** |
| 2012 | 42,435 | 42,311 |
| 2013 | 11,390 | 11,390 |
| 2014 | 4,512 | 4,512 |
| 2015 | 4,451 | 6,221 |
| 2016 | 4,386 | 13,395 |
| 2017 and thereafter | 7,075 | 42,387 |
| | 74,249 | 120,216 |

All amounts in thousands of reais unless otherwise stated

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

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

The income tax and social contribution charges are reconciled to the standard rates as shown below:

| | September 30, 2011 | | September 30, 2010 | |
|---|---|---|---|---|
| **Parent company:** | **Income tax** | **Social contribution** | **Income tax** | **Social contribution** |
| Profit before taxation | 72,246 | 72,246 | 47,815 | 47,815 |
| Standard rates of tax - % | 25% | 9% | 25% | 9% |
| | (18,062) | (6,502) | (11,954) | (4,303) |
| Reconciliation to the effective rate: | | | | |
| Permanent differences | | | | |
| Equity in the results of investees | 947 | 341 | 8,655 | 3,116 |
| Other permanent differences | (453) | (133) | (1,271) | (457) |
| PAT and donations with incentives | 283 | | 75 | |
| Income tax and social contribution | (17,285) | (6,294) | (4,495) | (1,644) |
| Income tax and social contribution | (23,579) | | (6,139) | |

**All amounts in thousands of reais unless otherwise stated**

| | September 30, 2011 | | September 30, 2010 | |
|---|---|---|---|---|
| **Consolidated:** | **Income tax** | **Social contribution** | **Income tax** | **Social contribution** |
| Profit before taxation | 72,430 | 72,430 | 62,816 | 62,816 |
| Standard rates of tax - % | 25% | 9% | 25% | 9% |
| | (18,108) | (6,519) | (15,704) | (5,653) |
| Reconciliation to the effective rate: | | | | |
| Permanent differences | | | | |
| Equity in the results of investees | (696) | (251) | | |
| Tax incentives - non-taxable ICMS | 399 | 144 | 367 | 132 |
| Deferred taxes, not recorded | (544) | (196) | (155) | (56) |
| Tax benefits - REFIS installment program - Law 11941 | 188 | 68 | | |
| Other permanent differences | 1,036 | 433 | (347) | (125) |
| PAT and donations with incentives | 283 | | 401 | |
| Income tax and social contribution | (17,442) | (6,321) | (15,438) | (5,702) |
| Income tax and social contribution | (23,763) | | (21,140) | |

## 25 Investment Subsidies

There were no changes in the assumptions used for this calculation for the quarter ended September 30, 2011. See Note 26 to the annual financial statements for the year ended March 31, 2011.

The incentive amounts credited to operations for the quarters ended September 30, 2011 and 2010 were R$ 1,595 and R$ 1,470, respectively.

## 26 Commitments

The Company and its subsidiaries assume several commitments in the ordinary course of their business. There were no significant changes to these commitments comparing to those described in Note 27 to the annual financial statements for the year ended March 31, 2011.

In addition, the Company is the guarantor of the borrowings contracted by UBV in the amount of R$ 474,549.

**All amounts in thousands of reais unless otherwise stated**

## 27 Provision for Contingencies

### 27.1 Probable losses

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

**Parent company**

| | March 31, 2011 | Merged balance OMTEK | Additions | Reversals | Utilizations | Monetary restatement | September 30, 2011 |
|---|---|---|---|---|---|---|---|
| Tax | 8,727 | 3 | 40 | | | 150 | 8,920 |
| Civil and environment | 14,498 | | 1,061 | (950) | (1,200) | 513 | 13,922 |
| Labor | 46,818 | 353 | 7,283 | (1,604) | (11,246) | 2,730 | 44,334 |
| | 70,043 | 356 | 8,384 | (2,554) | (12,446) | 3,393 | 67,176 |
| (-) Judicial deposits | (30,564) | (253) | (11,160) | | 3,728 | (763) | (39,012) |
| | 39,479 | 103 | (2,776) | (2,554) | (8,718) | 2,630 | 28,164 |

**Consolidated**

| | March 31, 2011 | Additions | Reversals | Utilizations | Monetary restatement | September 30, 2011 |
|---|---|---|---|---|---|---|
| Tax | 9,470 | 40 | (10) | | 189 | 9,689 |
| Civil and environmental | 15,124 | 1,061 | (951) | (1,200) | 540 | 14,574 |
| Labor | 49,690 | 7,398 | (1,877) | (11,482) | 2,884 | 46,613 |
| | 74,284 | 8,499 | (2,838) | (12,682) | 3,613 | 70,876 |
| (-) Judicial deposits | (32,367) | (11,249) | | 3,755 | (789) | (40,650) |
| | 41,917 | (2,750) | (2,838) | (8,927) | 2,824 | 30,226 |

On May 30, 2011, the Company merged all the assets of Omtek Indústria e Comércio Ltda., assuming the lawsuits in which it was involved. Therefore, the provisions of the merged company were added to those of the Company as identified in the column "Merged balance OMTEK ".

The nature of the main litigation to which the above provisions relate at September 30, 2011 was as follows (Parent Company and Consolidated):

**Tax:**

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

**Civil and environmental:**

The lawsuits refer to: (i) compensation for material and moral damages; (ii) redress for damages caused by the burning of sugar cane straw; and (iii) environmental lawsuits.

**All amounts in thousands of reais unless otherwise stated**

**Labor:**

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

## 27.2 Possible losses (contingent liabilities)

The Company and its subsidiaries are parties to several cases involving tax, environmental and civil matters that were assessed by the legal counsel as possible losses (contingent liabilities). The nature and the amount of this litigation are as follows:

**Tax:**

| Consolidated | | | Stage | | | | | |
|---|---|---|---|---|---|---|---|---|
| Subject | | Number of lawsuits | Adminis-trative | Trial court | Appeals court | Lower tribunal | Higher tribunal | Total |
| (i) | Social security contributions | 15 | 96,948 | | 12,523 | | | 109,471 |
| (ii) | Calculation of IRPJ/CSLL | 2 | 49,149 | | | | | 49,149 |
| | Negative balance of IRPJ | 3 | | 94 | | 218 | 1,492 | 1,804 |
| | Offset of credits - PIS | 2 | 3,684 | | | 1,720 | | 5,404 |
| | Offset of federal taxes | 2 | 218 | | | 1,447 | | 1,665 |
| | Other tax cases | 46 | 10,921 | 1,276 | | 1,282 | | 13,479 |
| | | 70 | 160,920 | 1,370 | 12,523 | 4,667 | 1,492 | 180,972 |

In addition, in accordance with the terms negotiated for the withdrawal from Copersucar, the Company and USL remain liable for the payment of any obligations, in proportion to their interest in Copersucar in previous harvests, which result from tax assessments that may arise and that relate to periods in which the Company and its subsidiaries were cooperative members. The State Finance authorities have issued tax assessments against Copersucar with respect to Value-added Tax on Sales and Services (ICMS) on fuel and industrial ethanol sales made by Copersucar up to December 31, 2008, as principal taxpayer or substitute taxpayer of the distribution companies. The adjusted amount, calculated proportionately to the interest of the Company and its subsidiaries in the Cooperative, amounts to R$ 137,937. Legal counsel assesses the outcome in these lawsuits as a possible loss.

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

**All amounts in thousands of reais unless otherwise stated**

### Civil and environmental:

| Consolidated | | Stage | | | | | |
|---|---|---|---|---|---|---|---|
| Subject | Number of lawsuits | Adminis-trative | Trial court | Lower tribunal | Higher tribunal | Total |
| Environmental | 30 | 944 | 862 | 1,251 | 4,815 | 7,872 |
| Civil | | | | | | |
| Indemnities | 36 | | 3,342 | 166 | 26 | 3,534 |
| Review of contracts | 9 | | | 19 | | 19 |
| Rectification of area and land registration | 5 | | 10 | | | 10 |
| Regulatory | 1 | 67 | | | | 67 |
| | 81 | 1,011 | 4,214 | 1,436 | 4,841 | 11,502 |

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

## 28 Derivative Financial Instruments

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

As from March 1, 2010, the Company and its subsidiaries opted for the utilization of hedge accounting to record a part of their derivative financial instruments. The instruments elected were sugar, ethanol and foreign currency (U.S. dollar) derivatives, which cover the sales of the 2011/2012 and 2012/2013 crop, and were classified as a hedge of cash flows of highly probable expected transactions (future sales).

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

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

**All amounts in thousands of reais unless otherwise stated**

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

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

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

| | **Parent company and consolidated** | |
|---|---|---|
| | **September 30, 2011** | **March 31, 2011** |
| Margin deposits | 396 | 1,709 |
| Potential results - futures - sugar | 6,148 | (2,634) |
| Potential results - futures - ethanol | 10 | 14 |
| Potential results - options - sugar | (648) | 129 |
| Potential results - options - U.S. dollar | (579) | 221 |
| Potential results - forward contracts - foreign exchange | (60,081) | 3,894 |
| Potential results - forward contracts - sugar | 4,900 | (23,276) |
| | (49,854) | (19,943) |
| In current assets | 11,454 | 5,967 |
| In current liabilities | (61,308) | (25,910) |
| | (49,854) | (19,943) |

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

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

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

**All amounts in thousands of reais unless otherwise stated**

## 28.1 Fair value of the derivative financial instruments

At September 30 and March 31, 2011, the composition of the fair value of the assets and liabilities related to transactions involving derivative financial instruments is as follows:

### (a) Futures and options contracts:

| | September 30, 2011 | | | | |
|---|---|---|---|---|---|
| **Parent company and consolidated** | **Contracted volume** | **Price/ average rate** | **Notional amount - R$** | **Fair value - R$** | **Receivable (payable) - R$** |
| **Products - Sugar #11** | | | | | |
| **Futures contracts** | | | | | |
| *Sales commitment* | 115,773 | 26.40 | 124,963 | 7,882 | 7,882 |
| *Purchase commitment* | 32,004 | 26.57 | 34,767 | (1,734) | (1,734) |
| | | | | | **6,148** |
| **Options contracts** | | | | | |
| *Purchased position - sale* | 31,496 | 22.10 | 28,459 | 1,874 | 1,874 |
| *Purchased position - purchase* | 2,540 | 32.00 | 3,323 | 1 | 1 |
| *Written position - sale* | 5,080 | 18.00 | 3,738 | (4) | (4) |
| *Written position - purchase* | 28,956 | 26.05 | 30,842 | (2,519) | (2,519) |
| | | | | | **(648)** |
| **Products - ETH BMF** | | | | | |
| **Futures Contracts** | | | | | |
| *Sales commitment* | 540 | 1,127.87 | 20 | 10 | 10 |
| | | | | | **10** |
| **Currency - US$** | | | | | |
| **Options Contracts** | | | | | |
| *Principal position - sale* | 7,000 | 1.73 | 12,077 | 57 | 57 |
| *Written position - purchase* | 7,000 | 1.91 | 13,384 | (636) | (636) |
| | | | | | **(579)** |

All amounts in thousands of reais unless otherwise stated

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

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

(a) Purchased position - sale: purchase of put options that grant the Company the right, but not the obligation, to sell at a previously established price.

(b) Purchased position - purchase: purchase of call options that grant the Company the right, but not the obligation, to purchase at a previously established price.

(c) Written position - purchase: sale of call options under which the Company has the obligation to comply at the agreed price at the buyer's discretion.

(d) Written position - sale: sale of call options under which the Company has the obligation to comply at the agreed price at the buyer's discretion.

All amounts in thousands of reais unless otherwise stated

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

| Parent company and consolidated - 9/30/2011 | | | | | | |
|---|---|---|---|---|---|---|
| Maturity | Position | US$ thousand | Average fixed rate - R$/US$ 1 | Notional amount - R$ | Fair value - R$ | Payable - R$ |
| Oct-11 | Sold | 39,800 | 1.6644 | 66,250 | (8,723) | (8,723) |
| Nov-11 | Sold | 32,500 | 1.6356 | 53,163 | (9,274) | (9,274) |
| Dec-11 | Sold | 29,840 | 1.6611 | 49,574 | (8,426) | (8,426) |
| Jan-12 | Sold | 53,920 | 1.7838 | 96,181 | (8,299) | (8,299) |
| Feb-12 | Sold | 29,500 | 1.6987 | 50,115 | (6,584) | (6,584) |
| Mar-12 | Sold | 14,660 | 1.7423 | 25,544 | (3,242) | (3,242) |
| Apr-12 | Sold | 5,160 | 1.8452 | 9,522 | (978) | (978) |
| May-12 | Sold | 5,500 | 1.7205 | 9,464 | (1,238) | (1,238) |
| Jun-12 | Sold | 6,796 | 1.7236 | 11,714 | (1,555) | (1,555) |
| Jul-12 | Sold | 6,889 | 1.7334 | 11,940 | (1,561) | (1,561) |
| Aug-12 | Sold | 14,375 | 1.7385 | 24,993 | (3,288) | (3,288) |
| Sep-12 | Sold | 9,459 | 1.7574 | 16,625 | (2,074) | (2,074) |
| Oct-12 | Sold | 10,270 | 1.7713 | 18,193 | (2,189) | (2,189) |
| Nov-12 | Sold | 10,283 | 1.7829 | 18,330 | (2,158) | (2,158) |
| Dec-12 | Sold | 1,684 | 1.9160 | 3,226 | (168) | (168) |
| Jan-13 | Sold | 1,724 | 1.9279 | 3,325 | (167) | (167) |
| Feb-13 | Sold | 1,237 | 1.9021 | 2,353 | (157) | (157) |
| | | 273,597 | | | | (60,081) |

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

The counterparties of the forward contracts are the financial institutions: Citibank, Rabobank, Bradesco, Santander, HSBC, Itaú BBA, Deutsche Bank, Goldman Sachs, Morgan Stanley, BTG Pactual and Barclays.

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

| | | | Parent company and consolidated - | | | 9/30/2011 |
|---|---|---|---|---|---|---|
| **Maturity** | **Position** | **Lots** | **Average fixed rate (¢/lb)** | **Notional amount - R$** | **Fair value - R$** | **Payable - R$** |
| Mar-12 | Sold | 10 | 22.29 | 413 | (63) | (63) |
| May-12 | Sold | 282 | 26.95 | 14,095 | 1,370 | 1,370 |
| Jul-12 | Sold | 745 | 25.69 | 35,485 | 2,877 | 2,877 |
| Oct-12 | Sold | 300 | 24.53 | 13,647 | 716 | 716 |
| | | 1,337 | | | | 4,900 |

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

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

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

| **Consolidated (in thousands of Reais)** | | | | | | | **Maturity per screen** |
|---|---|---|---|---|---|---|---|
| | **Nov-11** | **Dec-11** | **Mar-12** | **May-12** | **Jul-12** | **Oct-12** | **Total** |
| **PRODUCTS** | | | | | | | |
| **Hedge derivatives** | | | | | | | |
| Fair value of purchased futures - Sugar | | | (1,643) | (91) | | | (1,734) |
| Fair value of sold futures - Sugar | | | 3,669 | 1,502 | 2,231 | 480 | 7,882 |
| Fair value of sold NDFs - Sugar | | | (63) | 1,370 | 2,877 | 716 | 4,900 |
| | | | **1,963** | **2,781** | **5,108** | **1,196** | **11,048** |
| ***Sugar options*** | | | | | | | |
| Fair value of purchased option – sale | | 38 | 518 | | 650 | 669 | 1,875 |
| Fair value of purchased option - purchase | 1 | | | | | | |
| Fair value of written option - sale | | (4) | | | | | (4) |
| Fair value of written position - purchase | (1) | | (1,346) | | (483) | (689) | (2,519) |
| | | **34** | **(828)** | | **167** | **(20)** | **(648)** |
| | | **34** | **1,135** | **2,781** | **5,275** | **1,176** | **10,400** |

| Consolidated (in thousands of Reais) | | | | | | | Maturity per period |
|---|---|---|---|---|---|---|---|
| | 3Q11 | 4Q11 | 1Q12 | 2Q12 | 3Q12 | 4Q12 | Total |
| **PRODUCTS** | | | | | | | |
| **Hedge derivatives** | | | | | | | |
| Fair value of sold futures - Ethanol | 10 | | | | | | 10 |
| **FOREIGN CURRENCY** | | | | | | | |
| **Hedge derivatives** | | | | | | | |
| Fair value of sold NDFs - Foreign exchange | (26,423) | (18,125) | (3,771) | (6,923) | (4,515) | (324) | (60,081) |
| ***U.S. dollar options*** | | | | | | | |
| Fair value of purchased option - sale | 8 | 31 | 18 | | | | 57 |
| Fair value of written option - purchase | (226) | (302) | (108) | | | | (636) |
| | **(218)** | **(271)** | **(90)** | | | | **(579)** |
| | **(26,631)** | **(18,396)** | **(3,861)** | **(6,923)** | **(4,515)** | **(324)** | **(60,650)** |

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

| | Parent company | | | | Consolidated | | | |
|---|---|---|---|---|---|---|---|---|
| | September 30, 2011 | | September 30, 2010 | | September 30, 2011 | | September 30, 2010 | |
| **Product-linked contracts:** | Quarter | Six-month | Quarter | Six-month | Quarter | Six-month | Quarter | Six-month |
| Futures contracts | (18,236) | (29,716) | 12,158 | 20,155 | (18,236) | (29,716) | 27,366 | 40,259 |
| Options | (4,072) | (7,457) | (756) | (701) | (4,072) | (7,457) | (5,642) | (5,639) |
| Commissions and brokerage fees | (135) | (314) | (70) | (162) | (135) | (314) | (158) | (329) |
| Exchange rate variations | 360 | 214 | (334) | (232) | 360 | 214 | (427) | (248) |
| | (22,083) | (37,273) | 10,998 | 19,060 | (22,083) | (37,273) | 21,139 | 34,043 |
| **Currency-linked contracts:** | | | | | | | | |
| Futures contracts | 4,573 | 5,924 | 2,129 | 2,299 | 4,573 | 5,924 | 7,781 | 8,019 |
| Options | (617) | (709) | | | (617) | (709) | | |
| | 3,956 | 5,215 | 2,129 | 2,299 | 3,956 | 5,215 | 7,781 | 8,019 |
| **Debt-linked contracts:** | | | | | | | | |
| Swap | 7,889 | 7,889 | | | 7,889 | 7,889 | (8,617) | (8,938) |
| Net effect | (10,238) | (24,169) | 13,127 | 21,359 | (10,238) | (24,169) | 20,303 | 33,124 |
| **Effect on results:** | | | | | | | | |
| Gross income | (13,653) | (23,551) | 14,278 | 22,437 | (13,653) | (23,551) | 35,089 | 48,195 |
| Finance income | 17,038 | 22,489 | 540 | 1,254 | 17,038 | 22,489 | 601 | 1,372 |
| Finance costs | (13,983) | (23,320) | (1,357) | (2,100) | (13,983) | (23,320) | (14,960) | (16,195) |
| Monetary and exchange rate variation, net | 360 | 213 | (334) | (232) | 360 | 213 | (427) | (248) |
| | (10,238) | (24,169) | 13,127 | 21,359 | (10,238) | (24,169) | 20,303 | 33,124 |

**All amounts in thousands of reais unless otherwise stated**

### 28.2 Margin deposits given in guarantee

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

| | Parent company and consolidated | |
|---|---|---|
| **Brokers** | **September 30, 2011** | **March 31, 2011** |
| Natixis | 539 | |
| New Edge | (2,028) | 507 |
| Prudential | 6 | 1,202 |
| Santander | 1,879 | |
| | 396 | 1,709 |

## 29 Segment Information (Consolidated)

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

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

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

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

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

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

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

All amounts in thousands of reais unless otherwise stated

## (a) Consolidated result per segment

**Six-month period ended September 30, 2011**

| | Sugar | Ethanol | Other products | Non-segmented | Total |
|---|---|---|---|---|---|
| Net revenue | 470,018 | 199,225 | 57,827 | | 727,070 |
| Cost of sales | (285,272) | (141,961) | (49,426) | | (476,659) |
| **Gross profit** | 184,746 | 57,264 | 8,401 | | 250,411 |
| Gross margin | 39.3% | 28.7% | 14.5% | | 34.4% |
| Selling expenses | (28,544) | (2,332) | (1,241) | | (32,117) |
| Other operating expenses | | | | (59,545) | (59,545) |
| **Operating profit** | 156,202 | 54,932 | 7,160 | (59,545) | 158,749 |
| Finance income (costs) | | | | (23,164) | (23,164) |
| Foreign exchange variations, net | | | | (11,455) | (11,455) |
| **Profit before taxation** | 156,202 | 54,932 | 7,160 | (94,164) | 124,130 |
| Income tax and social contribution | | | | (37,499) | (37,499) |
| **Profit for the six-month period** | 156,202 | 54,932 | 7,160 | (131,663) | 86,631 |

**Six-month period ended September 30, 2010**

| | Sugar | Ethanol | Other products | Non-segmented | Total |
|---|---|---|---|---|---|
| Net revenue | 390,785 | 187,672 | 45,746 | | 624,203 |
| Cost of sales | (226,254) | (163,765) | (36,790) | | (426,809) |
| **Gross profit** | 164,531 | 23,907 | 8,956 | | 197,394 |
| Gross margin | 42.1% | 12.7% | 19.6% | | 31.6% |
| Selling expenses | (26,906) | (5,744) | (104) | | (32,754) |
| Other operating expenses | | | | (53,457) | (53,457) |
| **Operating profit** | 137,625 | 18,163 | 8,852 | (53,457) | 111,183 |
| Finance income (costs) | | | | (39,418) | (39,418) |
| Foreign exchange variations, net | | | | 18,322 | 18,322 |
| **Profit before taxation** | 137,625 | 18,163 | 8,852 | (74,553) | 90,087 |
| Income tax and social contribution | | | | (29,339) | (29,339) |
| **Profit for the six-month period** | 137,625 | 18,163 | 8,852 | (103,892) | 60,748 |

All amounts in thousands of reais unless otherwise stated

## (b) Consolidated operating assets per segment

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

**At September 30, 2011**

| | Sugar | Ethanol | Other products | Total |
|---|---|---|---|---|
| Trade receivables | 28,972 | 33,188 | 330 | 62,490 |
| Inventories | 201,036 | 242,466 | 349 | 443,851 |
| Biological assets | 192,521 | 275,774 | | 468,295 |
| Property, plant and equipment | 1,370,829 | 1,413,283 | 58,551 | 2,842,663 |
| Intangible assets | 20,831 | 16,931 | 56 | 37,818 |
| **Total** | 1,814,189 | 1,981,642 | 59,286 | 3,855,117 |

**At March 31, 2011**

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

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

## 30 Revenue

| | Parent company | | | | Consolidated | | | |
|---|---|---|---|---|---|---|---|---|
| | September 30, 2011 | | September 30, 2010 | | September 30, 2011 | | September 30, 2010 | |
| | Quarter | Six-months | Quarter | Six-months | Quarter | Six-months | Quarter | Six-months |
| **Gross sales revenue** | | | | | | | | |
| Domestic market | 85,027 | 209,729 | 19,918 | 40,322 | 145,323 | 300,554 | 135,101 | 256,752 |
| Foreign market | 271,416 | 460,790 | 67,316 | 130,302 | 271,416 | 464,656 | 222,253 | 404,766 |
| | 356,443 | 670,519 | 87,234 | 170,624 | 416,739 | 765,210 | 357,354 | 661,518 |
| Taxes, contributions and deductions on sales | (11,793) | (27,423) | (3,022) | (5,980) | (18,617) | (38,140) | (18,602) | (37,315) |
| | 344,650 | 643,096 | 84,212 | 164,644 | 398,122 | 727,070 | 338,752 | 624,203 |

All amounts in thousands of reais unless otherwise stated

## 31 Costs and Expenses by Nature

The Company's statement of income is classified per function. The reconciliation per nature/purpose as required by the international standards is as follows:

| | Parent company | | | | Consolidated | | | |
|---|---|---|---|---|---|---|---|---|
| | September 30, 2011 | | September 30, 2010 | | September 30, 2011 | | September 30, 2010 | |
| **Costs and expenses by nature:** | Quarter | Six-months | Quarter | Six-months | Quarter | Six-months | Quarter | Six-months |
| Raw material and materials for use and consumption | 107,692 | 190,700 | 15,691 | 30,140 | 112,549 | 192,688 | 86,896 | 146,550 |
| Personnel expenses | 34,802 | 68,392 | 9,226 | 19,083 | 39,263 | 76,253 | 28,853 | 61,620 |
| Depreciation and amortization (includes harvested biological assets) | 77,356 | 154,969 | 21,571 | 47,369 | 87,843 | 174,102 | 80,526 | 161,725 |
| Outsourced services | 27,756 | 50,145 | 7,380 | 15,103 | 31,029 | 55,424 | 28,068 | 51,629 |
| Contingencies | 6,132 | 9,849 | 1,247 | 1,535 | 6,377 | 10,129 | 5,804 | 8,389 |
| Change in fair value of biological assets | (27,503) | (30,856) | 1,134 | 2,200 | (28,226) | (27,431) | 9,132 | 17,104 |
| Materials for resale | 3,240 | 5,140 | 1,904 | 3,508 | 6,659 | 10,228 | 8,642 | 14,266 |
| Other expenses | 32,186 | 57,951 | 7,956 | 12,578 | 42,289 | 75,386 | 25,651 | 54,039 |
| | 261,661 | 506,290 | 66,109 | 131,516 | 297,783 | 566,779 | 273,572 | 515,322 |

| | Parent company | | | | Consolidated | | | |
|---|---|---|---|---|---|---|---|---|
| | September 30, 2011 | | September 30, 2010 | | September 30, 2011 | | September 30, 2010 | |
| **Classified as:** | Quarter | Six-months | Quarter | Six-months | Quarter | Six-months | Quarter | Six-months |
| Cost of products sold | 216,286 | 428,124 | 53,813 | 111,446 | 244,650 | 476,659 | 220,792 | 426,809 |
| Selling expenses | 17,183 | 29,714 | 3,377 | 6,513 | 18,711 | 32,117 | 18,446 | 32,754 |
| General and administrative expenses | 28,192 | 48,452 | 8,919 | 13,557 | 34,422 | 58,003 | 34,334 | 55,759 |
| | 261,661 | 506,290 | 66,109 | 131,516 | 297,783 | 566,779 | 273,572 | 515,322 |

## 32 Other Income (Expenses), Net

| | Parent Company | | | | Consolidated | | | |
|---|---|---|---|---|---|---|---|---|
| | September 30, 2011 | | September 30, 2010 | | September 30, 2011 | | September 30, 2010 | |
| | Quarter | Six-months | Quarter | Six-months | Quarter | Six-months | Quarter | Six-months |
| Result on the sale of property, plant and equipment | 496 | 1,392 | (1,657) | (209) | 555 | 1,448 | 316 | 1,049 |
| Other | 553 | 721 | (243) | 858 | (202) | (207) | (541) | 1,253 |
| | 1,049 | 2,113 | (1,900) | 649 | 353 | 1,241 | (225) | 2,302 |

## 33 Finance Result

| | Parent Company | | | | Consolidated | | | |
|---|---|---|---|---|---|---|---|---|
| | September 30, 2011 | | September 30, 2010 | | September 30, 2011 | | September 30, 2010 | |
| | Quarter | Six-months | Quarter | Six-months | Quarter | Six-months | Quarter | Six-months |
| **Finance income** | | | | | | | | |
| Interest income | 7,036 | 11,829 | 1,854 | 2,223 | 9,143 | 16,883 | 4,495 | 6,931 |
| Gains on derivatives | 17,038 | 22,489 | 540 | 1,254 | 17,038 | 22,489 | 601 | 1,372 |
| Other income | 787 | 926 | 13 | 52 | 922 | 1,081 | 2,619 | 3,084 |
| | 24,861 | 35,244 | 2,407 | 3,529 | 27,103 | 40,453 | 7,715 | 11,387 |
| **Finance costs** | | | | | | | | |
| Interest expense | (13,143) | (23,363) | (2,606) | (5,243) | (25,134) | (38,873) | (14,982) | (30,478) |
| Losses on derivatives | (13,983) | (23,320) | (1,357) | (2,100) | (13,983) | (23,320) | (14,960) | (16,195) |
| Other expenses | (288) | (1,095) | (176) | (540) | (436) | (1,424) | (1,021) | (4,132) |
| | (27,414) | (47,778) | (4,139) | (7,883) | (39,553) | (63,617) | (30,963) | (50,805) |
| **Monetary and foreign exchange variations** | | | | | | | | |
| Gains | 25,614 | 41,781 | 2,924 | 6,498 | 25,614 | 41,899 | 35,105 | 56,211 |
| Losses | (38,642) | (53,305) | (4,199) | (8,269) | (38,643) | (53,354) | (13,996) | (37,889) |
| | (13,028) | (11,524) | (1,275) | (1,771) | (13,029) | (11,455) | 21,109 | 18,322 |
| Finance costs, net | (15,581) | (24,058) | (3,007) | (6,125) | (25,479) | (34,619) | (2,139) | (21,096) |

## 34 Earnings per Share

### (a) Basic

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

| | September 30, 2011 | | September 30, 2010 | |
|---|---|---|---|---|
| | Quarter | Six-months | Quarter | Six-months |
| Profit attributable to stockholders of the Company | 48,667 | 86,631 | 41,676 | 60,748 |
| Weighted average number of common shares - in thousands | 112,861 | 112,861 | 112,861 | 112,861 |
| Basic and diluted earnings per share - R$ | 0.43 | 0.77 | 0.37 | 0.54 |

### (b) Diluted

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

**All amounts in thousands of reais unless otherwise stated**

## 35 Insurance

The Company and its subsidiaries maintain a standard safety, training and quality program in their units, which aims to, among other things, reduce the risk of accidents. In addition, they have insurance contracts with cover determined according to the advice of experts, taking into account the nature and degree of risk, in amounts considered sufficient to cover possible significant losses on assets and/or liabilities. The amounts insured by the current insurance policies at September 30, 2011 are as follows:

| | Maximum cover (*) | |
|---|---|---|
| **Risks covered** | **Parent company** | **Consolidated** |
| Civil liability | 570,470 | 738,259 |
| Fire, lightning and explosion of any nature | 212,500 | 275,389 |
| Theft or larceny | 97,464 | 136,986 |
| Other coverage | 16,102 | 23,066 |
| Electrical damages | 16,036 | 21,067 |
| Natural phenomena, impact of vehicles or aircrafts, etc. | 8,500 | 10,387 |

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

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

## 36 Subsequent Events

(a) Acquisition of equity interest

As disclosed and detailed in the Communication to the Market dated October 31, 2011, the Company acquired 32.18% interest in Santa Cruz - Açúcar e Álcool S.A. ("SC") and 17.97% interest in Agropecuária Boa Vista S.A. ("ABV") for the total approximate amount of R$ 170,000 (present value), to be paid in three annual installments. These acquisitions aim to obtain high agricultural and operating synergy in relation to the Company's activities.

(b) Capital increase in investee

In line with the schedule for capital increases in NF, as detailed in Note 1.5 to the financial statements for the year ended March 31, 2011, on November 1, 2011 PBio increased capital in said investee by R$ 163,035, related to 158,936,188 registered common shares, without par value, previously subscribed.

* * *

# THE SÃO MARTINHO GROUP RECORDS NET INCOME AND EBITDA GROWTH FOR THE THIRD CONSECUTIVE SEMESTER

**São Paulo, November 14, 2011** – SÃO MARTINHO S.A. (BM&FBovespa: SMTO3; Reuters SMTO3.SA and Bloomberg SMTO3 BZ), one of the largest sugar and ethanol producers in Brazil, announces today its results for the second quarter of 2012 (2Q12).

## 2Q12 Highlights

- The São Martinho Group recorded EBITDA of **R$188.5 million (EBITDA margin of 47.4%)**, which represented 29.6% up from 2Q11. In the 6M12 x 6M11 comparison, the EBITDA **increased by 23.0% totaling R$ 335.7 million (EBITDA Margin of 46.2%)**. In both cases, the better performance of EBITDA was driven by higher ethanol and sugar prices in comparison to the same period in the previous harvest;

- The Adjusted EBITDA of the São Martinho Group (indicator adjusted by non-recurring items and biological assets variation) reached **R$ 163.1 million in 2Q12 (Adjusted EBITDA Margin of 41.0%)** representing growth of **8.1% over 2Q11**;

- **Net Income totaled R$48.7 million in 2Q12, representing a 16.8% increase over 2Q11, mainly due to the adjusted EBITDA growth in the period.** In 6M12, net income reached R$86.6 million, representing growth of 42.6% over 6M11;

- We are reducing our **estimated crushing capacity for the current harvest by 11.8%, due to the adverse weather conditions throughout the center-south region during the 2011/12 harvest.** As a result, **we expect to process 10.7 million tons of sugarcane** by the end of the harvest (already proportionally adjusted with our stake in Nova Fronteira), producing approximately 770,000 tons of sugar, 200,000 $m^3$ of anhydrous ethanol and 180,000 $m^3$ of hydrous ethanol;

- The increase in sugar and ethanol production costs in 2Q12 compared with 2Q11 and in 6M12 compared with 6M11 was the result of: 1) **the 40% increase in the Consecana price in the periods,** which impacted costs with suppliers and leasing and 2) **the rise in unit production costs** as a result of lower capacity utilization, caused by the decrease in sugarcane quality and reduction in the volume of crushed sugarcane;

- On September 30, 2011, we held hedge positions **for the 2012/13 harvest year equivalent to 126,000 tons at an average price of USD 25.90 cents/pound.** This volume corresponds to approximately **22% of our sugar production available to export for the coming harvest year**. In addition, on the same date, of our sugar volume available for sale in this season we had approximately 194,000 tons of sugar already hedged at USD 25.80 cents/pound;

# FINANCIAL HIGHLIGHTS

| FINANCIAL HIGHLIGHTS (R$ Thousand) | 2Q12 | 2Q11 | Chg. (%) | 6M12 | 6M11 | Chg. (%) |
|---|---|---|---|---|---|---|
| São Martinho - Consolidated | | | | | | |
| Gross Revenue | 416,739 | 357,354 | 16.6% | 765,210 | 661,518 | 15.7% |
| Net Revenue | 398,122 | 338,752 | 17.5% | 727,070 | 624,203 | 16.5% |
| Adjusted EBITDA | 163,075 | 150,915 | 8.1% | 306,365 | 290,405 | 5.5% |
| EBITDA Margin | 41.0% | 44.6% | -3.6 p.p. | 42.1% | 46.5% | -4.4 p.p. |
| Consolidated Balance Sheet Indicators | | | | | | |
| Total Assets | 4,409,813 | 4,030,417 | 9.4% | 4,409,813 | 4,030,417 | 9.4% |
| Shareholders' Equity | 1,989,126 | 1,953,486 | 1.8% | 1,989,126 | 1,953,486 | 1.8% |
| EBITDA (LTM) | 632,345 | 576,330 | 9.7% | 632,345 | 576,330 | 9.7% |
| Net Debt | 666,241 | 930,683 | -28.4% | 666,241 | 930,683 | -28.4% |
| Net Debt / EBITDA (LTM) | 1.05 x | 1.61 x | | 1.05 x | 1.61 x | |
| Net Debt / Shareholders' Equity | 33% | 48% | | 33% | 48% | |

| OPERATING DATA | 6M12 | 6M11 | Chg.(%) |
|---|---|---|---|
| São Martinho - Consolidated | | | |
| Crushed Sugarcane ('000 tons) | 9,341 | 10,813 | -13.6% |
| Own | 5,682 | 6,640 | -14.4% |
| Third Parties | 3,659 | 4,173 | -12.3% |
| Mechanized Harvest | 85.7% | 85.7% | 0.0 p.p |
| Production | | | |
| Sugar ('000 tons) | 628 | 706 | -11.0% |
| Anhydrous Ethanol ('000 $m^3$) | 186 | 211 | -12.0% |
| Hydrous Ethanol ('000 $m^3$) | 170 | 270 | -37.1% |
| Ribonucleic Acid (RNA) Sodium Salt ('000 Kg) | 130 | 147 | -11.6% |
| Energy ('000 MWh) | 165 | 127 | 29.9% |

Due to adverse conditions in this harvest, such as frost and sugarcane flowering, the center-south region should crush 12.3% less than in the 2010/11 harvest, according to UNICA's latest estimates.

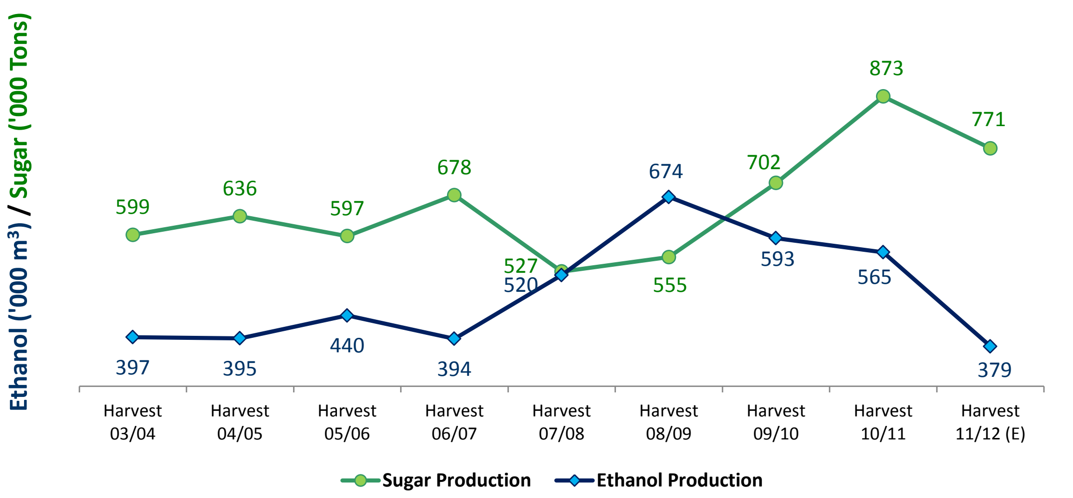
As all of the São Martinho Group's production units are located in this region, they were all equally affected. As a result, we are reducing our production guidance by 11.8%, as shown in the following table. We will close the 2011/12 harvest at the end of November/2011 with approximately 10.7 million tons of sugarcane crushed, producing 771,000 tons of sugar and 379,000 $m^3$ of ethanol, already considering our proportional stake in Nova Fronteira Bioenergia S.A.

## GUIDANCE REVIEW FOR THE 2011/2012 HARVEST

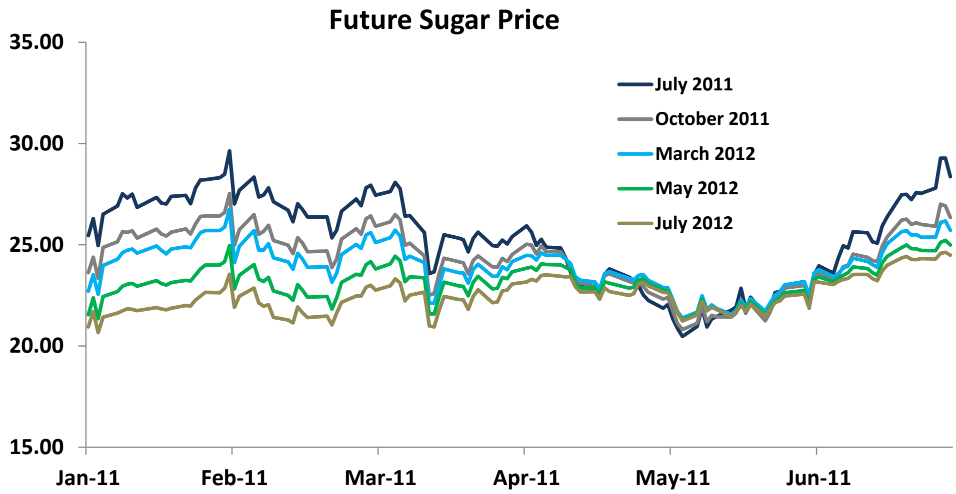
| Guidance | São Martinho S.A. | Nova Fronteira Bioenergia S.A. | Total | Proportional São Martinho S.A. Group (*) |
|---|---|---|---|---|
| Crushing ('000 tons) | 9,340 | 2,150 | 11,490 | 10,692 |
| Sugar ('000 tons) | 771 | - | 771 | 771 |
| Ethanol ('000 $m^3$) | 266 | 180 | 446 | 379 |
| Anhydrous ('000 $m^3$) | 146 | 85 | 231 | 199 |
| Hydrous ('000 $m^3$) | 120 | 96 | 215 | 180 |

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

Grupo São Martinho's Sugar and Ethanol Production Evolution



## INDUSTRY OVERVIEW - SUGAR




Sugar prices began to increase in mid-May/11 and remained high at the beginning of July when 2Q12 began. At the end of 2Q12, prices for the 2011/12 harvest year were at an average of above USD 24 cents/pound. In 2Q12, the São Martinho Group shipped approximately 300,000 tons of sugar, at an average price of USD 25.00 cents/pound, as a result of the company's hedge position.

With the beginning of the Northern Hemisphere's 2011/12 harvest (in September/11), all the eyes are focused on the increase in sugar output in Europe, Russia, Thailand and India. According to projections, this production increase could reach 5 million tons. Even so, we believe it will still not be enough to replenish global inventories, and as a result, we do not expect to see a significant increase in exports from these countries. This should allow sugar prices to remain above USD 23.00 cents/pound during the 2012/13 harvest, even if output of sugar production in Brazil's center-south stages a partial recovery.

According to UNICA's latest projections, the center-south region will should produce 30.8 million tons of sugar, down 8% from the previous harvest, due to: (i) the 12.30% reduction in sugarcane crushing during the 2011/12 harvest in relation to the 2010/11 harvest and (ii) the lower amount of sugar extracted per ton of cane (measured in kg of TRS/ton of sugarcane).

The main reasons for this reduction in yield are: (i) the advanced age of the plantations and (ii) the impact of the unfavorable weather conditions on plant development, including a prolonged drought during the winter months of the last two harvests, and frost and flowering at the beginning of the current harvest.

## INDUSTRY OVERVIEW - ETHANOL

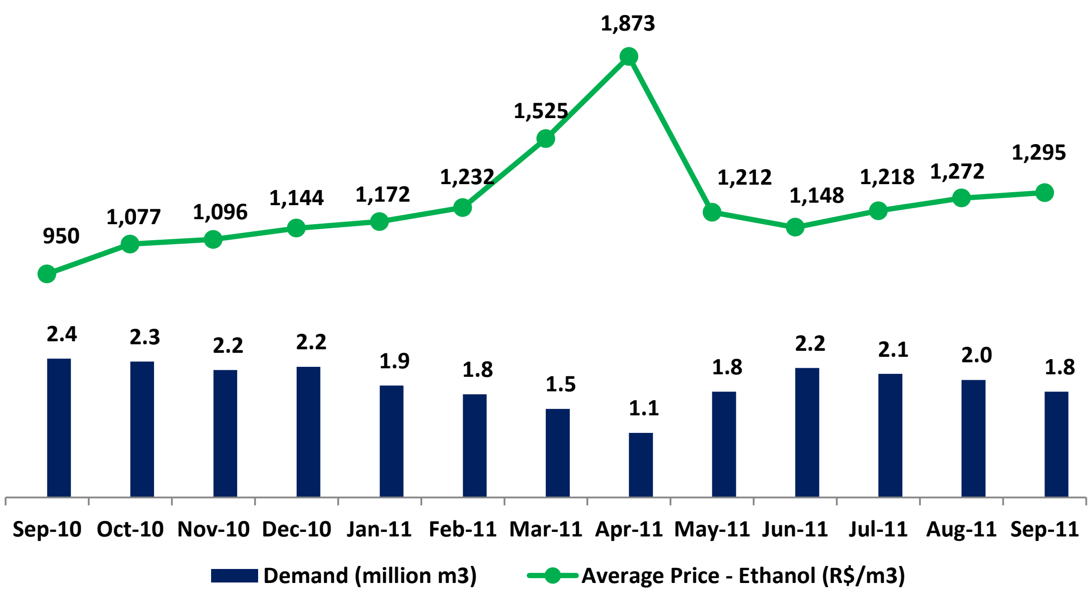
| AVERAGE PRICES - ETHANOL | 2Q12 | 2Q11 | Chg. (%) | 6M12 | 6M11 | Chg. (%) |
|---|---|---|---|---|---|---|
| Market Prices | | | | | | |
| Anhydrous ESALQ, Net DM R$ / $m^3$ | 1,346.41 | 968.30 | 39.0% | 1,518.75 | 914.93 | 66.0% |
| Hydrous ESALQ, Net DM - R$ / $m^3$ | 1,176.04 | 830.04 | 41.7% | 1,182.11 | 791.72 | 49.3% |

The significant increase in prices in 2Q12 and 6M12 reflected scarce supply of these products as a consequence of reduced harvest in Brazil's center-south.

Anhydrous and hydrous ethanol prices rose by 39.0% and 41.7%, respectively, over 2Q11. The upturn was even more significant in 6M12, with anhydrous and hydrous prices climbing by 66.0% and 49.3%, respectively.

To understand the increase in the prices, based on UNICA's latest estimate for the center-south harvest, total ethanol production is expected to fall by 19.7%, representing a reduction of 5.0 billion liters available for sale.

As a result, even though ethanol prices reached R$1,295/$m^3$ in September/11, 36,32% more than in September/10 (as shown in the graph below), demand remained strong as in the last year. We believe demand will remain resilient over the next harvests, ensuring ethanol producers sufficient profitability to offset the capital employed in biofuel production.



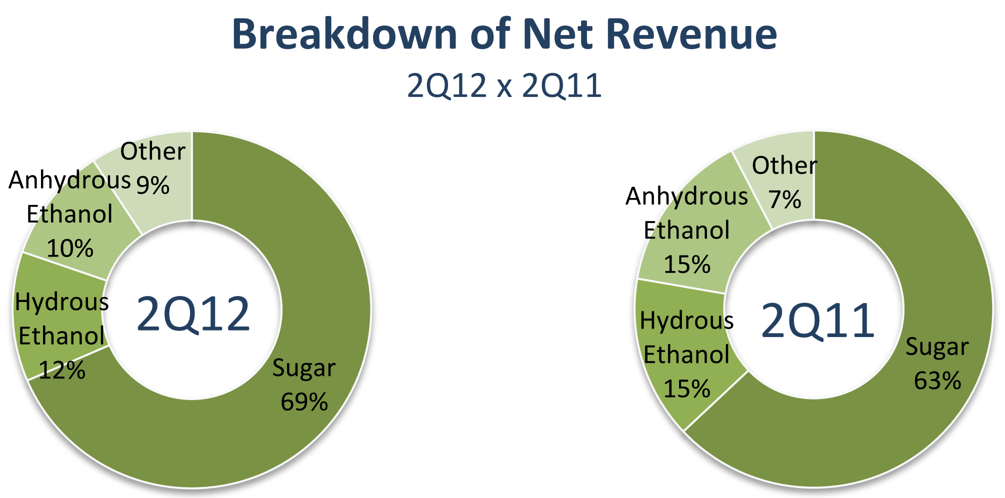
## FINANCIAL PERFORMANCE

| NET REVENUE BREAKDOWN | 2Q12 | 2Q11 | Chg. (%) | 6M12 | 6M11 | Chg. (%) |
|---|---|---|---|---|---|---|
| R$ Thousand | | | | | | |
| **Domestic Market** | **127,502** | **117,191** | **8.8%** | **263,849** | **220,800** | **19.5%** |
| Sugar | 12,744 | 9,610 | 32.6% | 24,417 | 19,363 | 26.1% |
| Hydrous Ethanol | 39,862 | 44,215 | -9.8% | 89,985 | 91,833 | -2.0% |
| Anhydrous Ethanol | 41,736 | 39,967 | 4.4% | 100,563 | 68,600 | 46.6% |
| Energy | 10,236 | 10,547 | -2.9% | 14,246 | 16,266 | -12.4% |
| Other | 22,924 | 12,851 | 78.4% | 34,639 | 24,737 | 40.0% |
| **Export Market** | **270,620** | **221,561** | **22.1%** | **463,219** | **403,403** | **14.8%** |
| Sugar | 260,029 | 203,729 | 27.6% | 445,601 | 371,423 | 20.0% |
| Hydrous Ethanol | 6,901 | 5,773 | 19.5% | 8,678 | 10,333 | -16.0% |
| Anhydrous Ethanol | - | 9,736 | n.m. | - | 16,906 | n.m. |
| RNA | 3,689 | 2,322 | 58.9% | 8,940 | 4,741 | 88.6% |
| **Net Revenue** | **398,122** | **338,752** | **17.5%** | **727,070** | **624,203** | **16.5%** |
| Sugar | 272,773 | 213,339 | 27.9% | 470,017 | 390,786 | 20.3% |
| Hydrous Ethanol | 46,764 | 49,989 | -6.5% | 98,663 | 102,166 | -3.4% |
| Anhydrous Ethanol | 41,736 | 49,703 | -16.0% | 100,563 | 85,506 | 17.6% |
| Energy | 10,236 | 10,547 | -2.9% | 14,246 | 16,266 | -12.4% |
| Other | 26,613 | 15,173 | 75.4% | 43,580 | 29,478 | 47.8% |

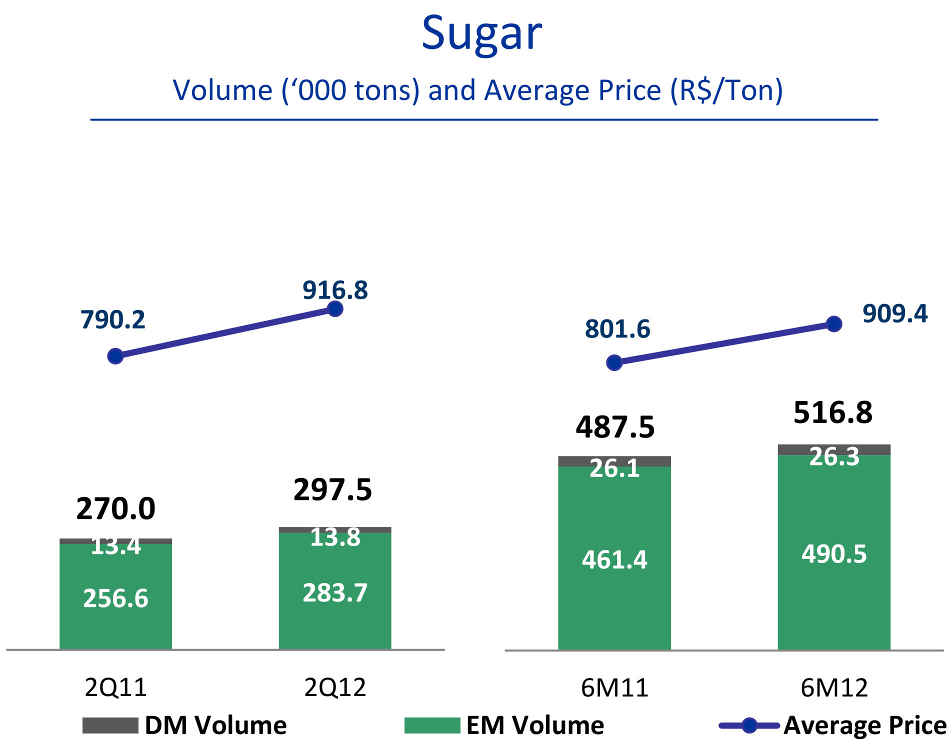
### *Net Revenue*

The São Martinho Group recorded Net Revenue growth of 17.5% in 2Q12 compared with 2Q11, due to the increase in the average sales price of ethanol and sugar, which rose by 34.6% and 16.0% respectively.

Year-to-date net revenue went up by 16.5% in relation to 6M11, driven by the increase in sugar and ethanol prices, which offset the 9.8% reduction in sales volume (in TRS equivalent). The reduction in the sales volume was a consequence of the decrease in the sugar and ethanol output, due to the decline in crushed volume caused by adverse weather conditions in the center-south (as explained in more detail in the "Industry Overview – Sugar" item).



***Sugar***



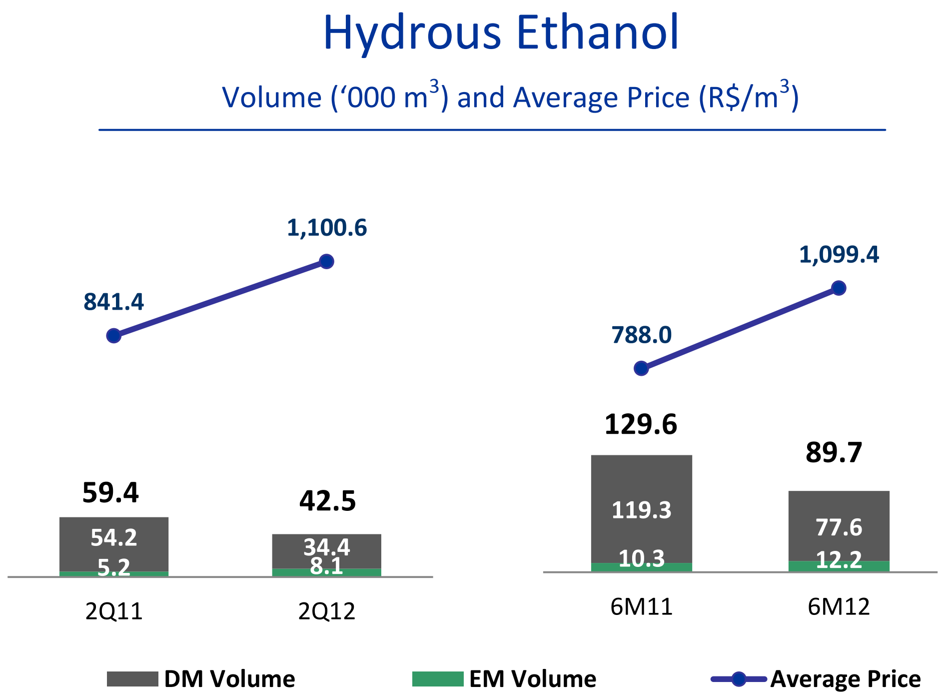

Net revenue from sugar sales totaled R$ 272.8 million in 2Q12, up 27.9% from 2Q11, due to higher sales volume and the upturn in average prices.

The average price of the sugar exported stood at USD 25.51 cents/pound in 2Q12, which represented an increase of 24.0% from the price of USD 20.58 cents/pound in 2Q11.

The increase in sales volume was the result of negotiations with our clients to bring forward shipments, as the improve of the efficiency of shipment logistics, especially in regard to rail transport.

Year-to-date net revenue from sugar sales grew by 20.3%, reflecting the 6.0% increase in sales volume and, mainly, the 13.4% upturn in the sales price, when compared to the same period of the last harvest.

### *Ethanol*



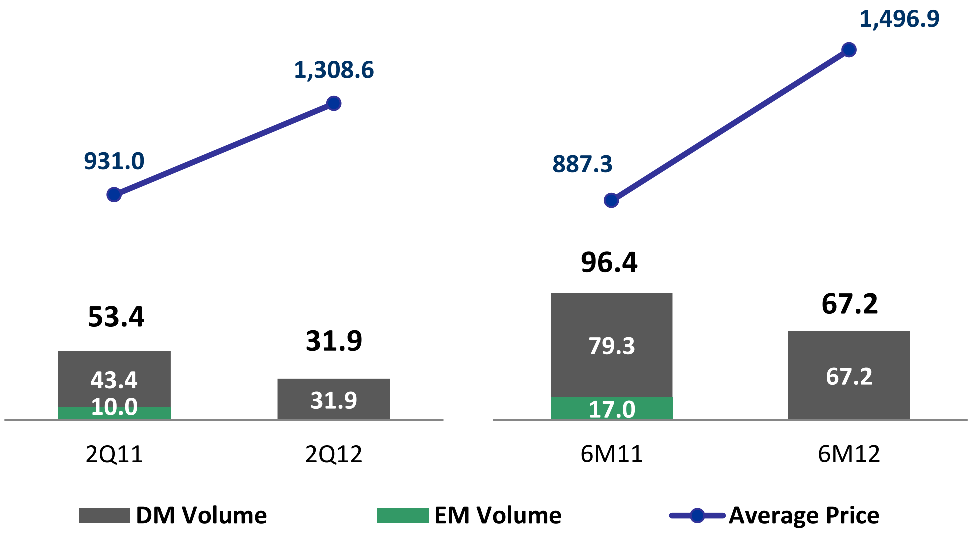

Net revenue from hydrous ethanol sales was R$ 46.8 million in 2Q12, down 6.5% from 2Q11, mainly due to 28.5% reduction in sales volume, which was partially offset by the 30.8% increase in the average sales price to R$1,100.6.

The lower hydrous ethanol sales volume in 2Q12 occurred, mainly, due to the reduction in the output in the 2011/12 harvest, as a consequence of the adverse weather conditions which affected the whole center-south region, including units of production of the São Martinho Group. In addition, with the conclusion of the operation with Petrobrás Biocombustível S.A., we began to consolidate 62.89% of the revenue from Usina Boa Vista S.A. (Usina Boa Vista), which represented a drop proportional to 10,300 m³ in the reported volume of hydrous ethanol sales in 2Q12.

In 6M12, net revenue of the hydrous ethanol totaled R$ 98.7 million representing a decrease of 3.4% in relation to the same period in the previous harvest. Despite the reduction of 30.8% in the sales volume, the average sales price totaled R$ 1,099.4 representing an increase of 39.5% in comparison with 6M11.

# Anhydrous Ethanol

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




Net revenue from anhydrous ethanol decreased by 16.1% from 2Q11, mainly impacted by the 40.3% reduction in sales volume, but partially offset by the 40.6% upturn in the average sales price to R$1,308.6.

The reduction in sales volume of anhydrous ethanol was a consequence of the same reasons which we described in - Hydrous Ethanol Item.

In addition, due to the partial consolidation of 62.89% in the revenue from Usina Boa Vista S.A., the volume of anhydrous ethanol sales reported in 2Q12 registered a proportional drop of 6,500 m³.

In 6M12, net revenue recorded R$100.6 million, up 17.6% in relation to the same period in the previous harvest. Despite the reduction of 30.3% in the sales volume, the average sales price totaled R$ 1,496.9 representing a substantial increase of 68.7% in comparison with the average sales price of 6M11.

### *Electricity*

Net revenue from electricity sales fell by 2.9% (R$10.2 million) in 2Q12 in relation to the same period in the previous year directly impacted by lower prices on the energy spot market.

Year-to-date net revenue fell by 12.4% (R$14.2 million) from 6M11, primarily due to the fact that the crushing at the Boa Vista Mill began 30 days later than in the previous harvest.

Considering that this delay was part of our operational strategy to make better use of the industrial plant, we expect that the sales volume totaled 223 MW/h in this harvest which we will consolidate 51.0% of our proportional stake in the Usina Boa Vista S.A.

### *Other Products and Services*

Net revenue from Other Products and Services totaled R$ 26.6 million in 2Q12, up 75.4% on the same period of previous harvest, basically reflecting the increase in the volume of RNA exports (+69.0%) in relation to 2Q11, due to the difference in the schedule of shipments in the comparison periods.

## INVENTORIES / PRODUCT AVAILABILITY

| INVENTORIES | 2Q12 | 2Q11 | Chg. (%) |
|---|---|---|---|
| | | | |
| Sugar (tons) | 169,584 | 240,699 | -29.5% |
| Hydrous ($m^3$) | 72,432 | 158,831 | -54.4% |
| Anhydrous ($m^3$) | 111,103 | 130,726 | -15.0% |

As mentioned before, the reduction in sugar and ethanol inventories in 2Q12 when compared with 2Q11 reflects the reduction of the production volume of these products, as a consequence of the decrease of the volume of crushed sugarcane (as already outlined in the "Industry Overview" item).

Regarding ethanol, the reduction in hydrous inventories was more expressive, given that we will be prioritizing anhydrous output this harvest to meet domestic consumption needs.

Additionally, the sale of a 49.0% interest in the Boa Vista Mill to Petrobrás Biocombustível S.A. and the consequent partial consolidation of the accounting statements, reduced our inventories of both hydrous and anhydrous ethanol by 15,800 $m^3$ and 17,500 $m^3$ respectively.

| PRODUCT AVAILABILITY | 2Q12 Inventories | 2011/12 Remaining Production (*) | Volume Available for Sale |
|---|---|---|---|
| Hydrous Ethanol ($m^3$) | 72,432 | 41,000 | 113,432 |
| Anhydrous Ethanol ($m^3$) | 111,103 | 38,000 | 149,103 |
| **Total Ethanol ($m^3$)** | **183,534** | **79,000** | **262,534** |
| **Sugar (tons)** | **169,584** | **143,000** | **312,584** |

(*) Production estimate from october/2011 until the end of 2011/2012 harvest

As a result of our strategy, the sales volume in the first semester was concentrated in the sugar exports, which represented approximately 67.0% of all the 2011/2012 harvest production.

For the second semester (October/11 – March/12), the large increase in the sales volume should be concentrated in the ethanol production, since the volume available for sale (approx. 263,000 m³ of ethanol as described above) superpasses in almost 70.0% all sold volume during the first semester.

## EBITDA AND EBITDA COST BY PRODUCT

| EBITDA BY PRODUCT - 2Q12 | SUGAR | ETHANOL | OTHER | TOTAL |
|---|---|---|---|---|
| R$ Thousand | | | | |
| Net Revenues | 272,774 | 88,499 | 36,849 | 398,122 |
| COGS (Cash) | (114,676) | (47,771) | (23,907) | (186,354) |
| Gross Profit (Cash) | 158,098 | 40,728 | 12,942 | 211,768 |
| Gross Margin (Cash) | 58.0% | 46.0% | 35.1% | 53.2% |
| Sales Expenses | (16,468) | (1,496) | (748) | (18,711) |
| G&A Expenses (Cash) | (21,122) | (8,669) | (3,310) | (33,101) |
| Other Revenues (Expenses) | - | - | 3,119 | 3,119 |
| **Adusted EBITDA** | **120,509** | **30,564** | **12,003** | **163,075** |
| **Adjusted EBITDA Margin** | **44.2%** | **34.5%** | **32.6%** | **41.0%** |
| **EBITDA Cost (*)** | **454.9** | **658.1** | **-** | **-** |

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

| EBITDA BY PRODUCT - 2Q11 | SUGAR | ETHANOL | OTHER | TOTAL |
|---|---|---|---|---|
| R$ Thousand | | | | |
| Net Revenues | 213,339 | 99,692 | 25,721 | 338,752 |
| COGS (Cash) | (76,495) | (43,974) | (16,796) | (137,265) |
| Gross Profit (Cash) | 136,844 | 55,718 | 8,925 | 201,487 |
| Gross Margin (Cash) | 64.1% | 55.9% | 34.7% | 59.5% |
| Sales Expenses | (15,460) | (2,963) | (23) | (18,446) |
| G&A Expenses (Cash) | (17,314) | (11,898) | (3,246) | (32,458) |
| Other Revenues (Expenses) | - | - | 335 | 335 |
| **Adusted EBITDA** | **104,070** | **40,858** | **5,991** | **150,915** |
| **Adjusted EBITDA Margin** | **48.8%** | **41.0%** | **23.3%** | **44.6%** |
| **EBITDA Cost (*)** | **423.8** | **556.8** | **-** | **-** |

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

| EBITDA BY PRODUCT - 6M12 | SUGAR | ETHANOL | OTHER | TOTAL |
|---|---|---|---|---|
| R$ Thousand | | | | |
| Net Revenues | 470,018 | 199,226 | 57,826 | 727,070 |
| COGS (Cash) | (200,986) | (91,722) | (43,875) | (336,583) |
| Gross Profit (Cash) | 269,032 | 107,504 | 13,951 | 390,487 |
| Gross Margin (Cash) | 57.2% | 54.0% | 24.1% | 53.7% |
| Sales Expenses | (28,544) | (2,332) | (1,242) | (32,117) |
| G&A Expenses (Cash) | (33,212) | (16,554) | (5,530) | (55,296) |
| Other Revenues (Expenses) | - | - | 3,291 | 3,291 |
| **Adjusted EBITDA** | **207,276** | **88,618** | **10,471** | **306,365** |
| **Adjusted EBITDA Margin** | **44.1%** | **44.5%** | **18.1%** | **42.1%** |
| **EBITDA Cost (*)** | **460.5** | **657.4** | **-** | **-** |

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

| EBITDA BY PRODUCT - 6M11 | SUGAR | ETHANOL | OTHER | TOTAL |
|---|---|---|---|---|
| R$ Thousand | | | | |
| Net Revenues | 390,786 | 187,672 | 45,745 | 624,203 |
| COGS (Cash) | (135,375) | (85,372) | (29,516) | (250,263) |
| Gross Profit (Cash) | 255,411 | 102,300 | 16,229 | 373,940 |
| Gross Margin (Cash) | 65.4% | 54.5% | 35.5% | 59.9% |
| Sales Expenses | (26,906) | (5,744) | (104) | (32,754) |
| G&A Expenses (Cash) | (26,720) | (20,336) | (5,228) | (52,284) |
| Other Revenues (Expenses) | - | - | 1,502 | 1,502 |
| **Adjusted EBITDA** | **201,785** | **76,221** | **12,400** | **290,405** |
| **Adjusted EBITDA Margin** | **51.6%** | **40.6%** | **27.1%** | **46.5%** |
| **EBITDA Cost (*)** | **406.3** | **528.8** | **-** | **-** |

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

In 2Q12, sugar accounted for 73.9% of the Group's consolidated EBITDA, while ethanol and other products accounted for 18.7% and 7.4%, respectively. The 2Q12 sugar EBITDA margin was 44.2%, 4.6 p.p. down from 2Q11, due to the 7.3% increase in the EBITDA cost of the product, offset by the 16.0% increase in the sales price in 2Q12, when compared with the same period of the previous harvest.

In the case of ethanol, the EBITDA cost amounted to R$ 658.1 in 2Q12, up 18.2% from 2Q11, offset by the 34.6% increase in the average sales price from R$ 883.8, in the previous harvest, to R$ 1,189.8.

In 6M12, sugar accounted for 67.7% of the Group's consolidated EBITDA, while ethanol and other products accounted for 28.9% and 3.4%, respectively. The sugar EBITDA margin fell by 7.5 p.p. in relation to 6M11, due to the 13.3% increase in EBITDA cost. However, this was offset by the 13.3% increase in the sales price.

The ethanol EBITDA cost stood at R$ 657.4 in 6M12, up 24.3% over 6M11, offset by the 52.9% upturn in the average sales price from R$ 830.4, in the same period in the previous harvest, to R$1,269.6.

The increase in the EBITDA cost for both sugar and ethanol was due to (i) the approximately 40% upturn in the Consecana price, which impacted costs with suppliers and leasing; and (ii) the rise in unit production costs due to lower capacity utilization, given reduced sugarcane quality and the 11.8% decline in crushed sugarcane volume over the previous harvest.

## COST OF GOODS SOLD (COGS)

| BREAKDOWN OF COGS - CASH | 2Q12 | 2Q11 | Chg. (%) | 6M12 | 6M11 | Chg. (%) |
|---|---|---|---|---|---|---|
| R$ Thousand | | | | | | |
| Agricultural Costs | 144,648 | 108,394 | 33.4% | 257,561 | 195,785 | 31.6% |
| Suppliers | 88,227 | 70,881 | 24.5% | 142,790 | 108,814 | 31.2% |
| Partnerships | 17,100 | 10,657 | 60.5% | 36,115 | 25,071 | 44.1% |
| Own Sugarcane | 39,322 | 26,856 | 46.4% | 78,656 | 61,900 | 27.1% |
| Industrial | 18,700 | 14,842 | 26.0% | 36,640 | 29,644 | 23.6% |
| Other Products | 23,006 | 14,029 | 64.0% | 42,382 | 24,834 | 70.7% |
| **Total COGS** | **186,354** | **137,265** | **35.8%** | **336,583** | **250,263** | **34.5%** |
| TRS Sold (000 Tons) | 440 | 478 | -7.9% | 813 | 901 | -9.8% |
| Unit Cost (Sugar and Ethanol Cash COGS / TRS Sold) | 371 | 258 | 43.9% | 362 | 250 | 44.7% |

In 2Q12, Cash COGS recorded growth of 35.8% from 2Q11, as a result of (i) the 40% increase in the Consecana price, which impacted costs with "Suppliers" and "Partners" and (ii) the rise in unit production costs, as discussed in the "Own Sugarcane" and "Industrial" items.

The rise in own sugarcane and industrial costs reflected lower industrial capacity utilization due to the reduced volume of crushing during the current harvest, as already mentioned in the "Sector Overview" item.

In 6M12, Cash COGS grew by 34.5% over 6M11, for the same reasons as in 2Q12 over 2Q11, as outlined above.

## SELLING EXPENSES

| SELLING EXPENSES | 2Q12 | 2Q11 | Chg. (%) | 6M12 | 6M11 | Chg. (%) |
|---|---|---|---|---|---|---|
| R$ Thousand | | | | | | |
| Port Costs | 2,621 | 2,259 | 16.0% | 4,042 | 3,073 | 31.5% |
| Freight | 15,336 | 15,488 | -1.0% | 26,701 | 28,442 | -6.1% |
| Sales Commission | 754 | 699 | 7.9% | 1,373 | 1,239 | 10.9% |
| **Selling Expenses** | **18,711** | **18,446** | **1.4%** | **32,117** | **32,754** | **-1.9%** |
| TRS Sold ('000 Tons) | 440 | 478 | -7.9% | 813 | 901 | -9.8% |
| % of Net Revenues | 4.7% | 5.4% | -0.7 p.p. | 4.4% | 5.2% | -0.8 p.p. |

Selling expenses increased by 1.4% from 2Q11 due to the 11.0% upturn in sugar export volumes. When analyzing the costs variation, considering the sales volume, there was a reduction of 8% given that we spent approximately R$ 69/ton in 2Q11 and R$ 63/ton in 2Q12, which was the result of the higher volume of sugar transported by rail.

In 6M12, expenses fell by 1.9%, due to the same reasons mentioned above, when in comparision with 6M11.

## GENERAL AND ADMINISTRATIVE EXPENSES

| G&A EXPENSES - (CASH) | 2Q12 | 2Q11 | Chg. (%) | 6M12 | 6M11 | Chg. (%) |
|---|---|---|---|---|---|---|
| R$ Thousand | | | | | | |
| Personnel | 10,619 | 9,034 | 17.5% | 20,083 | 16,726 | 20.1% |
| Taxes, Fees and Contributions | 5,048 | 4,480 | 12.7% | 6,013 | 5,707 | 5.4% |
| Provisions for Contingencies | 6,219 | 5,567 | 11.7% | 9,973 | 9,456 | 5.5% |
| General Expenses and Third-Party Services | 4,178 | 5,066 | -17.5% | 9,968 | 10,276 | -3.0% |
| Management Fee | 3,716 | 2,412 | 54.1% | 5,935 | 4,219 | 40.7% |
| **Total Recurring General and Administrative Expenses** | **29,779** | **26,558** | **12.1%** | **51,974** | **46,384** | **12.1%** |
| Non-Recurring Items | 3,322 | 5,900 | -43.7% | 3,322 | 5,900 | -43.7% |
| **Total General and Administrative Expenses** | **33,101** | **32,458** | **2.0%** | **55,296** | **52,284** | **5.8%** |

In 2Q12, G&A expenses grew by 12.1%, or R$ 3.2 million, from 2Q11, basically reflecting the R$1.6 million upturn in personnel expenses, which was the result of: (i) a pay rise by the agreement with sindicate and (ii) the 5.2% increase in the workforce.

In addition, G&A expenses in 2Q12 were impacted by non-recurring items totaling around R$3.3 million related to the provision for labor contingencies due to the winding up of activities at the Santa Luiza Mill (acquired by the São Martinho Group in 2007). Considering that operations have now been terminated, we believe labor demands will diminish considerably in the coming quarters.

In 6M12, G&A expenses totaled R$ 51.9 million, up 12.1% on the same period in the previous harvest, for the same reasons mentioned above.

# EBITDA

| EBITDA RECONCILIATION | 2Q12 | 2Q11 | Chg. (%) | 6M12 | 6M11 | Chg. (%) |
|---|---|---|---|---|---|---|
| R$ Thousand | | | | | | |
| **Adjusted EBITDA** | **163,075** | **150,915** | **8.1%** | **306,365** | **290,405** | **5.5%** |
| Adjusted EBITDA Margin | 41.0% | 44.6% | -3.6 p.p. | 42.1% | 46.5% | -4.4 p.p. |
| Non Recurring Operating Revenues (Expenses) | 2,763 | 548 | 404.6% | 1,954 | (822) | n.m. |
| Biological Assets | (28,226) | 9,132 | n.m. | (27,431) | 17,104 | n.m. |
| Non Cash Items Launched in the COGS | - | (4,256) | n.m. | (3,804) | 1,192 | n.m. |
| **EBITDA** | **188,537** | **145,491** | **29.6%** | **335,646** | **272,931** | **23.0%** |
| EBITDA Margin | 47.4% | 42.9% | 4.4 p.p. | 46.2% | 43.7% | 2.4 p.p. |
| (-) Depreciation and Amortization | (87,845) | (80,536) | 9.1% | (174,114) | (161,748) | 7.6% |
| (-) Financial Revenue (Expense), net | (25,479) | (2,139) | n.m. | (34,619) | (21,096) | 64.1% |
| (-) Equity Income | (2,783) | - | n.m. | (2,783) | - | n.m. |
| (=) Operating Income (Loss) | 72,430 | 62,816 | 15.3% | 124,130 | 90,087 | 37.8% |

## Adjusted EBITDA

In 2Q12, the São Martinho Group recorded adjusted EBITDA of R$ 163.1 million, up 8.1% from 2Q11, mainly driven by the improvement in ethanol and sugar sales prices, which climbed by 34.6% and 16.0% respectively. In fact, the indicator would have been considerably higher if the production costs in the period had not risen by more than 30%.

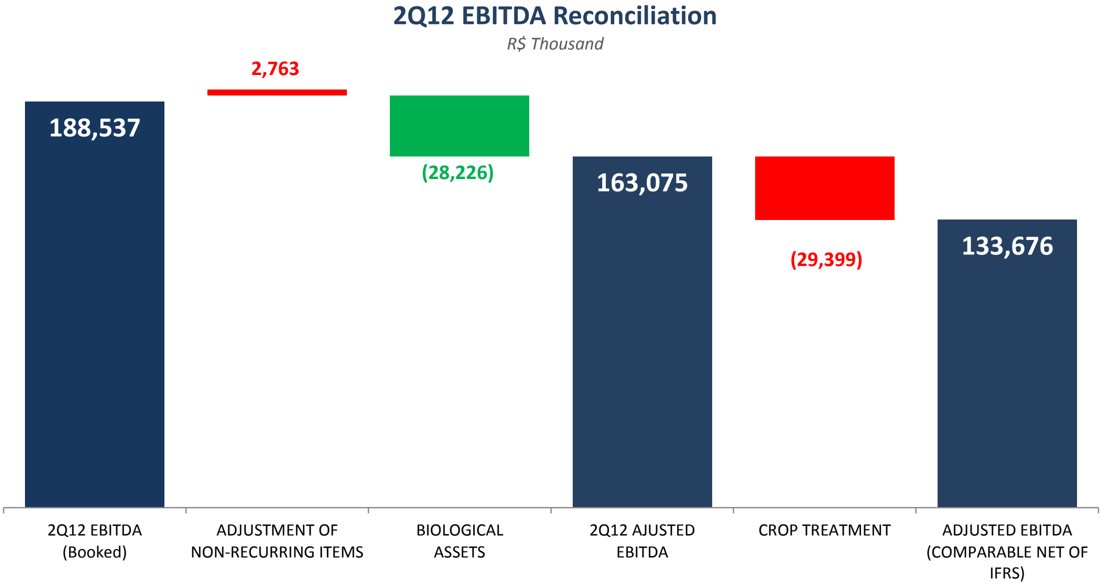
As already described in the "Industry Overview" item, the 2011/12 harvest was impacted by adverse weather conditions, which substantially reduced agricultural yields in the entire center-south region, impacting the performance of the Group's mills.

It is important to highlight that lower yields led to lower ethanol and sugar output, impacting negatively the dilution of fixed costs. For this reason, our adjusted EBITDA margin decreased by 3.6 percentage points over 2Q11 to 41.0%.

In 6M12, the Group recorded adjusted EBITDA of R$ 306.4 million, up 5.5% over 6M11, pushed by the increase in sugar and ethanol prices. In the same period, the EBITDA margin fell by 4.4 percentage points, for the same reasons as mentioned before.

## Reconciliation of EBITDA to Adjusted EBITDA

**Breakdown of Adjustments – 2Q12**

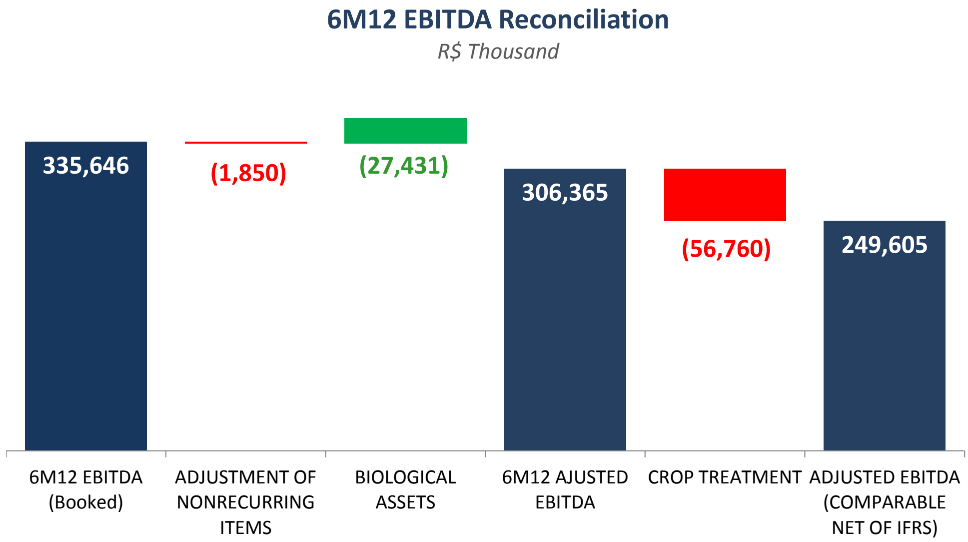



The main adjustments which impacted the calculation of EBITDA in 2Q12 are detailed below:

1) **Adjustments from non-recurring items of R$ 2.8 million, including:** The main impact is related to non-recurring expenses as a result of the labor lawsuits related to the Santa Luiza Mill. Considering that operations have now been terminated, we believe labor demands will diminish considerably in the upcoming quarters.

2) **Adjustments to Biological Assets of - R$ 28.2 million:** The Company's biological assets are now measured at fair value using the discounted cash flow method. Considering that this is an accounting adjustment and therefore does not impact our cash flow, we opted to exclude it to provide a better measure of our adjusted EBITDA. The positive impact of R$ 28.2 million in 2Q12 was the result of the improved sugar and ethanol prices in relation to the mark to market of biological assets, which was carried out at the end of fiscal year 2011 (12M11).

**Breakdown of Adjustments – 6M12**




## HEDGE

### U.S. Dollar

On September 30, 2011, the São Martinho Group held a short position in USD currency futures through non-deliverable forwards (NDFs) with maturities through February 2013, as it follows:

| Maturity | USD Thousand | Average Price (R$/USD) |
|---|---|---|
| **U.S. Dollar** | | |
| 2011/2012 Harvest | 200,220 | 1.7021 |
| 2012/2013 Harvest | 73,377 | 1.7673 |
| | **273,597** | **1.7196** |

### Sugar

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

| Maturity | Volume (Tons) | Average Price (USD cents/pound) |
|---|---|---|
| **Sugar** | | |
| 2011/2012 Harvest | 194,000 | 25.8 |
| 2012/2013 Harvest | 126,000 | 25.9 |
| | **320,000** | **25.8** |

The fixed volume related to 2011/2012 harvest corresponds to approximately 62% of the sugar available for sale in the 11/12 harvest (312,600 tons).

The fixed volume related to the 12/13 harvest (126,000 tons) corresponds to approximately 22% of the potential volume of sugar to export in the next harvest.

In the same period of the previous season (Sep/2010) our fixed volume totaled 61,000 tons of sugar at USD 20.40 cents/pound.

**Hedge Accounting** - As of March/10, inclusive, the Company and its subsidiaries began adopting hedge accounting for these derivatives, with their potential results recorded under the specific balance sheet line ("Adjustments to book value"), net of deferred income tax and social contribution tax (potential loss of R$45.2 million in September 2011).

## NET FINANCIAL RESULT

| FINANCIAL RESULT | 2Q12 | 2Q11 | Chg. (%) | 6M12 | 6M11 | Chg. (%) |
|---|---|---|---|---|---|---|
| R$ Thousand | | | | | | |
| Financial Rev enues | 8,746 | 6,113 | 43.1% | 15,253 | 7,997 | 90.7% |
| Financial Expenses | (12,028) | (22,009) | -45.3% | (22,064) | (38,593) | -42.8% |
| Exchange Variation | (14,117) | 20,857 | n.m. | (12,643) | 18,217 | n.m. |
| Copersucar Monetary Variation | (3,202) | (1,350) | 137.3% | (6,191) | (2,792) | 121.8% |
| **Net Financial Result (Excluding Hedge Result)** | **(20,601)** | **3,612** | **n.m.** | **(25,645)** | **(15,171)** | **69.0%** |
| Hedge Result - Sugar | (4,878) | (5,751) | -15.2% | (8,974) | (5,925) | 51.5% |
| **Net Financial Result** | **(25,479)** | **(2,139)** | n.m. | **(34,619)** | **(21,096)** | **64.1%** |

The 2Q12 net financial result was an expense of R$ 25.5 million, R$ 23.4 million higher than the R$ 2.1 million expense recorded in 2Q11.

The result was mainly impacted by the long-term exchange rate variation, which had an impact of R$14.1 million, caused by the 18% depreciation of the BRL against the USD during the quarter. In addition, financial revenues increased by 43.1% from 2Q11 to R$ 8.7 million and financial expenses recorded a substantial 45.3% decrease as a result of the reduction in net debt and lower funding costs.

## OPERATING WORKING CAPITAL

| OPERATING WORKING CAPITAL | 2Q11 | 1Q12 | 2Q12 | 2Q12 x 1Q12 | 2Q12 x 2Q11 |
|---|---|---|---|---|---|
| R$ Thousand | | | | | |
| **ASSETS** | **664,749** | **302,226** | **547,542** | **(245,316)** | **117,207** |
| Accounts Receivable | 72,236 | 55,309 | 62,490 | (7,181) | 9,746 |
| Inventories | 510,657 | 216,392 | 443,851 | (227,459) | 66,806 |
| Tax Receivable | 81,856 | 30,525 | 41,201 | (10,676) | 40,655 |
| **LIABILITIES** | **210,644** | **179,760** | **237,227** | **57,467** | **26,583** |
| Suppliers | 135,874 | 104,130 | 168,054 | 63,924 | 32,180 |
| Payroll and Social Contribution | 47,209 | 63,086 | 53,698 | (9,388) | 6,489 |
| Tax Payable | 27,561 | 12,544 | 15,475 | 2,931 | (12,086) |
| **WORKING CAPITAL** | **454,105** | **122,466** | **310,315** | **(187,849)** | **143,790** |

In 2Q12, the São Martinho Group invested working capital of R$ 310.3 million in its operations, which represents a reduction of R$143.8 million from 2Q11, basically due to the reduction in inventories of finished products in comparison of the two quarters.

In relation to 1Q12, the working capital invested increased by R$187.8 million, mainly due to the higher ethanol inventory, which will be sold in the upcoming quarters.

## NET INCOME

In 2Q12, net income totaled R$48.7 million, up 16.8% from the same period last year, mainly impacted by the R$12.2 million growth in adjusted EBITDA.

Net income in 6M12 came to R$86.6 million, up 42.6% over 6M11, also due to the increase in adjusted EBITDA, as well as the partial reversal of the negative impact of biological assets in 2Q11.

## DEBT WITH COPERSUCAR

On September 30, 2011, the São Martinho Group recognized on its balance sheet debt of R$209.7 million with Copersucar. In view of the terms negotiated in the process to terminate the membership at Copersucar, we will continue to book under "Obligations – Copersucar" all liabilities related to the contingencies currently being resolved judicially that were filed by legal counsel at Copersucar. These obligations continue to be secured by suretyships in the amount of R$175.2 million on a consolidated basis.

## INDEBTEDNESS

| DEBT | Sep/11 | Sep/10 | Chg. (%) |
|---|---|---|---|
| R$ Thousand | | | |
| PESA | 70,279 | 71,984 | -2.4% |
| Rural Credit | 22,075 | 75,911 | -70.9% |
| BNDES / FINAME | 408,886 | 508,330 | -19.6% |
| Working Capital | 104,041 | 110,467 | -5.8% |
| ACC (Advances on Foreign Exchange Contracts) | 55,676 | 124,272 | -55.2% |
| PPE (Export prepayment) | 279,535 | 255,501 | 9.4% |
| Others | 375 | 604 | -37.9% |
| **Gross Debt** | **940,867** | **1,147,069** | **-18.0%** |
| Cash and Cash Equivalents | 274,626 | 216,386 | 26.9% |
| **Net Debt** | **666,241** | **930,683** | **-28.4%** |
| Net Debt / Acum. EBITDA | 1.1 x | 1.6 x | |

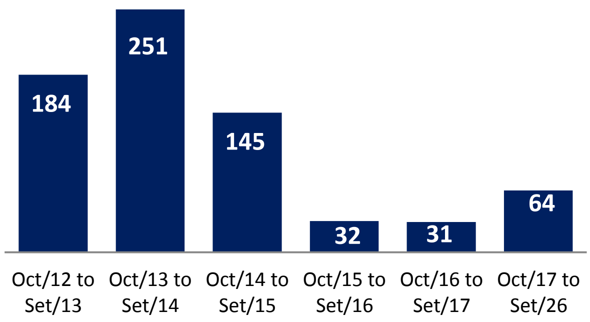
The São Martinho Group closed 2Q12 with a net debt of R$ 666.2 million in September/11, down 28.4% (R$ 264.5 million) over September/10, mainly due to: (i) strong operating cash flow in the last 12 months, totaling R$ 330 million; and (ii) a capital transfer of R$ 258 million from Petrobrás Biocombustível S.A. to Nova Fronteira Bioenergia S.A. (Nova Fronteira), of which São Martinho consolidated 62.89%.

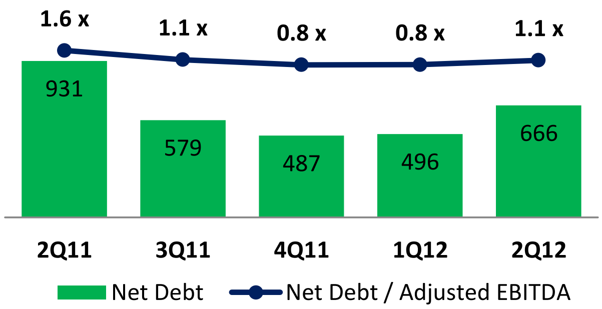
Also during the last 12 months, we continued to invest in (i) the expansion of the sugarcane plantations at the Boa Vista Mill and (ii) electricity cogeneration projects and the expansion of the distribution terminal at the São Martinho Mill. These investments came to approximately R$ 200 million.

As expected, on November 1, 2011, Petrobrás Biocombustível S.A. paid the second installment of the capital transfer to Nova Fronteira S.A. in the amount of R$ 163 million plus accrued 12-month inflation. As of next quarter, São Martinho S.A. will consolidate in its financial statements 51.0% of Nova Fronteira Bioenergia S.A. (at present, this percentage is 62.89%).

**Amortization Schedule**
R$ - Million

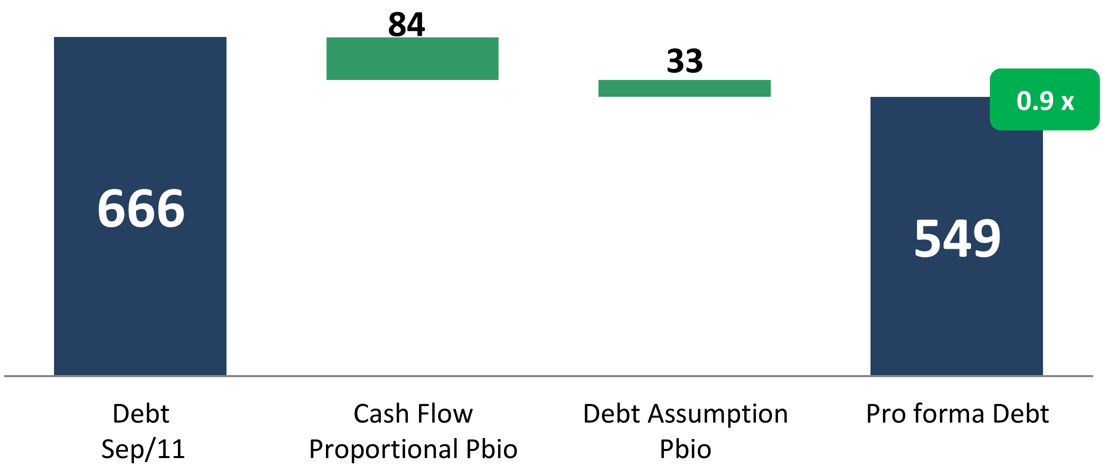
**Net Debt / EBITDA LTM**
Trends




**Pro-Forma Debt**

**(after Petrobrás Biocombustível S.A. capital transfer)**



## CAPEX

| SÃO MARTINHO - CONSOLIDATED | 2Q12 | 2Q11 | Chg. (%) | 6M12 | 6M11 | Chg. (%) |
|---|---|---|---|---|---|---|
| Capex (Maintenance) | | | | | | |
| Sugarcane Planting | 14,599 | 15,026 | -2.8% | 31,868 | 28,907 | 10.2% |
| Industrial / Agricultural | 6,256 | 10,226 | -38.8% | 20,321 | 15,482 | 31.3% |
| Crop Treatment (New IFRS Criterion) | 42,356 | 32,356 | 30.9% | 73,265 | 58,897 | 24.4% |
| **Sub Total** | **63,212** | **57,608** | **9.7%** | **125,455** | **103,286** | **21.5%** |
| Upgrading, Mechanization and Expansion | | | | | | |
| Industrial / Agricultural | 46,594 | 4,713 | 888.6% | 72,332 | 10,036 | 620.7% |
| Other | - | 387 | n.m. | - | 387 | n.m. |
| **Sub Total** | **46,594** | **5,100** | **813.6%** | **72,332** | **10,423** | **594.0%** |
| Boa Vista Mill (Greenfield) | | | | | | |
| Sugarcane Planting | 15,325 | 16,598 | -7.7% | 29,353 | 26,776 | 9.6% |
| Industrial / Agricultural | 4,585 | 24,342 | -81.2% | 12,275 | 32,726 | -62.5% |
| **Sub Total** | **19,910** | **40,940** | **-51.4%** | **41,628** | **59,502** | **-30.0%** |
| **Total** | **129,716** | **103,648** | **25.2%** | **239,414** | **173,211** | **38.2%** |

In 2Q12, Capex grew by 25.2% over 2Q11, mainly due to the R$ 46.6 million upturn in investments in modernization. This increase was due to investments in (i) the co-generation project at the São Martinho Mill and (ii) expansion of the sugar distribution terminal at the São Martinho Mill. In the next six months, we expect to invest R$160 million in Maintenance Capex (mainly in planting and crushing maintenance) and around R$ 140 million in Expansion Capex (electricity co-generation and planting expansion at the Boa Vista Mill).

## DISCLAIMER

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

## ABOUT SÃO MARTINHO

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

# INCOME STATEMENT

| SÃO MARTINHO S.A. - CONSOLIDATED | 2Q12 | 2Q11 | Chg. (%) | 6M12 | 12M10 | Chg. (%) |
|---|---|---|---|---|---|---|
| R$ Thousand | | | | | | |
| Gross Revenue | 416,739 | 357,354 | 16.6% | 765,210 | 661,518 | 15.7% |
| Deductions from Gross Revenue | (18,617) | (18,602) | 0.1% | (38,140) | (37,315) | 2.2% |
| **Net Revenue** | **398,122** | **338,752** | **17.5%** | **727,070** | **624,203** | **16.5%** |
| Cost of Goods Sold (COGS) | (244,650) | (220,792) | 10.8% | (476,659) | (426,809) | 11.7% |
| **Gross Profit** | **153,472** | **117,960** | **30.1%** | **250,411** | **197,394** | **26.9%** |
| Gross Margin (%) | *38.5%* | *34.8%* | 3.7 p.p | *34.4%* | *31.6%* | 2.8 p.p |
| **Operating Expenses** | **(55,563)** | **(53,005)** | **4.8%** | **(91,662)** | **(86,211)** | **6.3%** |
| Selling Expenses | (18,711) | (18,446) | 1.4% | (32,117) | (32,754) | -1.9% |
| General and Administrative Expenses | (34,422) | (34,334) | 0.3% | (58,003) | (55,759) | 4.0% |
| Management Fees | (2,783) | - | n.m. | (2,783) | - | n.m. |
| Other Operating Revenues (Expenses), Net | 353 | (225) | n.m. | 1,241 | 2,302 | -46.1% |
| **Operating Profit, Before Financial Effects** | **97,909** | **64,955** | **50.7%** | **158,749** | **111,183** | **42.8%** |
| **Financial Result, Net** | **(25,479)** | **(2,139)** | **1091.2%** | **(34,619)** | **(21,096)** | **64.1%** |
| Financial Revenues | 27,103 | 7,715 | 251.3% | 40,453 | 11,387 | 255.3% |
| Financial Expenses | (39,553) | (30,963) | 27.7% | (63,617) | (50,805) | 25.2% |
| Monetary and Exchange Variations - Net | (13,029) | 21,109 | n.m. | (11,455) | 18,322 | n.m. |
| **Income (Loss) Before Income and Social Contribution Taxes** | **72,430** | **62,816** | **15.3%** | **124,130** | **90,087** | **37.8%** |
| Income Tax and Social Contribution - Current | (4,846) | (21,201) | -77.1% | (16,818) | (33,775) | -50.2% |
| Income Tax and Social Contribution - Deferred | (18,917) | 61 | n.m. | (20,681) | 4,436 | n.m. |
| **Net Income (Loss) Before Minority Interest** | **48,667** | **41,676** | **16.8%** | **86,631** | **60,748** | **42.6%** |
| Minority Interest | - | - | n.m. | - | - | n.m. |
| **Net Income** | **48,667** | **41,676** | **16.8%** | **86,631** | **60,748** | **42.6%** |
| Net Margin (%) | *12.2%* | *12.3%* | -0.1 p.p | *11.9%* | *9.7%* | 2.2 p.p |

## BALANCE SHEET (ASSETS)

| SÃO MARTINHO S.A. CONSOLIDATED - ASSETS | | |
|---|---|---|
| R$ Thousand | | |
| ASSETS | Sep-11 | Mar-11 |
| **SHORT-TERM ASSETS** | | |
| Cash and Cash Equivalents | 274,626 | 225,067 |
| Accounts Receivable | 62,490 | 59,673 |
| Derivatives Financial Instruments | 11,454 | 5,967 |
| Inventories | 443,851 | 139,106 |
| Recoverable Taxes | 41,201 | 33,520 |
| Income Tax and Social Contribution | 9,323 | 5,037 |
| Other Assets | 5,801 | 5,692 |
| **TOTAL SHORT-TERM ASSETS** | **848,746** | **474,062** |
| **LONG-TERM ASSETS** | | |
| **Long-term Receivables** | | |
| Related Parties | 4,022 | 33 |
| Deferred Income Tax and Social Contribution | 120,216 | 132,676 |
| Accounts Receivable - Copersucar | 6,902 | 9,939 |
| Recoverable Taxes | 36,299 | 37,220 |
| Judicial Deposits | 40,650 | 32,367 |
| Other Assets | 1,670 | 7,101 |
| | **209,759** | **219,336** |
| **Investments** | 2,532 | - |
| **Biological Assets** | 468,295 | 435,532 |
| **Fixed Assets** | 2,842,663 | 2,864,761 |
| **Intangible** | 37,818 | 36,726 |
| **TOTAL LONG-TERM ASSETS** | **3,561,067** | **3,556,355** |
| **TOTAL ASSETS** | **4,409,813** | **4,030,417** |

## BALANCE SHEET (LIABILITIES)

| SÃO MARTINHO S.A. CONSOLIDATED- LIABILITIES | | |
|---|---|---|
| R$ Thousand | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | Sep-11 | Mar-11 |
| **SHORT-TERM LIABILITIES** | | |
| Loans and Financing | 233,013 | 140,982 |
| Derivatives Financial Instruments | 61,308 | 25,910 |
| Suppliers | 168,054 | 61,096 |
| Accounts Payable - Copersucar | 2,203 | 2,203 |
| Payroll and Social Contribution | 53,698 | 44,000 |
| Tax Payable | 15,475 | 20,343 |
| Income Tax and Social Contribution | 556 | 829 |
| Related Companies | 7,870 | 705 |
| Dividends Payable | - | 9,180 |
| Advances from Customers | 2,924 | 14,475 |
| Other Liabilities | 12,472 | 21,137 |
| **TOTAL SHORT-TERM LIABILITIES** | **557,573** | **340,860** |
| **LONG-TERM LIABILITIES** | | |
| Loans and Financing | 707,854 | 570,711 |
| Accounts Payable - Copersucar | 207,531 | 207,645 |
| Tax Installments | 55,286 | 55,833 |
| Deferred Income Tax and Social Contribution | 810,270 | 817,127 |
| Provision for Contingencies | 70,876 | 74,284 |
| Other Liabilities | 11,297 | 10,471 |
| **TOTAL LONG-TERM LIABILITIES** | **1,863,114** | **1,736,071** |
| **SHAREHOLDERS' EQUITY** | | |
| Capital Stock | 455,900 | 455,900 |
| Adjustments to Book Value | 1,254,921 | 1,304,969 |
| Capital Budget Reserve | 173,454 | 194,516 |
| Treasury Shares | (1,899) | (1,899) |
| Accumlated Profit (Loss) | 106,750 | - |
| **TOTAL SHAREHOLDERS' EQUITY** | **1,989,126** | **1,953,486** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **4,409,813** | **4,030,417** |

# CONSOLIDATED CASH FLOW

| SÃO MARTINHO S.A. | 6M12 | 6M11 |
|---|---|---|
| R$ Thousand | | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| **Net Income in the period** | **86,631** | **60,748** |
| **Adjustments** | | |
| Depreciation and amortization | 85,779 | 22,312 |
| Biological assets harvested (depreciation) | 88,335 | 139,436 |
| Variation in fair value of biological assets | (27,431) | 17,104 |
| Equity income | 2,783 | - |
| Residual cost of investment and property, plant and equipment disposals | 838 | 3,640 |
| Interest, monetary and foreign exchange variations, net | 74,930 | 26,821 |
| Constitution (reversal) of provision for contingencies, net | 5,661 | 4,737 |
| Deferred income tax and social contribution on net income | 20,681 | (4,436) |
| Provision for inventory losses | (3,809) | 1,192 |
| Adjustments to present value and others | (553) | (755) |
| | **333,845** | **270,799** |
| **Changes in assets and liabilities** | | |
| Accounts receivable | (4,120) | (30,692) |
| Inventories | (217,689) | (207,842) |
| Taxes recoverable | (7,857) | 4,460 |
| Related parties | 294 | (305) |
| Other assets | (8,449) | (7,711) |
| Suppliers | 100,285 | 54,128 |
| Salaries and social charges | 9,699 | 5,662 |
| Taxes payable | 7,359 | 15,136 |
| Taxes payable in installments | (2,563) | (1,186) |
| Provision for contingencies | (12,682) | (11,985) |
| Other liabilities | (20,276) | 27,512 |
| **Cash provided by operations** | **177,846** | **117,976** |
| Interest paid | (17,219) | (27,239) |
| Income tax and social contribution on net income paid | (12,893) | (7,026) |
| **Net cash provided by operating activities** | **147,734** | **83,711** |
| **CASH FLOW FROM INVESTMENT ACTIVITIES** | | |
| Additions to property, plant and equipments and intangible assets | (101,374) | (60,770) |
| Additions to biological assets (planting and treatment) | (134,487) | (109,443) |
| Advance on future capital increase | (3,342) | 153 |
| **Net cash used in investing activities** | **(239,203)** | **(170,060)** |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Derivatives Financial Instruments | (2,231) | (27,394) |
| Financing - third parties | 359,443 | 437,641 |
| Repayment of financing - Copersucar | (2,076) | (2,954) |
| Repayment of financing - third parties | (191,043) | (219,812) |
| Reception (payment) of funds from (to) related parties – intercompany loans | 7,177 | (73) |
| Payment of dividends and interest on own equity | (30,242) | (15,307) |
| **Net cash provided by financing activities** | **141,028** | **172,101** |
| **Increase (decrease) in cash and cash equivalents** | **49,559** | **85,752** |
| **Cash and cash equivalents at the beginning of the period** | **225,067** | **130,634** |
| **Cash and cash equivalents at the end of the period** | **274,626** | **216,386** |