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

São Martinho S.A.

Interim Financial Statements for the Quarter Ended December 31, 2008 and Independent Accountants' Review Report

Deloitte Touche Tohmatsu Auditores Independentes

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

<u>INDEPENDENT ACCOUNTANTS' SPECIAL REVIEW REPORT</u>
To the Shareholders and Management of
São Martinho S.A.
<u>Pradópolis - SP</u>

1. We have reviewed the accounting information included in the accompanying interim financial statements of São Martinho S.A. (the "Company") and subsidiaries, for the quarter ended December 31, 2008, consisting of the individual (Company) and consolidated balance sheets, the related statements of operations and cash flows, the performance report and the related notes, prepared under the responsibility of the Company's management.

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

3. Based on our review, we are not aware of any material modifications that should be made to the accounting information included in the interim financial statements referred to in paragraph 1 for them to be in conformity with standards established by the Brazilian Securities and Exchange Commission (CVM), specifically applicable to the preparation of the interim financial statements, including CVM Instruction 469, of May 2, 2008.

4. As mentioned in note 2.2, on December 28, 2007, Law 11638 was enacted, altering, revoking and adding new provisions to Law 6404/76 (Brazilian Corporate Law). This Law, as amended by Provisional Act 449 449, of December 3, 2008, is effective for fiscal years beginning on or after January 1, 2008 and introduced changes in Brazilian accounting practices, as contained in technical pronouncements issued by the Accounting Pronouncements Committee (CPC). The accounting information contained in the interim financial statements for the quarter ended December 30, 2008 have been prepared in conformity with specific instructions from CVM and all the changes in accounting practices introduced by Law 11638/07 (as amended by Provisional Act 449) and in CPC's. The information related to prior periods, presented for comparison purposes, has been restated to include the retrospective changes in the accounting practices introduced in 2008.

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

Campinas, February 5, 2009

DELOITTE TOUCHE TOHMATSU	José Carlos Amadi
Auditores Independentes	Engagement Partner

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SÃO MARTINHO S.A.

BALANCE SHEETS AS OF DECEMBER 31 AND SEPTEMBER 30, 2008
(In thousands of Brazilian reais - R$)

ASSETS	Note	Company 12/31/08	Company 9/30/2008	Consolidated 12/31/08	Consolidated 9/30/2008
CURRENT					
Cash and banks	4	17.409	4.188	69.088	84.962
Temporary cash investments	5	-	29.289	75.692	121.344
Trade accounts receivable	6	6.789	11.421	35.476	48.983
Derivatives	23	1.584	3.042	5.798	11.699
Inventories	7	115.575	93.751	467.776	405.112
Recoverable taxes	8	15.834	15.646	49.153	49.937
Other assets	10	2.176	2.412	8.916	12.942
		159.367	159.749	711.899	734.979
NONCURRENT ASSETS					
Long-term assets:					
Intercompany receivables	9	8.080	6.116	259	116
Assets held for sale	27	-	-	16.117	26.581
Deferred income and social contribution taxes	21	36.035	42.428	122.809	116.703
Receivable from Copersucar	24	6.349	-	23.037	-
Recoverable taxes	8	6.555	2.709	66.290	24.508
Other assets	10	77	109	6.853	7.764
Investments:					
In subsidiaries and affiliates	11	1.075.534	1.114.993	-	-
Other investments		3.430	3.430	3.547	3.547
Property, plant and equipment	12	574.187	579.102	2.358.800	2.384.571
Intangible assets	13	95	114	35.762	36.998
Deferred charges	14	-	-	44.454	44.936
		1.710.342	1.749.001	2.677.928	2.645.724
TOTAL ASSETS		1.869.709	1.908.750	3.389.827	3.380.703

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Company 12/31/08	Company 9/30/2008	Consolidated 12/31/08	Consolidated 9/30/2008
CURRENT LIABILITIES					
Loans and financing	15	82.182	83.643	403.017	352.858
Derivatives	23	1.952	605	17.194	4.625
Trade accounts payable	16	20.444	19.444	88.341	97.386
Payables to Copersucar	17	589	-	2.203	-
Payroll and related charges		6.960	9.549	26.506	40.334
Taxes payable		3.076	3.754	9.103	9.629
Intercompany payables	9	27.695	17.541	-	113
Advances from customers and other liabilities		2.032	4.926	8.309	17.276
		144.930	139.462	554.673	522.221
NONCURRENT LIABILITIES					
Long-term liabilities:					
Loans and financing	15	39.910	42.924	740.306	717.003
Payables to Copersucar	17	64.540	63.517	241.627	238.975
Taxes in installments		9.039	9.066	9.039	9.066
Deferred income and social contribution taxes	21	56.210	60.419	206.690	213.156
Provision for contingencies	22	9.080	9.209	72.885	73.736
Other liabilities		2.333	2.508	3.635	3.893
		181.112	187.643	1.274.182	1.255.829
MINORITY INTEREST		-	-	18.847	22.632
SHAREHOLDERS' EQUITY	18				
Capital		360.000	360.000	360.000	360.000
Revaluation reserves		1.131.580	1.141.391	1.131.580	1.141.391
Legal reserve		5.079	5.079	5.079	5.079
Capital budget reserve		97.656	97.656	97.656	97.656
Treasury stocks		(1.821)	(286)	(1.821)	(286)
Accumualted deficit		(48.827)	(22.195)	(50.369)	(23.819)
		1.543.667	1.581.645	1.542.125	1.580.021
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1.869.709	1.908.750	3.389.827	3.380.703

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

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SÃO MARTINHO S.A.

STATEMENTS OF OPERATIONS FOR THE QUARTERS AND NINE-MONTH PERIODS
ENDED DECEMBER 31, 2008 AND 2007
(In thousands of Brazilian reais - R$, except per share data)

		Company				Consolidated			
		12/31/08	12/31/08	12/31/07	12/31/07	12/31/08	12/31/08	12/31/07	12/31/07
	Note	Quarter	Nine-month period	Quarter	Nine-month period	Quarter	Nine-month period	Quarter	Nine-month period
GROSS SALES		54.266	116.207	40.181	121.465	246.766	567.444	145.164	530.188
DEDUCTIONS		(6.511)	(14.067)	(3.969)	(9.998)	(25.950)	(60.259)	(17.878)	(49.268)
NET SALES		47.755	102.140	36.212	111.467	220.816	507.185	127.286	480.920
COST OF SALES		(37.476)	(99.031)	(34.292)	(119.034)	(168.642)	(417.236)	(114.451)	(438.269)
GROSS PROFIT (LOSS)		10.279	3.109	1.920	(7.567)	52.174	89.949	12.835	42.651
Operating (expenses) income:									
Selling expenses		(1.036)	(1.334)	(945)	(5.206)	(10.706)	(24.985)	(4.949)	(31.142)
General and administrative expenses		(4.586)	(17.192)	(4.308)	(14.929)	(21.118)	(74.531)	(21.490)	(68.745)
Management fees		(974)	(3.760)	(1.274)	(3.958)	(1.766)	(6.678)	(1.795)	(6.377)
Equity in subsidiaries	11	(39.458)	(87.253)	(4.273)	(27.607)	-	-	-	-
Other operating income (expenses), net	24	7.644	8.762	2.935	(6.806)	19.826	19.839	9.667	(7.761)
		(38.410)	(100.777)	(7.865)	(58.506)	(13.764)	(86.355)	(18.567)	(114.025)
Loss from operations before financial income (expenses)		(28.131)	(97.668)	(5.945)	(66.073)	38.410	3.594	(5.732)	(71.374)
Financial income (expenses)									
Financial income		4.421	13.398	5.552	23.279	13.459	35.455	20.340	62.398
Financial expenses		(9.077)	(23.401)	(6.072)	(17.330)	(56.776)	(122.700)	(21.886)	(63.804)
Monetary and exchange gains		1.968	2.598	155	1.601	17.280	25.326	998	8.160
Monetary and exchange losses		(3.440)	(6.343)	(158)	(1.803)	(64.756)	(98.725)	(788)	(7.854)
	25	(6.128)	(13.748)	(523)	5.747	(90.793)	(160.644)	(1.336)	(1.100)
Loss before income and social contribution taxes		(34.259)	(111.416)	(6.468)	(60.326)	(52.383)	(157.050)	(7.068)	(72.474)
Income and social contribution taxes - current	21	-	-	-	-	(954)	(954)	(1.688)	(1.688)
Income and social contribution taxes - deferred	21	(2.184)	7.939	691	10.817	13.191	47.194	2.979	24.653
		(2.184)	7.939	691	10.817	12.237	46.240	1.291	22.965
Net loss before minority interest		(36.443)	(103.477)	(5.777)	(49.509)	(40.146)	(110.810)	(5.777)	(49.509)
Minority interest		-	-	-	-	3.785	5.791	-	-
Net loss		(36.443)	(103.477)	(5.777)	(49.509)	(36.361)	(105.019)	(5.777)	(49.509)
Loss per share - R$		-0,32	-0,92	-0,05	-0,44				

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

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SÃO MARTINHO S.A.

STATEMENTS OF CASH FLOWS FOR THE QUARTERS AND NINE-MONTH PERIODS ENDED DECEMBER 31, 2008 AND 2007
(In thousands of Brazilian reais - R$)

	Company				Consolidated			
	12/31/08	12/31/08	12/31/07	12/31/07	12/31/08	12/31/08	12/31/07	12/31/07
	Quarter	Nine-month period	Quarter	Nine-month period	Quarter	Nine-month period	Quarter	Nine-month period
CASH FLOWS FROM OPERATING ACTIVITIES								
Net loss	(36.443)	(103.477)	(5.777)	(49.509)	(36.361)	(105.019)	(5.777)	(49.509)
Adjustments to reconcile net loss to net cash provided by operating activities:								
Equity in subsidiaries	39.458	87.253	4.273	27.607	-	-	-	-
Depreciation and amortization - statements of operations	12.383	31.055	9.358	37.350	56.369	138.285	32.914	131.251
Net book value of property, plant and equipment written off	189	206	31	410	362	14.438	1.751	2.328
Financial charges and exchange variation on long-term intercompany balances, loans, financing, and taxes payable	6.845	17.719	3.138	9.166	104.928	185.173	6.467	30.858
Recognition (reversal) of reserve for contingencies	293	2.422	255	(254)	543	10.184	2.112	2.910
Allowance for investment losses	-	-	-	-	4.684	4.684	-	-
Recognition (reversal) of deferred income and social contribution taxes	2.184	(7.939)	(691)	(9.564)	(13.191)	(47.193)	(2.980)	(18.568)
Minority interest	-	-	-	-	(3.785)	(5.791)	-	-
(Increase) decrease in assets:								
Trade accounts receivable	4.632	27.926	1.962	2.995	13.507	58.749	7.308	(4.194)
Inventories	(18.436)	(54.432)	(14.411)	(37.676)	(40.318)	(204.713)	6.918	(102.492)
Recoverable taxes	(4.034)	(5.911)	130	(6.009)	(40.998)	(55.451)	2.494	(16.274)
Intercompany receivables	(1.964)	(5.506)	(15.796)	(25.144)	(143)	(51)	-	17
Derivatives	1.458	(1.584)	-	-	5.901	(5.798)	-	-
Other current assets	236	1.273	445	362	4.026	6.434	(7.246)	(6.122)
Other noncurrent assets	(6.317)	(6.290)	473	(232)	(22.126)	(22.714)	(2.849)	(5.107)
Increase (decrease) in liabilities:								
Trade accounts payable	1.000	9.061	(1.499)	2.155	(9.044)	32.386	(30.054)	3.147
Payroll and related taxes	(2.589)	1.941	(3.508)	33	(13.828)	3.348	(15.530)	1.010
Taxes payable	(682)	(379)	(1.150)	167	(849)	(1.601)	(1.832)	(360)
Taxes in installments	(288)	(847)	171	9.130	(663)	(1.490)	171	9.130
Advances from customers	-	-	-	-	-	-	-	-
Reserve for contingencies	(631)	(1.058)	(52)	(2.204)	(3.117)	(12.926)	(1.880)	(6.835)
Derivatives	1.347	1.952	-	-	12.569	17.194	-	-
Other current liabilities	(2.894)	1.888	(203)	(2.006)	(8.967)	6.689	178	(1.446)
Other noncurrent liabilities	(175)	2.333	-	-	(258)	2.078	(176)	(70)
Net cash provided by (used in) operating activities	6.333	26.184	(23.161)	(82.237)	10.278	19.815	(9.373)	(29.830)
CASH FLOWS FROM INVESTING ACTIVITIES								
Investments	-	(3.390)	(11.375)	(48.051)	-	(3.380)	(9)	(24)
Investments - goodwill	-	-	-	-	-	-	-	(49.086)
Purchases of property, plant and equipment and increase in deferred charges	(11.026)	(30.550)	(10.367)	(30.572)	(43.908)	(298.990)	(148.163)	(403.355)
Increase in property, plant and equipment and deferred charges due to purchase of investment	-	-	-	-	-	-	-	(25.000)
Net cash used in investing activities	(11.026)	(33.940)	(21.742)	(78.623)	(43.908)	(302.370)	(148.172)	(477.465)
CASH FLOWS FROM FINANCING ACTIVITIES								
Increase in financing due to purchases of investments	-	-	-	-	-	-	-	18.402
Increase in payables to Copersucar due to purchases of investments	-	-	-	-	-	-	-	10.304
Borrowings from third parties	11.596	70.401	12.410	21.017	126.565	751.314	135.276	346.349
Borrowings (repayment) of financing - Copersucar, net	345	(20.580)	9.398	19.187	202	(76.506)	36.683	76.279
Repayment of financing - third parties	(21.781)	(43.392)	(6.965)	(36.966)	(149.343)	(329.422)	(51.710)	(142.308)
Payment of dividends	-	-	-	(19.999)	-	-	-	(19.999)
Share repurchase to be held in treasury	(1.535)	(1.821)	-	-	(1.535)	(1.821)	-	-
Minority interest	-	-	-	-	(3.785)	11.236	-	-
Net cash provided by (used in) financing activities	(11.375)	4.608	14.843	(16.761)	(27.896)	354.801	120.249	289.027
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(16.068)	(3.148)	(30.060)	(177.621)	(61.526)	72.246	(37.296)	(218.268)
CASH AND CASH EQUIVALENTS (including temporary cash investments)								
At beginning of period	33.477	20.557	122.913	270.474	206.306	72.534	185.992	366.964
At end of period	17.409	17.409	92.853	92.853	144.780	144.780	148.696	148.696
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(16.068)	(3.148)	(30.060)	(177.621)	(61.526)	72.246	(37.296)	(218.268)
SUPPLEMENTAL INFORMATION								
Interest paid in the period	(2.127)	(3.245)	(2.461)	(5.600)	(17.572)	(37.289)	(12.004)	(29.303)
Payments to suppliers for purchases of property, plant and equipment	2.524	2.524	228	228	12.483	12.483	20.434	20.434

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

1. OPERATIONS

1.1. Operations

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

Approximately 69% (61% - Consolidated) of the sugarcane used in the manufacture of products derives from the Company's own plantations, shareholders, related parties and agricultural partnerships, and the remaining 31% (39% - consolidated), from third-party suppliers.

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

1.2. Withdrawal from Copersucar

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

On February 25, 2008, the Company, its direct subsidiary Usina São Martinho S.A. and the jointly-owned indirect subsidiary Usina Santa Luíza S.A. announced that their Boards of Directors approved a request for their withdrawal from the cooperative. The termination of membership occurred pursuant to Copersucar's bylaws at the end of the 2007/2008 crop and is intended to focus the Companies' production on higher value added products and is part of different commercial strategies.

The terms and conditions of the termination of membership were negotiated through the settlement or assumption of commitments to the Cooperative or to third parties for which the Cooperative is jointly liable, arising until the date of the termination, even if the conclusion of the commitments surpasses that date. The Company, its direct subsidiary Usina São Martinho S.A. and the jointly-owned indirect subsidiary Usina Santa Luíza S.A. have the right to a proportional share of the outcome of indemnification actions filed by Copersucar, even if they are concluded after the date of the termination.

The Company, its direct subsidiary Usina São Martinho S.A. and the jointly-owned indirect subsidiary Usina Santa Luíza S.A. assumed the liability for a share proportionate to their volume of operations during the period in which they were members of the cooperative in respect of tax lawsuits filed by Copersucar, as specified in note 23.

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

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

As established in Copersucar's bylaws, revenue from the sale of these products and expenses incurred due to the Cooperative's operations are allocated by Copersucar to each cooperative member, proportionally to the products made available, regardless the physical amount removed from the cooperative member's warehouses. As stated in its annual financial statements, Copersucar uses the accrual basis to allocate revenues and expenses to its cooperative members in conformity with Brazilian accounting practices and Regulatory Opinion No. 66 issued by the CST (Coordination of the Tax System) on September 5, 1986.

The amounts of revenues and expenses calculated by Copersucar upon the apportionment to each cooperative member, including the inventory amounts to be allocated to cost of sales, are reported monthly by Copersucar to its cooperative members in specific and detailed reports according to the nature of the event, on a monthly basis.

1.3. Acquisition of companies followed by spin-off and merger of the jointly-owned indirect subsidiary Etanol Participações S.A.

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

In order to achieve one of the objectives of said acquisition, related to gaining operating and administrative synergies, on December 10, 2007 the shareholders of Etanol Participações S.A. announced their decision to absorb the operations of the jointly-owned indirect subsidiaries Usina Santa Luiza S.A. and Agropecuária Aquidaban S.A., which activities have been developed directly by the shareholders, according to their interest in the capital of Etanol Participações S.A., beginning the 2008/2009 crop.

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

The Extraordinary Shareholders' Meeting held on April 25, 2008 approved the merger of the indirect jointly-owned subsidiary Agropecuária Aquidaban S.A. by the indirect jointly-owned subsidiary Usina Santa Luiza S.A. On April 28, 2008, shareholders decided on the partial spin-off of Usina Santa Luiza S.A. whose net assets were merged by the subsidiary Usina São Martinho S.A. and other Usina Santa Luiza S.A.'s shareholders, based on their respective ownership interests. The spun-off net assets at book value, as determined by an independent appraisal report, totaled R$ 225,138 as of March 31, 2008.

1.4. Capital increase in subsidiary Usina Boa Vista S.A.

On a meeting held on July 23, 2008, the Board of Directors approved an increase in Usina Boa Vista's capital in the amount of R$ 170,274, from R$ 71,726 to R$ 242,000, through subscription of 170,273,733 new common shares. Capital was paid up mainly with the capitalization of an advance for future capital increase in the amount of R$ 97,876 made by the Company and R$ 55,370 made by Usina São Martinho S.A., and funds contributed by Mitsubishi Corporation, in the amount of R$ 17,027.

1.5. Incorporation of Santa Cecília Agroindustrial S.A.

On July 31, 2008, the direct subsidiary Usina São Martinho S.A., together with Usina da Barra S.A. Açúcar e Álcool and Santa Cruz S.A. Açúcar e Álcool, incorporated Santa Cecília Agro-industrial S.A., by contributing part of the spun-off net assets of Usina Santa Luiza S.A. The portion of capital related to Usina São Martinho S.A. is R$ 20,448, representing an ownership interest of 41.67%. This Company was formed to provide alternatives to the exploitation and management of assets contributed by shareholders. Santa Cecília Agroindustrial S.A. is a jointly-owned subsidiary of Usina São Martinho S.A.

1.6. Allicom Consortium establishment agreement

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

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

2. PREPARATION AND PRESENTATION OF INTERIM FINANCIAL STATEMENTS

2.1. Presentation of interim financial statements

The Company's and consolidated interim financial statements have been prepared, presented and restated in conformity with standards established by the Brazilian Securitie, Exchange Commission (CVM) and "Novo Mercado" (New Market) listing requirements set forth by São Paulo Stock Exchange (BOVESPA), by the Accounting Pronouncements Committee (CPC) and approved by CVM, applicable to the nine-month period ended December 31, 2008, and do not include all the disclosures required by Brazilian accounting practices for full financial statements.

Assets and liabilities are recorded as current according to the payment or realization estimate for the next twelve months. Assets and liabilities expected to be realized in more than twelve months are stated as noncurrent. Monetary assets and liabilities denominated in foreign currencies were converted into Brazilian reais at the exchange rate in effect on the balance sheet date. Currency translation differences are recognized in the statement of operations.

The Company and its subsidiaries conduct derivative transactions to set its products' price levels and hedge sales performance against exchange rate fluctuations and volatility in sugar prices in the international commodity markets. These transactions are recognized at fair value as of the interim financial statement date (note 23).

The preparation of interim financial statements in conformity with CVM standards requires the Management of the Company and its subsidiaries to make estimates based on objective and subjective factors to record certain transactions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Major estimates related to the financial statements refer to the provision for inventory losses at realizable value, allowance for investment losses, provision for contingencies, amortization, depreciation, and deferred taxes.

The results of operations for the nine-month period ended December 31, 2008 may not necessarily be indicative that profits may be expected for the year ending March 31, 2009.

2.2. Amendment to Brazilian Corporate Law - Law 11638/07 (as amended by Provisional Act 449)

On December 28, 2007, Law No. 11638 (as amended by Provisional Act 449) was enacted, altering, revoking and adding new provisions to the Brazilian Corporate Law, especially with respect to Chapter XV, Fiscal Year and Financial Statements. This Law is effective for fiscal years beginning on or after January 1, 2008 and updates the Brazilian Corporate Law so as to enable the convergence of Brazilian accounting practices with international accounting standards (IFRS) and allow the Brazilian Securities and Exchange Commission (CVM) to issue new accounting standards and procedures, in conformity with such international accounting standards. During 2008, the Accounting Pronouncements Committee (CPC) established accounting standards to be adopted through December 31, 2008, in connection with changes introduced by Law 11638/07.

The interim financial statements as of December 31, 2008 already reflect the known effects from the adoption of Law 11638/07 and CPC Pronouncements.

The effect disclosed in the financial statements as of December 31, 2008 refers to the requirement that certain long-term assets and liabilities and, if material, certain short-term assets, be adjusted at present value and, and to the recognition of derivative transactions, as required by CPC standards.

In view of the above, the Company made certain adjustments and reclassifications in statement of income for the three-month and six-month periods ended December 31, 2007 to allow comparability of interim financial statements, as detailed in note 26.

3. CONSOLIDATION CRITERIA

The consolidated financial statements as of December 31, 2008 and September 30, 2008, and the related consolidated statements of operations for the quarters and nine-month periods ended December 31, 2008 and 2007 consider the percentage of ownership interest in subsidiaries in effect on the respective dates and the applicable proportionate consolidation criteria. The consolidated balances include the following subsidiaries:

Company	Main activities
Usina São Martinho S.A. – 100% interest	Sugarcane processing; own production and production acquired from third parties; manufacture and sale of sugar, alcohol and their by-products; cogeneration of electricity, agricultural production and cattle raising; import and export of goods, products and raw material; and holding of equity interests in other companies.
Usina Boa Vista S.A. – 48.45% interest (90% including the interest of Usina São Martinho S.A.).	Sugarcane processing; own production and production acquired from third parties; manufacture and sale of sugar, alcohol and their by-products; cogeneration of electricity, agricultural production and cattle raising; import and export of goods, products and raw material; and holding of equity interests in other companies.

Company	Main activities
Omtek Indústria e Comércio Ltda. – 99.99% interest for all reported periods (100% including the interest of Usina São Martinho S.A.).	Sodium salt processing and sale in the foreign market. The operating cycle is the same as the parent company's, which is responsible for supplying (under specific conditions) raw material represented by sugarcane molasses, steam and electric power, inputs necessary for the company's production.

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

The consolidation of Usina São Martinho includes the following subsidiaries:

- Mogi Agrícola S.A. - 46.02% interest. Mogi Agrícola S.A. is engaged in agricultural production and holding equity interests in other companies. Usina São Martinho S.A. is the parent company of Mogi Agrícola S.A. jointly with other shareholders under an agreement between them.

- Usina Santa Luiza S.A. – 41.67% interest. Usina São Martinho S.A. is the parent company of Usina Santa Luiza S.A. jointly with other shareholders under an agreement between them.

- Santa Cecília Agro-Industrial S.A. – 41.67% interest in share capital as of December 31, 2008 and September 30, 2008. Usina São Martinho S.A. is the parent company of this company jointly with other shareholders.

- SMBJ Agroindustrial S.A. – 99.9% interest in share capital as of December 31, 2008 and September 30, 2008. SMBJ is engaged in the processing of agricultural produces, agricultural exploitation and cattle raising, import and export of goods, products and raw materials, and holding interest in other companies. This indirect subsidiary is still dormant.

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

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

  b) Elimination of investments and equity in subsidiaries;

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

  d) Reclassification of negative goodwill on indirect subsidiaries to long-term liabilities – other and goodwill on indirect subsidiaries to a specific caption under investments;

  e) Minority interest was reported separately in the consolidated interim financial statements; and

  f) Elimination of unrealized profits.

4. CASH AND BANKS

Include deposits in bank accounts available for immediate use. Cash and bank balances derive from the Company’s and subsidiaries' operating activities and include foreign-currency amounts pending exchange closing for conversion into Brazilian reais, to be used to pay liabilities at the beginning of the month subsequent to the interim financial statement date.

5. TEMPORARY CASH INVESTMENTS

		Company	
Type	Yield	12/31/2008	9/30/2008
CDB (bank certificates of deposit)	103.67% of the CDI variation – weighted average rate	-	15,148
CDB (bank certificates of deposit)	102.2% of the CDI variation	-	10,112
Agribusiness credit bills	70% of the CDI variation	-	4,029
Total		-	29,289

		Consolidated	
Modalidade	Yield	12/31/2008	9/30/2008
Variable-income funds	102.3% of the CDI variation	-	3,073
Debenture repurchase agreements	103.67% of the CDI variation – weighted average rate	-	15,148
Debenture repurchase agreements	103.44% of the CDI variation – weighted average rate	-	14,774
Debenture repurchase agreements	102.2% of the CDI variation	-	3,460
Debenture repurchase agreements	103.87% of the CDI variation	15,013	-
CDB (bank certificates of deposit)	104.09% of the CDI variation – weighted average rate	-	55,726
CDB (bank certificates of deposit)	102.2% of the CDI variation	-	10,112
CDB (bank certificates of deposit)	102.49% of the CDI variation – weighted average rate	60,679	-
Agribusiness credit bills	70% of the CDI variation	-	19,051
Total		75,692	121,344

Repurchase and debenture repurchase agreements represent fixed-rate investments, ensuring fixed-rate yield as specified above, regardless of the variation in the yield of the securities acquired.

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

6. TRADE ACCOUNTS RECEIVABLES

Trade accounts receivables are comprised as follows:

	Company	
	12/31/2008	9/30/2008
Domestic customers	6,789	7,211
Foreign customers	-	4,210
	6,789	11,421

	Consolidated	
	12/31/2008	9/30/2008
Domestic customers	35,476	44,773
Foreign customers	-	4,210
	35,476	48,983

For the nine-month period ended December 31, 2008, due to the immateriality of amounts due and unlikelihood of losses on current balances, Management deemed recording an allowance for doubtful accounts unnecessary.

The aging list of trade accounts receivable is as follows:

	12/31/2008	
	Company	Consolidated
Past due:		
up to30 days	470	2,787
from 31 to 60 days	8	851
over 61 days	22	454
Current:		
Up to 30 days	5,689	27,625
from 31 to 60 days	342	344
from 61 to 90 days	-	1
from 91 to 180 days	8	2,931
Over 181 days	250	483
Total	6,789	35,476

The average collection period for trade accounts receivable is 12 days (20 days – consolidated). The balance of receivables with maturity over 60 days refers basically to amounts receivable for plantation services provided to third parties, which will be received during the crop in which the respective sugarcane maturation occurs.

7. INVENTORIES

	Company	
	12/31/2008	9/30/2008
Finished products and work in process	75,774	60,337
Sugarcane – crop treatment	26,278	26,995
Advances – purchase of sugarcane	2,416	2,467
Inputs, indirect materials, maintenance materials and other	11,107	10,935
Provision for inventory losses at realizable value	-	(6,983)
	115,575	93,751

	Consolidated	
	12/31/2008	9/30/2008
Finished products and work in process	288,432	222,205
Sodium salt	6,875	6,013
Sugarcane – crop treatment	94,329	97,644
Advances – purchase of sugarcane	23,021	31,790
Inputs, indirect materials, maintenance materials and other	58,628	55,657
Provision for inventory losses at realizable value	(3,509)	(8,197)
	467,776	405,112

In the quarter ended December 31, 2008, the Company recorded an allowance for inventory reduction at realizable value for Usina Boa Vista S.A.'s hydrated alcohol held in inventory, whose cost was higher than the market value.

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

8. RECOVERABLE TAXES

Recoverable taxes as of December 31, 2008 and September 30, 2008 are as follows:

	Company	
	12/31/2008	9/30/2008
COFINS (tax on revenue), including credits arising from purchases of property, plant and equipment items	12,690	9,152
IRPJ (corporate income tax)	3,186	3,186
ICMS (state VAT) including credits arising from purchases of property, plant and equipment items	3,178	3,306
PIS (tax on revenue), including credits arising from purchases of property, plant and equipment items	2,476	1,990
CSLL (social contribution tax)	53	53
Other	806	668
	22,389	18,355
Current assets	15,834	15,646
Noncurrent assets	6,555	2,709

	Consolidated	
	12/31/2008	9/30/2008
COFINS (tax on revenue), including credits arising from purchases of property, plant and equipment items	63,622	25,632
ICMS (state VAT) including credits arising from purchases of property, plant and equipment items	29,485	31,307
IRPJ (corporate income tax)	6,115	7,922
CSLL (social contribution tax)	524	5,875
PIS (tax on revenue), including credits arising from purchases of property, plant and equipment items	12,753	1,494
Other	2,944	2,215
	115,443	74,445
Current assets	49,153	49,937
Noncurrent assets	66,290	24,508

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

With the enactment of Law 11727/08, effective October 1, 2008, PIS and COFINS (taxes on revenue) levied on alcohol production and sale have been calculated on a noncommutative basis. As a result of this change, the Company was entitled to deemed PIS and COFINS credits equivalent to R$ 48.00 per m^3 of the alcohol held in inventory as of September 30, 2008, proportionally to the alcohol production in the period. The Company and the subsidiaries Usina São Martinho S.A. and Usina Boa Vista S.A. recorded credits in the amount of R$ 48,700, which may be recognized in monthly over 12 to 60 months. These credits will be offset against debits relating to PIS and COFINS calculated on the noncommutative basis. Credits were recognized in the quarter ended December 31, 2008 against a reduction in inventory and property, plant and equipment.

The amounts classified in current assets refer to amounts which are expected to be realized in the next twelve months, based on Management's estimates.

9. RELATED-PARTY TRANSACTIONS

a) Company and consolidated balances:

	Company			
	12/31/2008		9/30/2008	
	Long-term assets	Current liabilities	Long-term assets	Current liabilities
Subsidiaries:				
Usina São Martinho S.A.	242	27,695	874	17,532
Omtek Ind. e Com. Ltda.	7,784	-	5,189	-
Usina Boa Vista S.A.	54	-	53	9
Subtotal	8,080	27,695	6,116	17,541
Shareholders, arising from purchase of sugarcane (trade accounts payable)	-	268	-	197
	8,080	27,963	6,116	17,738

	Consolidated			
	12/31/2008		9/30/2008	
	Long-term assets	Current liabilities	Long-term assets	Current liabilities
Subsidiary and indirect subsidiary:				
Mogi Agrícola S.A.	-	-	1	113
Usina Santa Luiza S.A.	145	-	-	-
Sub-total	145	-	1	113
Shareholders, arising from leased land (other noncurrent assets)	114	-	114	-
Shareholders, arising from purchase of sugarcane (trade accounts payable)		1,522		2,982
	259	1,522	115	3,095

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

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

b) Company's transactions

	12/31/2008 (quarter)			12/31/2007 (quarter)		
	Financial expenses	Administrative, financial expenses and costs	Sales revenue	Financial expenses	Administrative, financial expenses and costs	Sales revenue
Usina São Martinho S.A.	-	612	92	138	-	160
Omtek Ind. e Com. Ltda.	1,507	-	1,506	1,812	-	1,169
Usina Boa Vista S.A.	-	-	-	112	-	-
Rental of properties from shareholders	-	18	-	-	16	-
Purchase of sugarcane from shareholders	-	1,649	-	-	497	-
	1,507	2,279	1,598	2,062	513	1,329

Intercompany transactions refer to revenues and expenses related to charges on loans agreements, revenues and expenses related to revenue from sale of molasses, electric power and steam to Omtek Indústria e Comércio Ltda., rental of properties and purchase of sugarcane from shareholders.

The consolidated amounts of sugarcane purchases from shareholders for the quarters ended December 31, 2008 and 2007 were R$ 6,311 and R$ 594, respectively.

10. OTHER ASSETS

	Company		Consolidated	
	12/31/2008	9/30/2008	12/31/2008	9/30/2008
Advances – purchase of sugarcane	850	958	8,596	9,987
Prepaid expenses	458	540	2,968	5,609
Sundry advances	884	941	2,960	3,173
Other	39	60	1,245	1,937
	2,231	2,499	15,769	20,706
Current assets	2,176	2,412	8,916	12,942
Noncurrent assets	55	87	6,853	7,764

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

11. INVESTMENTS

Investments in subsidiaries are as follows:

11.1 Subsidiaries

	12/31/2008			
	Usina São Martinho S.A.	Usina Boa Vista S.A	Omtek Indústria e Comércio Ltda.	Total
In subsidiaries:				
Shares held (thousands)	23,500	242,000	13,925	
Ownership interest	100%	48.45%	99.99%	
Capital	60,000	242,000	13,925	
Shareholders' equity	965,797	188,474	19,412	
Net loss (quarter)	(9,514)	(37,850)	(963)	
Changes in investments:				
Balances as of September 30, 2008	985,296	109,648	20,049	1,114,993
Equity in subsidiaries	(9,514)	(18,337)	(638)	(28,489)
Balances as of December 31, 2008	975,782	91,311	19,411	1,086,504

	09/30/2008			
	Usina São Martinho S.A.	Usina Boa Vista S.A.	Omtek Indústria e Comércio Ltda.	Total
In subsidiaries:				
Shares held (thousands)	23,500	242,000	13,925	
Ownership interest	100%	48.45%	99.99%	
Capital	60,000	242,000	13,925	
Shareholders' equity	985,296	226,324	20,375	
Net loss (quarter)	(23,307)	(20,061)	(1,296)	
Changes in investments:				
Balances as of June 30, 2008	1,009,544	20,550	21,345	1,051,439
Increase in ownership interest	-	97,876	-	97,876
Equity in subsidiaries	(23,307)	(9,719)	(1,296)	(34,322)
Effect of the revaluation reserve of subsidiaries due to change in ownership interest	(941)	941	-	-
Balances as of September 30, 2008	985,296	109,648	20,049	1,114,993

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

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

As mentioned in note 1.3, on April 12, 2007 the jointly-owned indirect subsidiary Etanol Participações S.A. acquired interest in Usina Santa Luiza S.A. and in Agropecuária Aquidaban S.A., recording a goodwill in the amount of R$ 210,117, based on the financial statements of the acquired companies as of March 31, 2007.

Due to the discontinuance of operating activities of indirect jointly-owned subsidiaries Usina Santa Luiza S.A. and Agropecuária Aquidaban S.A. and the partial spin-off of assets and liabilities of Etanol Participações S.A., which were transferred to Usina Santa Luiza S.A. and Agropecuária Aquidaban S.A., the ownership interests of Etanol Participações S.A. in Usina Santa Luiza S.A. and Agropecuária Aquidaban S.A. were eliminated, and shares in Usina Santa Luíza S.A. and Agropecuária Aquidaban S.A. formerly held by Etanol Participações S.A. were assigned to its shareholders. As mentioned in note 1.3., the Extraordinary Shareholders' Meeting held on April 25, 2008 approved the merger of the indirect jointly-owned subsidiary Agropecuária Aquidaban S.A. by the indirect jointly-owned subsidiary Usina Santa Luiza S.A.

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

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

The portion of goodwill based upon future profitability will be amortized over a period not in excess of 10 years, according to the expected return on investment as set forth in the independent experts' report, following the new operational framework of the investment. The gross amortized amount attributable to the subsidiary Usina São Martinho S.A. as of December 31, 2008 was R$ 1,822. As a result of the merger of Usina Santa Luiza S.A.'s spun-off net assets by the subsidiary Usina São Martinho S.A. on April 28, 2008, as mentioned in note 1.3, this portion of goodwill related to future earnings was classified under intangible assets caption.

The goodwill allocated as appreciation of assets will be amortized upon the depreciation or disposal of the assets. In the quarter ended September 30, 2008, gains from the sale of these assets totaled R$ 894 (R$ 2,726 for the nine-month period), Consolidated, classified as other income (expenses), net. The goodwill related to the assets held for sale will be amortized upon the realization of such assets. The tax benefit arising from the goodwill related to the future profitability will be amortized according to its utilization in tax calculations.

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

	Goodwill	Accumulated amortization/ write-off	Net 12/31/08	Net 09/30/08
Future profitability (intangible assets)	39,688	(4,470)	35,218	36,420
Appreciation of assets held for sale	27,228	(12,565)	14,663	20,007
Appreciation of fixed assets	187	-	187	187
Tax benefit related to the portion of future profitability (Deferred taxes)	20,446	(2,303)	18,143	18,762
Total	87,549	(19,338)	68,211	75,376

As mentioned in note 1.5, part of the assets held for sale, including the related goodwill, in the amount of R$ 20,448, was used to pay up the investment of 41.67% of the share capital of jointly-owned indirect subsidiary Santa Cecília Agroindustrial S.A. In Consolidated, the balance is presented in assets held for sale, together with the portion directly held by indirect subsidiary Usina São Martinho S.A.

12. PROPERTY, PLANT AND EQUIPMENT

	Company				
	12/31/2008				9/30/2008
	Cost	Revaluation	Accumulated depreciation	Net	Net
Land	20,852	293,200	-	314,052	314,052
Buildings and premises	13,192	11,084	(5,870)	18,406	18,784
Industrial equipment and facilities	45,840	88,376	(36,907)	97,309	104,259
Vehicles	10,149	8,255	(6,896)	11,508	12,014
Agricultural machinery and implements	19,136	21,444	(10,318)	30,262	33,147
Sugarcane crops	126,857	-	(49,503)	77,354	77,515
Other	11,794	-	(4,343)	7,451	2,717
Construction in progress	17,845	-	-	17,845	16,614
Total	265,665	422,359	(113,837)	574,187	579,102

	Consolidated				
	12/31/2008				9/30/2008
	Cost	Revaluation	Accumulated depreciation	Net	Net
Land	106,289	905,271	-	1,011,560	1,006,066
Buildings and premises	129,340	47,642	(17,497)	159,485	160,873
Industrial equipment and facilities	339,013	340,196	(169,134)	510,075	557,763
Vehicles	41,579	29,826	(23,064)	48,341	51,954
Agricultural machinery and implements	96,066	70,179	(38,905)	127,340	139,993
Sugarcane crops	508,621	-	(172,860)	335,761	342,010
Other	63,388	-	(21,312)	42,076	30,989
Construction in progress	124,162	-	-	124,162	94,923
Total	1,408,458	1,393,114	(442,772)	2,358,800	2,384,571

In the quarter ended December 31, 2008, the Company invested the amount of R$ 5,814 (R$ 4,099 in the quarter ended December 31, 2007) to grow and/or renew sugarcane crops, and the consolidated balance is R$ 28,753 (R$ 24,898 in the quarter ended December 31, 2007).

As of December 31, 2008, the Company's balance of construction in progress refers to boiler soot treatment system, fermentation process, adjustment of the vinasse application process and improvements of the plant. The consolidated balance of construction in progress also includes: a) improvements of the plant of the subsidiary Usina São Martinho S.A. related to the improvements in the vinasse application process and improvements of the plant. b) improvements of the plant of the subsidiary Usina Boa Vista S.A. related to the fertirrigation network implementation, improvements in the vinasse application process and expansion of the plant.

Due to some loans and financing agreements entered into by the Company and its subsidiaries, as of December 31, 2008, R$ 173,927 (R$ 181,287 as of September 30, 2008) of fixed asset items were pledged as collateral for certain loans and financing of the Company and its subsidiaries. These items are mostly represented by industrial equipment and facilities, and agricultural machinery and implements. In addition, the amount of R$ 177,190 (R$ 533,391 - Consolidated) in land was pledged as collateral for securitized rural credits, recorded in current and long-term liabilities.

As of December 31 and September 30, 2008, 8,578 ha used for sugarcane plantation by the subsidiary Usina São Martinho S.A. and Usina Boa Vista S.A., at the revalued book value of R$ 127,198, is pledged as collateral for lawsuits and loans, of which 1.998 ha in land, at the revalued carrying amount of R$ 41,825 for the Company.

Goodwill mentioned in note 11.2 related to the appreciation of assets was included in "Revaluation" column under Land group, impacting only on consolidated balances, in the amount of R$ 187 as of December 31, 2008.

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

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

Property, plant and equipment	Average annual weighted depreciated rate	
	Company	Consolidated
Buildings and premises	4.01%	4.51%
Industrial equipment and facilities	14.94%	12.63%
Vehicles	14.70%	11.81%
Agricultural machinery and implements	17.87%	13.34%

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

The revaluation amounts, net of depreciation and gross of deferred charges, as of December 31 and September 30, 2008, were R$ 361,648 and R$ 391,508, respectively (R$ 1.233.346 and R$ 1,277,452 - Consolidated).

Depreciation and write-offs of revaluation which impacted the results for the quarters ended December 31, 2008 and 2007 totaled R$ 14.867 and R$ 12.990, respectively, net of amounts allocated to inventories and gross of taxes, in consolidated.

The Company and its subsidiaries capitalized financial charges in the consolidated amount of R$ 11,658 in the quarter ended December 31, 2008 (R$ 7,556 in the nine-month period ended December 31, 2007).

13. INTANGIBLE ASSETS

	Company	
	12/31/2008	9/30/2008
Software	1,846	1,850
Accumulated amortization	(1,751)	(1,736)
	95	114

	Consolidated	
	12/31/2008	9/30/2008
Goodwill	38,826	39,688
Accumulated amortization	(3,608)	(3,268)
Software	3,418	3,403
Accumulated amortization	(2,874)	(2,825)
	35,762	36,998

The goodwill related to future earnings derives from the jointly-owned subsidiary Usina Santa Luiza S.A., as mentioned in note 11.2, which was merged by the subsidiary Usina São Martinho S.A., as mentioned in note 1.3.

14. DEFERRED CHARGES

	Consolidated	
	12/31/2008	9/30/2008
Preoperating expenses	38,520	38,424
Financial charges	7,097	7,097
Accumulated amortization	(1,163)	(585)
	44,454	44,936

In the consolidated balance, deferred charges are represented primarily by costs incurred on the construction of the indirect subsidiary Usina Boa Vista S.A's industrial plant, which as of June 30, 2008, was in the preoperating stage. Amortization has been calculated from the plant start-up, in July 2008, over a period not exceeding ten years, according to the estimated time. Future benefits may be expected proportionally to the use of the production capacity expected for the period, until the venture reaches its breakeven point, expected for the 2010/2011 crop.

The Company and its subsidiaries, as permitted by CPC Pronouncement 13 and approved by CVM Resolution 565/08, decided that this balance should remain recorded in this account until the complete realization thereof, subject to an assessment for recovery.

15. LOANS AND FINANCING

Type	Charges	Maturity	Company 12/31/2008	9/30/2008
In local currency:				
Securitized rural credits	IGP-M (general market price index) paid annually	Annual installments with final maturity between September 2018 and June 2020	27,386	27.285
Rural credit	Fixed-rate weighted average interest of 6.75% p.a. paid on final maturity of contracts	Single installment with final maturity in July 2009	1,892	6.989
Finame / BNDES Loan	Quarterly TJLP (long-term interest rate) + weighted average interest of 3.34% p.a. paid monthly	Monthly installments with final maturity between March 2009 and January 2014	22,541	25.712
Finame / BNDES loan	Fixed-rate weighted average interest of 11.85% p.a. paid monthly	Monthly installments with final maturity between January 2009 and October 2011	7,346	8.801
Rural credit	Fixed-rate interest of 9.99% p.a. + monetary adjustment of TR (managed prime rate) paid on final maturity of contract	Single installment with maturity in April 2009	17,364	16.862
Working capital	Fixed-rate interest of 19.28% p.a. paid on final maturity of contract	Single installment with maturity in March 2009	1,445	2.827
Other securitized credits	Fixed-rate interest of 3% p.a. paid annually	Single installment with final maturity in October 2025	78	82
Working capital	Variation of 111% of CDI OVER CETIP (average rate for interbank loans for one day registered with CETIP) paid on final maturities of contracts	Single installment with final maturity in April 2009	16,498	24.100
Lease	Fixed-rate interest of 7.08% p.a. paid monthly	Monthly installments with final maturity in April 2013	64	67
In foreign currency:				
ACC (Advances on Foreign Exchange Contracts)	Weighted average fixed interest of 8.5% p.a. + USD variation paid on the maturity date.	Single installments with maturities between April and November/2009	27,271	13.498
Finame / BNDES automatic loan	Currency basket (Dollar, Euro and Yen) + weighted average interest of 9.96% p.a. paid monthly	Monthly installments with final maturities in March 2009	207	344
Total			122,092	126.567
Current liabilities			82,182	83.643
Long-term liabilities			39.910	42,924

Type	Charges	Maturity	Consolidated 12/31/2008	9/30/2008
In local currency:				
Securitized rural credits	IGP-M (general market price index) paid annually	Annual installments with final maturity between September 2018 and June 2020	80,298	78.849
Rural credit	Fixed-rate weighted average interest of 6.75% p.a. paid on final maturity of contracts	Single installment with final maturity between January and October 2009	26,639	82.821
Rural credit	Fixed-rate interest of 9.99% p.a. + monetary adjustment of TR (managed prime rate) paid on final maturity of contract	Single installment with maturity in April 2009	21,380	28.448
Finame / BNDES automatic loan	Quarterly TJLP (long-term interest rate) + weighted average interest of 2.12% p.a. paid monthly	Monthly installments with final maturity between January and July 2015	425,711	415.081
Finame / BNDES automatic loan	Fixed-rate weighted average interest of 11.62% p.a. paid monthly	Monthly installments with final maturity between January 2009 and November 2019	35,735	39.220
Working capital	Fixed-rate interest of 19.28% p.a. paid on final maturity of contract	Single installment with maturity in March 2009	4,334	8.481
Other securitized credits	Fixed-rate interest of 3% p.a. paid annually	Single installment with maturity in October 2025	78	82
Working capital	Variation of 107.91% of CDI OVER CETIP (average rate for interbank loans for one day registered with CETIP) paid on final maturities of contracts	Single installment with final maturity between January and April 2009	47,593	85.948
Lease	Fixed-rate interest of 7.48% p.a. paid monthly	Monthly installments with final maturity between January 2009 and May 2013	921	960
In foreign currency:				
Export prepayment	Average weighted interest of 4.74 % p. a. + US dollar variation , paid on maturity	Semiannual installments maturing from August 2009 to June 2015	237,174	191.956
Finame / BNDES automatic loan	Currency basket (Dollar, Euro and Yen) + fixed-rate interest of 5.84% p.a. paid monthly	Monthly installments with final maturities between January 2009 and July 2015	58,561	48.892
ACC (Advances on Foreign Exchange Contracts)	Weighted average interest of 5.16% p.a. + USD variation paid on the maturity date + US dollar variation , paid on maturity	Monthly installments with final maturities between January and December 2009	204,899	89.123
Total			1.143.323	1,069,861
Current liabilities			403.017	352,858
Long-term liabilities			740.306	717,003

Loans and financing are guaranteed by mortgages, liens on property, plant and equipment, including land (see note 12), promissory notes, cash investments, liens on agricultural and industrial equipment, receivables and collateral signatures. The land offered as collateral for loans and financing refers to sugarcane plantation areas.

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

	12/31/2008	
	Company	Consolidated
1/1/09 to 12/31/10	11,908	103,552
1/1/10 to 12/31/11	7,703	93,696
1/1/11 to 12/31/12	4,528	142,084
1/1/12 to 13/31/13	2,951	136,334
1/1/13 to 12/31/14	2,529	134,787
1/1/14 to 12/31/26	10,291	129,853
	39,910	740,306

Based on Central Bank of Brazil Resolution No. 2471/98 and other current legal provisions, in 1998, 1999 and 2000 the Company and its subsidiary Usina São Martinho S.A. securitized debts with financial institutions, by means of the acquisition of CTNs (National Treasury Certificates) in the secondary market, as collateral for the payment of the principal. The securitized financing will be automatically settled on the maturity dates upon the redemption of the CTNs, which are under the custody of the creditor financial institutions. Said certificates are non-negotiable and are exclusively intended for paying this debt. The Company's and its subsidiary Usina São Martinho's disbursement during the 20 years in which this securitization is effective is limited to the annual payment of amounts equivalent to variable percentages between 3.9% and 4.96% per year on the securitized amount monetarily adjusted based on the IGP-M (general market price index), limited in 9.5% per year through the annual payment date. This obligation was recorded in the individual and consolidated interim financial statements as of December 31 and September 30, 2008 according to the amount of these future disbursements adjusted to present value, as mentioned in note 27.

16. TRADE ACCOUNTS PAYABLE

	Company	
	12/31/2008	9/30/2008
Sugarcane	9,343	8,194
Materials, services and other	11,101	11,250
	20,444	19,444

	Consolidated	
	12/31/2008	9/30/2008
Sugarcane	46,846	54,628
Materials, services and other	41,495	42,758
	88,341	97,386

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

17. PAYABLES TO COPERSUCAR

Copersucar provided funds to its cooperative members through bills of exchange for the purpose of financing their operations. The Cooperative's funds come from the temporary cash surplus arising from injunctions in lawsuits claiming the suspension of liabilities. This cash surplus is related to provision for contingencies recorded by the Cooperative in long-term liabilities. Accordingly, the Company also records these liabilities in long-term liabilities. However, in case of unfavorable outcome in lawsuits in which the Cooperative obtained an injunction, the Company may be required to disburse, within 120 days, the amount that was transferred to it. The main amounts included in these liabilities arise from the IPI (federal VAT) whose constitutionality and legality is challenged in court by the Cooperative, and are represented by R$ 14,195 as of December 31, 2008 and R$ 13,996 as of September 30, 2008 (R$ 56,501 and R$ 55,707 - Consolidated, respectively).

The Company's payables to Copersucar are as follows:

	Company	
	12/31/2008	9/30/2008
Exchange bill – Updated based on SELIC (Central Bank overnight rate)	38,189	37,543
Exchange bill – Onlending not subject to charges	18,563	17,780
Exchange bill – Updated based on TJLP (long-term interest rate)	5,296	5,531
Exchange bill - Updated based on the US dollar variation + interest of 5.65% p.a.	3,081	2,663
Total	65,129	63,517
Current liabilities	589	-
Noncurrent liabilities	64,540	63,517

	Consolidated	
	12/31/2008	9/30/2008
Exchange bill – Updated based on SELIC (Central Bank overnight rate)	143,437	140,306
Exchange bill – Onlending not subject to charges	73,572	72,607
Exchange bill – Updated based on TJLP (long-term interest rate)	16,014	16,721
Exchange bill - Updated based on the US dollar variation + interest of 5.65% p.a.	10,807	9,341
Total	243,830	238,975
Current liabilities	2.203	-
Noncurrent liabilities	241.627	238.975

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

The portion of these obligations not subject to charges was not adjusted to present value as it is not possible to determine the related settlement date.

18. SHAREHOLDERS’ EQUITY

(a) Capital

As of December 31 and September 30, 2008, the capital stock is divided into 113,000,000 registered common shares, without par value.

(b) Treasury stocks

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

In the quarter ended December 31, 2008, the Company repurchased 116,000 common shares, for R$ 1,535, at a minimum price per share of R$ 9.30 and a maximum price per share of R$ 16.43, resulting in an average price per share of R$ 13.24. In the nine-month period ended December 31, 2008, the Company repurchased 131,000 common shares, for R$ 1,821, at a minimum price per share of R$ 9.30 and a maximum price per share of R$ 19.20, resulting in an average price per share of R$ 13.90.As of December 31, 2008, the market price of these 131,000 shares is R$ 1.200.

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

(c) Dividends and retained earnings

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

Following is a summary of changes in retained earnings (accumulated deficit) and total shareholders’ equity for the quarter ended December 31, 2008:

	Accumulated deficit	Shareholders’ equity
As of September 30, 2008 (adjusted by the effect of the initial adoption of CPC 14 – see notes 23 and 26):	(22,195)	1,581,645
Realization of revaluation reserve	9.811	-
Net loss	(36.443)	(36.443)
Share repurchase	-	(1.535)
As of December 31, 2008:	(48.827)	1.543.667

(d) Reconciliation of Company's and consolidated income for the nine-month period and shareholders' equity

	12/31/2008	9/30/2008
Shareholder's equity		
Company's shareholders' equity	1,543,667	1,581,645
Interest on loan agreements allocated to Usina Boa Vista S.A.'s deferred charges	(1,542)	(1,624)
Consolidated shareholders' equity	1,542,125	1,580,021
Resultado do período de nove meses		
Company's net loss for the nine-month period	(103,477)	
Amortization of interest on loan recorded as deferred charges by Usina Boa Vista S.A.	(1,542)	
Consolidated net loss for the nine-month period	(105,019)	

19. EMPLOYEE AND MANAGEMENT BENEFITS PLAN

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

All employees are entitled to participate, but the participation is optional. The Company and its subsidiaries' contributions are made only to PGBL plan and are limited to 1% of the nominal salaries of their employees, up to the limit of the reference unit and up to 6% of the portion of the nominal salaries that exceed such limit.

Participants are entitled to contribute above the percentage limits above, however without a corresponding increase of the Company and its subsidiaries' contributions.

The Company's and subsidiaries' contributions in the quarter ended December 31, 2008 amounted to R$ 375.

20. PROFIT SHARING PROGRAM

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

The operational and financial indicators agreed upon between the Company and its subsidiaries and employees, through labor unions representing them, are related to the following: (i) use of industrial plant time (productivity); (ii) total industrial losses; (iii) agricultural productivity; (iv) actual vs. budget indicator; (v) occupational accident; (vi) shared service customer satisfaction; (vii) accounting closing deadline; (viii) economic gains on changes of processes and respective quality; (ix) profile of existing debt; (x) financial performance measured especially by indebtedness level and quality; (xi) efficiency in use of financing in budgeted investments; and (xii) quality of analyses and presentations to the market. These indicators are segregated for specific application in the departments involved, which are divided, for purposes of this program, into the agribusiness, shared service center and corporate areas.

The profit sharing as of December 31, 2008, recorded as operating costs or expenses in the consolidated statement of income for the quarter was R$ 3,019 (R$ 1,707 for the quarter ended December 31, 2007). In the quarter ended December 31, 2007, profit sharing amount of subsidiary Usina Boa Vista S.A. was recorded in deferred charges.

21. INCOME AND SOCIAL CONTRIBUTION TAXES

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

	Company		Consolidated	
	12/31/2008	9/30/2008	12/31/2008	9/30/2008
Assets				
Income tax loss carryforwards	22,457	25,559	53,770	48,294
Social contribution tax loss carryforwards	8,707	9,824	21,255	19,569
Provision for contingencies	3,832	3,683	23,361	23,246
Securitized financing	-	-	1,223	1,580
Income and social contribution taxes on goodwill absorbed	-	-	18,500	19,120
Other	1,039	3,362	4,700	4,894
Deferred income and social contribution tax assets	36,035	42,428	122,809	116,703
Liabilities				
Revaluation of assets	(24,294)	(25,730)	(117,700)	(122,754)
Accelerated depreciation	(18,982)	(22,114)	(68,610)	(70,195)
Securitized financing	(8,847)	(8,283)	(8,847)	(8,283)
Adjustment to present value	(4,065)	(4,270)	(11,511)	(11,902)
Other	(22)	(22)	(22)	(22)
Deferred income and social contribution tax liabilities	(56,210)	(60,419)	(206,690)	(213,156)

Due to the recent and constant price and foreign exchange rate fluctuations in the domestic and international markets, the Company and subsidiaries are currently reviewing their results projections to take into consideration aspects related to the expected behavior of their products' prices and opportunities to diversify their operations. The assumptions adopted to determine the estimated realization amounts of deferred tax assets as of March 31, 2008, end date of the last fiscal year, have been dismissed due to the circumstances above. The estimated realization amounts of deferred tax assets for the coming fiscal years will be determined after such studies are completed and submitted to the Board of Directors before the disclosure of the financial statements for the year ended March 31, 2009.

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

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

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

Company:	12/31/2008 – quarter		12/31/2007 – quarter	
	Income tax	Social contribution	Income tax	Social contribution
Loss before income and social contribution taxes	(34,259)	(34,259)	(6.468)	(6.468)
Statutory rates - %	25%	9%	25%	9%
Income and social contribution taxes at statutory rates	8,565	3,083	1.617	582
Reconciliation to effective rate:				
Equity in subsidiaries	(9,864)	(3,551)	(1.068)	(385)
Allowance for non-realization of deferred IT and SC on derivative losses	(268)	(96)	-	-
Other nondeductible expenses	(39)	(14)	(41)	(14)
Income and social contribution tax credit	(1,606)	(578)	508	183
Income and social contribution tax credit	(2,184)		691	

Consolidated:	12/31/2008 – quarter		31/12/2007 – quarter	
	Income tax	Social contribution	Income tax	Social contribution
Loss before income and social contribution taxes	(52,383)	(52,383)	(7.068)	(7.068)
Statutory rates - %	25%	9%	25%	9%
Income and social contribution taxes at statutory rates	13,096	4,714	1.767	636
Reconciliation to effective rate:				
Allowance for non-realization of deferred IT and SC on derivative losses	(3,855)	(1,355)	-	-
Other nondeductible expenses	(254)	(109)	(818)	(294)
Income and social contribution tax credit	8,987	3,250	949	342
Income and social contribution tax credit	12,237		1,291	

22. PROVISION FOR CONTINGENCIES

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

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

	Company				
	9/30/2008	Additions	Uses/reversals	Adjustment for inflation	12/31/2008
Tax	4,089	-	(15)	28	4,102
Civil	4,232	-	(6)	42	4,268
Labor	4,676	496	(258)	152	5,066
	12,997	496	(279)	222	13,436
(-) Escrow deposits	(3,787)	(556)	1	(14)	(4,356)
Total	9,210	(60)	(278)	208	9,080

	Consolidated				
	9/30/2008	Additions	Uses/reversals	Adjustment for inflation	12/31/2008
Tax	46,272	-	(15)	492	46,749
Civil	5,996	3	(214)	174	5,959
Labor	52,283	2,775	(4,233)	1,555	52,380
	104,551	2,778	(4,462)	2,221	105,088
(-) Escrow deposits	(30,815)	(1,664)	772	(496)	(32,203)
Total	73,736	1,114	(3,690)	1,725	72,885

As of December 31, 2008, the nature of the main lawsuits assessed by Management as probable loss based on the legal counsel's opinion and which, therefore, were included in the above provisions is as follows (Company and Consolidated):

I) Tax lawsuits:

(i) Offset of tax loss carryforwards: Federal tax authorities filed a tax collection action to collect the IRPJ (corporate income tax) for 1997, when the subsidiary Usina São Martinho S.A., supported by a lawsuit, offset tax losses determined from 1992 to 1996 without complying with the 30% limit required by Law No. 8981/95. The total amount involved in this lawsuit is R$ 11,012 (Consolidated).

(ii) Offset of tax loss carryforwards of merged company: Federal tax authorities filed a tax collection action to collect the IRPJ for the period from October 1997 to March 1998, which was not paid by the company merged into the subsidiary Usina São Martinho S.A. due to the offset of tax losses incurred between 1992 and 1994 without complying with the 30% limit required by Law No. 8981/95.The total amount involved is R$ 20,814 (Consolidated).

(iii) Social contribution tax loss carryforwards: Federal tax authorities filed a tax collection action against Usina São Martinho S.A. to collect the CSLL (social contribution on net profit) for 1997, which was not paid due to the offset of social contribution tax loss carryforwards determined from 1992 to 1996. The total amount involved is R$ 9,210 (Consolidated).

(iv) Social security contribution on fringe benefits: The National Institute of Social Security (INSS) issued a tax debt assessment notice (NFLD) against the Company for collecting social security contribution on benefits paid to management and employees and classified by the tax authority as fringe benefits. The debts relate to the period from January 1999 to March 2006. A provision was recorded for the period from January 2001 to March 2006 in the amount of R$ 834 (Company and consolidated), which corresponds to the portion assessed as probable risk.

(v) Other tax lawsuits involving: (a) INSS (social security contribution) at 2.6% for the period from November 1990 to November 1991; (b) contribution to SENAR (National Rural Learning Service) for the period from November 1992 to September 1997; (c) SAT (Occupational Accident Insurance) for the period from February 1993 to April 1994; (d) social security contribution for rural employees for the period from May to July 1994; (e) PIS (tax on revenue) basis for the period from December 2000 to November 2002; (f) COFINS (tax on revenue) basis for the period from August 2001 to March 2003; (g) FGTS (severance pay fund) and surtax on termination fine for the period from November 2001 to December 2002; and (h) INSS (social security contribution) related to profit sharing paid to employees for the period from January to August 2001; (i) IPI (federal VAT) deemed credit on materials used in the production process in the period from the 2nd quarter of 2000 to the 1st quarter of 2002. The total amount involved is R$ 2,177 (R$ 3,620 - Consolidated).

Legal fees: the Company and its subsidiaries retained various attorneys to represent them in tax lawsuits whose legal fees are subject to lawsuits' outcome. These agreements do not provide for success fees. Legal fees are accrued under the caption "Provision for contingencies" for lawsuits whose risk of loss was assessed as possible or remote correspond to R$ 1,091 – Company (R$ 1,259 - consolidated).

II) Civil lawsuits:

The Company and its subsidiaries have provisions for civil lawsuits in which they are defendants, involving: (i) indemnity for property damage and pain and suffering for occupational illness and accidents; (ii) indemnity for property damage and pain and suffering for traffic accidents; (iii) rescission of residential land sale agreements; (iv) public civil actions and tax foreclosure for sugarcane burning; and (v) public civil actions for formation of legal reserve. These lawsuits total R$ 4,268 (R$ 5,959 – Consolidated).

III) Labor lawsuits:

The Company and its subsidiaries have provisions for contingencies for labor lawsuits in which they are defendants, involving claims for: (i) overtime; (ii) commute hours; (iii) indemnity for elimination of lunch break; (iv) hazardous duty premium and health hazard premium; (v) refund of payroll deductions such as union confederation dues, union dues, etc.; (vi) night shift premium; (vii) continuity of employment relationship with the consequent payment of 13th salary and vacation pay plus 1/3 vacation bonus. These lawsuits total R$ 5,066 (R$ 52,380 – Consolidated).

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

Tax proceedings**:**

Consolidated			Stage			
Subject		Number of proceedings	Administrative	Trial court	Lower court	Higher court
(i)	Social security contribution	18	43,658	31,798	-	-
(ii)	Funrural *(rural worker assistance fund)*	3	-	-	36	6,415
(iii)	Negative balance of income tax (IRPJ)	7	3,625	1,943	753	-
(iv)	Offset of credits – PIS (tax on revenue)	2	3,292	-	1,502	-
(v)	Income tax on investment losses	2	-	-	1,516	-
(vi)	Offset of federal taxes	6	1,137	804	1,295	-
(vii)	Other tax proceedings	49	1,465	188	1,963	-
		87	53,176	34,733	7,065	6,415

(i) *Social security contribution*

a. The National Institute of Social Security (INSS) filed four tax collection actions against the Company seeking collection of the social security contribution for 1997, since the amounts were determined according to Law No. 8212/92 and not according to Law No. 8870/94. At present, such tax collection actions are suspended because of an injunction intended to assure the Company's right not to pay the social security contribution according to Regulatory Guidance No 7/97 and Service Order No 157/97, alleging that the principles of legal security, equal treatment and contribution capacity, among others, were violated. The total amount of the tax collection actions is R$ 31, 798. The case was not judged by the higher courts and is unresolved in the federal regional courts. There are favorable precedents (Injunction Appeal No 98.05.39590-1 – 1st Panel of the Federal Regional Court of the 5th Region and Bill of Review No. 1998.01.00.043888-1 – 2nd Panel of the Federal Regional Court of the 1st Region) and unfavorable precedents (Injunction Appeal No 94.03.047472-6 – 2nd Panel of the Federal Regional Court of the 3rd Region). On the other hand, Law No. 10736 of September 15, 2003 was published, permitting remission of social security debts for the period from April 1994 to April 1997, relating to the payment of this social security contribution, by agribusiness companies based on Law No. 8870/94; however, the INSS understood that the remission would not apply to the total amount of the debt, despite the classification of the social security debts under tax collection actions into Law No. 10736/2003. Thus, as the remission of said social security debts will depend on an analysis of the peculiarities of the case, the Company's legal counsel understands that an unfavorable outcome is possible.

b. The National Institute of Social Security (INSS) filed a tax debt assessment notice (NFLD) against the Company seeking to collect the social security contribution due by agribusiness companies for the period from November 2001 to April 2002, as a result of the amounts being determined based on Law No. 8212/91, without taking into consideration the changes introduced by Law No. 10256/2001. The tax debt assessment notice also seeks the collection of contributions for the period from November 2001 to March 2006 (interrupted), upon the delivery of the production to Copersucar for subsequent sale and not upon the recognition of revenue based on Regulatory Opinions CST No. 77/76 and No. 66/86, in relation to the total gross revenue earned based on Regulatory Instruction MPS/SRP No 03/2004. A tax debt assessment notice (NFLD) was also issued against the subsidiary Usina São Martinho S.A. seeking to collect social security contribution on revenues from exports made through Copersucar. The total amount involved in these proceedings is R$ 32,804. The payment requirement is suspended as a result of an administrative appeal filed by the Company based on the understanding that revenues from exports to foreign markets, made through Copersucar, are exempt from social security contribution, based on article 149, paragraph 1 of the Federal Constitution. The Company further believes that the taxable event is the sale of the production and not the delivery of the production to the Cooperative. The Company and its subsidiary Usina São Martinho S.A. are discussing in court the tax immunity of revenues from exports to foreign markets through the Cooperative. The success of this discussion will depend on an analysis of the peculiarities of the case and the Company's legal counsel understands that an unfavorable outcome is possible.

c. The National Institute of Social Security (INSS) filed a tax debt assessment notice (NFLD) against the Company to collect payment of the contributions not withheld or withheld in lower amounts than required by legislation applicable to companies that contract services, corresponding to 11% of the gross value of the invoice, as set forth in article 31 of Law No. 8212/91, with wording of Law No. 9711/98. The total amount involved in this proceeding is R$ 6,571. The tax debt assessment notice is suspended as a result of the administrative appeal filed by the Company. The success in this case will depend on an analysis of the peculiarities of the case and the Company's legal counsel understands that an unfavorable outcome is possible.

d. The National Institute of Social Security (INSS) filed five tax delinquency notices against the Company for noncompliance with the accessory obligations established by Law No. 8212/91. The debts relate to the period from January 1999 to March 2006. The total amount involved in these proceedings is R$ 2,347. The tax debt assessment notices are suspended as a result of the administrative appeal filed by the Company. The success in this case will depend on an analysis of the peculiarities of the case and the Company's legal counsel understands that an unfavorable outcome is possible.

e. The National Institute of Social Security (INSS) filed a tax debt assessment notice (NFLD) against the Company seeking to collect the social security contribution on benefits paid to management and employees and classified by the tax authority as fringe benefits. The debts relate to the period from January 1999 to March 2006. Based on the opinion of its legal counsel, the Company understands that for the amount of R$ 1,352, relating to the period from January 1999 to December 2000, the INSS's right to collect the tax has already expired, since the social security contributions are of a tax nature and are, therefore, subject to the prescriptive period established by Law No. 5172/66. The tax debt assessment notice is suspended as a result of the administrative appeal filed by the Company. The success in this case will depend on an analysis of the peculiarities of the case and the Company's legal counsel understands that an unfavorable outcome is possible for this period.

f. The National Institute of Social Security (INSS) filed a tax debt assessment notice (NFLD) and a tax delinquency notice against the Company to collect differences in the social security contributions on employees' compensation that are intended to finance premiums paid for environmental risks in the workplace. Based on the legal counsel's opinion, the Company understands that, for the amount of R$ 584 relating to the period prior to January 1, 2001, the INSS's right to collect the payment has already expired, since the social security contributions are of a tax nature and are, therefore, subject to the prescriptive period established by Law No. 5172/66. The tax debt assessment notice is suspended as a result of an escrow deposit made. The success in this case will depend on an analysis of the peculiarities of the case and the Company's legal counsel understands that an unfavorable outcome is possible for this period.

(ii) *Funrural. (rural worker assistance fund).* The National Institute of Social Security (INSS) filed three tax collection actions against the subsidiary Usina São Martinho S.A., seeking collection of the Funrural contribution on the sale of the production acquired from suppliers for the periods from October 1991 to August 2001, based on Law No. 8212/91. The thesis discussed is that there was not sufficient legislation for the collection of this contribution, since Supplementary Law No. 11/71 was not considered by the Federal Constitution enacted in 1988 and, even if it had been considered, it would have been revoked by article 138 of Law No. 8213/91. Currently, two tax collection actions are in the Higher Courts due to an appeal against the unfavorable decision by the appellate court and a tax collection action is in the appeal stage. The amount involved is R$ 6,451. There is no established case law for the matters of the tax collection. The Company's legal counsel understands that an unfavorable outcome is possible.

(iii) *Negative balance of income tax (IRPJ).* The Company and its subsidiaries filed requests for offset of credits derived from prior years' negative balance of income tax, against IRRF (withholding income tax), Cofins (tax on revenue), PIS (tax on revenue) and third parties' debts. The Federal Revenue Service did not approve the offsets since it understood that the procedure adopted has no legal basis or because of the difference in the amount stated in the Income Tax Returns. Although there is an administrative appeal filed with the Board of Tax Appeals, the federal tax authorities filed tax collection actions for the collection of these debts, which are suspended because of appeals. The amount involved in these actions is R$ 6,321. There is no established case law for the matters of this tax collection. The success in this case will depend on an analysis of the peculiarities of the case and the Company's legal counsel understands that an unfavorable outcome is possible.

(iv) *Offset of PIS Credits.* In view of Federal Senate Resolution No. 49, of October 9, 1995, which suspended Decree-laws No. 2445 and No. 2449, both of 1998, Usina São Martinho S.A. filed a request for refund and offset of the amounts paid according to said decrees and that exceeded the amounts due according to Supplementary Law No. 7/70. The Federal Revenue Service did not approve the offsets made under the allegation that the right to refund had expired. Although there is an administrative appeal in the Board of Tax Appeals, the federal tax authorities filed two tax collection actions for the collection of these debts, which are suspended because of the bringing of motions. The adjusted amount of these actions is R$ 4,794. There are unfavorable precedents at the administrative level and favorable precedents at the judicial level. The Company's legal counsel understands that an unfavorable outcome is possible.

(v) *Income Tax on Investment Losses.* The Federal Revenue Service filed two tax collection actions against the merged company Usina São Martinho S.A. - Açúcar e Álcool seeking the collection of IRPJ (corporate income tax) for the period from 1987 to 1991 (tax years 1986 to 1990) on the provision for investment losses arising from the interest in Copersucar, based on article 32 and paragraphs of Decree-Law No. 1598/77. At present, the tax collection actions are in the higher court due to appeals filed against the unfavorable decision by the trial court. The adjusted amount of these actions is R$ 1,516. There is no established case law for the matters of the present tax collection actions. The Company's legal counsel understands that an unfavorable outcome is possible.

(vi) *Offset of federal taxes.* The Federal Revenue Service sent several collection notices to the Company and its subsidiary seeking collection of several federal taxes of the Company and its subsidiary and third parties that were offset by the Companies against credits arising from: (a) IPI (federal VAT) on purchases of raw material, intermediate products and packaging materials until December 31, 1998 and used in the Company's industrial process, based on article 82, item I, Decree No. 87981/82 and Regulatory Instruction No. 114/88 of the Federal Revenue Service; (b) overpayment of Finsocial (tax on revenue) on gross revenue at the rates established by article 9 of Law No. 7689/88, article 7 of Law No. 7894/89 and article 1 of Law No. 8147/90, which were subsequently declared unconstitutional; (c) negative balances of income tax arising from withholding income tax on cash investments, determined in tax years 1997, 1998 and 1999, which were offset against ITR (rural land tax) payable and gave rise to three tax collection actions. Against these collections the Company and its subsidiary filed an annulment action to assure their right to offset. The collections are suspended as a result of escrow deposits made. The adjusted amount of these actions is R$ 3,236. There is no established case law for the matters of the present tax collection. The Company's legal counsel understands that an unfavorable outcome is possible.

(vii) *Other Tax Proceedings.* Refer to several administrative and judicial collection proceedings filed by the INSS, federal, state and municipal tax authorities and are related, respectively, to differences in payroll taxes of rural workers and self-employed, other offsets of federal taxes, differences in ITR (rural land tax), ICMS (state VAT) on purchase of fixed assets, and differences in ISS (municipal service tax) and road conservation tax. The adjusted amount of these proceedings is R$ 3,616. There is no established case law for the matters of the present tax collection actions. The Company's and subsidiaries' legal counsel understands that an unfavorable outcome is possible, considering the peculiarities of each case.

Civil and Environmental Proceedings:

Consolidated:			Stage				
Subject		Number of proceedings	Administ.	Trial court	Lower court	Higher court	Total
(i)	*Environmental*	112	1,160	5,238	3,116	893	10,407
(ii)	*Civil*						
a)	Indemnities for occupational disease and accidents	28	-	907	247	304	1,458
b)	Contract revisions	13	-	2	25	-	27
c)	Rectification of area and real estate registration	1	-	-	-	-	-
d)	Permits for obtaining Mining Research license	5	-	-	-	-	-
		159	1,160	6,147	3,388	1,197	11,892

(i) *Environmental*. The Company and its subsidiaries are party to several administrative and judicial proceedings relating principally to sugarcane burning and legal reserve. Regarding sugarcane burning, the matters arise from different interpretations of the applicable laws and regulations, although they can be divided into two groups: (i) burning upon tacit authorization of the state government since, according to Law No. 10547, of May 2, 2000, the absence of a response to authorization requests filed for more than 15 days implies tacit authorization; and (ii) burning from fire caused by third parties, accidental fire or arson, in areas operated by the Company or its subsidiaries or areas of suppliers. The adjusted amount of these proceedings is R$ 10,407. The proceedings related to legal reserve are commented in note 18.1 – Commitments of the Financial Statements for the Years Ended March 31, 2008. There is no established case law for the matters of the present proceedings. The Company's and subsidiaries' legal counsel understands that an unfavorable outcome is possible, considering the peculiarities of each case.

(ii) The Company and its subsidiaries are defendants in other 42 lawsuits in various courts, involving the following matters: (a) indemnity for occupational illness and accidents and indemnity for property damage and pain and suffering; (b) contract revisions; (c) rectification of area and property registration; and (d) mining research license. These lawsuits total approximately R$ 1,485. There is no established case law for the matters discussed in these lawsuits. The Company's legal counsel understands that an unfavorable outcome is possible, considering the peculiarities of each case.

Additionally, pursuant to the terms of the withdrawal from Copersucar, as mentioned in note 1.2, the Company, its subsidiary Usina São Martinho S.A. and its jointly-owned indirect subsidiary Usina Santa Luiza S.A. will remain liable for the payment of any obligations, proportionate to their interest in Copersucar in each crop, which may result from tax infraction notices in the monetarily adjusted amount of R$ 33,824 (calculated proportionately to the Company's and its subsidiaries' interest in Cooperativa), issued against Copersucar by the tax authorities of the States of Paraná, Minas Gerais and São Paulo, or new tax infraction notices of the same nature that may arise or that relate to periods in which the Company and its subsidiaries were cooperative members, with respect to ICMS (state VAT) levied on fuel and industrial alcohol sales made by Copersucar until March 31, 2008, as a principal taxpayer or substitute taxpayer. The legal counsel believes that an unfavorable outcome is possible. Copersucar believes that it has solid arguments for contesting the fines imposed by the state tax authorities.

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

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

23. FINANCIAL INSTRUMENTS

23.1. General considerations of risk management

Until March 31, 2008 the responsibility for selling the sugar and alcohol produced by the Company, its subsidiary Usina São Martinho S.A. and its jointly-owned subsidiary Usina Santa Luiza S.A. was Copersucar's. The Cooperative was responsible for setting price risk and exchange rate risk rmanagement policies and contracting financial instruments in future commodities markets. Gains or losses on hedge transactions and other financial instruments conducted by Copersucar are passed through to the cooperative members according to monthly apportionments.

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

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

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

The Company actively manages derivative instruments, and these transactions are monitored on an ongoing basis so that adjustments to goals and strategies may be made in response to market conditions, and operates mainly in the futures and options market of New York Board of Trade – Nybot (ICE).

Although contracted exclusively for purposes of pricing and hedging the Company and subsidiaries' export transactions against exchange rate fluctuations and volatility in sugar prices in the international commodity markets, he Company and subsidiaries are adapting their internal control system and documentation standards to fully comply with requirements determined by the recently issued CPC 14 - Financial Instruments – Recognition, Measurements and Evidence", in particular as regards the accounting for of derivatives as hedge transactions (Hedge Accounting), although the essence of these transactions refer to a hedge. Therefore, as of December 31, 2008 changes in fair value of contracted derivatives were recorded in results of operations. The Company's management expects that derivatives contracted in January 2009 will comply with the requirements of CPC 14 related to the accounting for of these derivatives as hedge transactions.

In view of the adoption of the criteria established by CPC 14 as of December 31, 2008 the Company adjusted the opening balances on September 30, 2008 of its assets and liabilities related to derivatives to present fairly the results of the quarter ended December 31, 2008, as detailed by note 26. up to September 30, 2008 the Company recognized the effects of derivatives in income upon its closing. There is no effect related to this matter in the balances of assets and liabilities as of March 31, 2008 or prior years as a result of the association of the Company and its subsidiaries to Copersucar until that date.

The determination of fair value of the financial instruments employed by the Company and its subsidiaries is made based on standard methodology used in the market and based on information obtained from financial institutions and brokers.

As of December 31, 2008 the balances of assets and liabilities related to transactions involving derivative financial instruments, are as follows:

	Company		Consolidated	
	12/31/2008	9/30/2008	12/31/2008	9/30/2008
In assets:				
Margin deposit	1,584	3,042	5,214	11,699
In liabilities:				
Forward contracts payable	1,952	605	17,194	4,625

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

Forward contracts refer to the cumulative effect of the difference between fair and notional value of derivatives recorded as forward contracts.

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

In the quarter and nine-month periods ended December 31, 2008, results of operations involving derivative financial instruments settled during the period and that affected the statement of operations, were:

	Company		Consolidated	
	Quarter	Nine-month period	Quarter	Nine-month period
Contracts tied to product:				
Forward contract	(1,842)	(676)	1,130	2,250
Options	4,819	4,908	6,343	9,317
Commissions and brokerage fees	(5)	(122)	(61)	(341)
Exchange variation	171	439	1,804	3,504
	3,143	4,549	9,216	14,730
Contracts tied to currency:				
Fixed-term contracts	(4,048)	(4,653)	(20,941)	(26,890)
	(4,048)	(4,653)	(20,941)	(26,890)
Net effect	(905)	(104)	(11,725)	(12,160)
Effect on the statement of operations captions:				
Financial income	3,848	8,920	7,978	23,894
Financial expenses	(4,920)	(9,341)	(21,445)	(39,217)
Exchange and monetary variation gain	191	487	1,822	3,970
Exchange and monetary variation loss	(19)	(48)	(19)	(466)
General and administrative expenses	(5)	(122)	(61)	(341)
	(905)	(104)	11,725	(12,160)

The composition of the derivative financial instruments, by nature of the risk covered, as of December 31 and September 30, 2008, follows:

a) Futures and options contracts:

Company:

Instruments	12/31/2008 Volume (Ton)	Average strike price (¢/lb)	Notional amount	Fair value	Accumulated effect (Payable)/receivable	9/30/2008 Volume (Ton)	Average strike price (¢/lb)	Notional amount	Fair value	Accumulated effect (Payable)/ receivable
Options:										
Short position - holder Put purchase maturing in March 2009	508	13.00	15	40	(25)	35,560	14.57	2,012	2,744	732
Long position - issuer: Call sale maturing from March to October 2009	-	-	-	-	-	35,560	16.29	1,890	1,250	640
Short position - issuer: Put sale maturing in March 2009	-	-	-	-	-	10,668	10.62	122	78	44
Forward contracts: Long position maturing from March to May 2009	27,940	11.58	16,665	17,053	388	3,556	13.52	2,029	2,050	21
Short position maturing in March 2009	40,691	11.45	24,016	24,760	(744)	-	-	-	-	-

Consolidated:

Instruments	12/31/2008 Volume (Ton)	Average strike price (¢/lb)	Notional amount	Fair value	Accumulated effect (Payable)/receivable	9/30/2008 Volume (Ton)	Average strike price (¢/lb)	Notional amount	Fair value	Accumulated effect (Payable)/ receivable
Options:										
Short position - holder Put purchase maturing in March 2009	11,430	13.50	561	1,137	576	81,280	14.31	4,447	5,628	1,181
Long position - issuer: Call sale maturing from March to October 2009	-	-	-	-	-	147,320	16.00	6,464	5,189	1,275
Short position - issuer: Put sale maturing in March 2009	508	13.00	15	40	(25)	51,308	11.02	627	594	33
Forward contracts:										
Long position maturing from March to May 2009	27,940	11.58	16,665	17,053	388	3,556	13.52	2,029	2,050	21
Short position maturing in March 2009	40,691	11.45	24,016	24,760	(744)	-	-	-	-	-

The positions listed above are operated as follows:

a) Put options – purchase of put options that grant the Company the right, but not the obligation to sell at a previously established price.

b) Call options – sale of call options under which the Company has the obligation to sell at the agreed price at the buyer's discretion.

c) Put options – sale of put options under which the Company has the obligation to sell at the agreed price at the buyer's discretion.

d) <u>Foreign currency forward contracts - NDF</u> (desk - CETIP):

	Company - 12/31/08							
Counterparty	Beginning	Maturity	Position	US$ 000	US$ fixed rate	Notional amount - R$	Fair value - R$	Accumulated effect payable – R$
ITAÚ BBA	Aug-08	Jan-09	Sold	2,000	1.7045	3,409	4,685	(1,276)
CITIBANK	Sep-08	Jan-09	Sold	2,000	2.1915	4,383	4,705	(322)
CITIBANK	Sep-08	Mar-09	Sold	2,000	2.2046	4,409	4,763	(354)
Total				6,000				(1,952)

Consolidated - 12/31/08								
Counterparty	Beginning	Maturity	Position	US$ 000	US$ fixed rate	Notional amount - R$	Fair value - R$	Accumulated effect payable – R$
UNIBANCO	Aug-08	Jan-09	Sold	1,000	1.6802	1,680	2,342	(662)
ITAÚ BBA	Aug-08	Jan-09	Sold	2,000	1.7045	3,409	4,685	(1,276)
CITIBANK	Sep-08	Jan-09	Sold	860	1.8023	1,550	2,016	(466)
CITIBANK	Oct-08	Jan-09	Sold	2,000	2.1915	4,383	4,705	(322)
CITIBANK	Sep-08	Feb-09	Sold	860	1.8161	1,562	2,028	(466)
ITAU BBA	Sep-08	Feb-09	Sold	1,500	1.8590	2,789	3,541	(752)
UNIBANCO	Sep-08	Feb-09	Sold	2,000	1.9026	3,805	4,722	(917)
UNIBANCO	Oct-08	Feb-09	Sold	1,600	2.0500	3,280	3,782	(502)
UNIBANCO	Oct-08	Feb-09	Sold	400	2.2150	886	947	(61)
UNIBANCO	Oct-08	Feb-09	Sold	400	2.3540	942	948	(6)
BRADESCO	nov-08	Mar-09	Sold	2,500	2.4340	6,085	5,960	125
CITIBANK	Dec-08	Mar-09	Sold	2,000	2.4523	4,905	4,769	136
CITIBANK	Dec-08	Mar-09	Sold	1,000	2.4850	2,485	2,385	100
UNIBANCO	Sep-08	Mar-09	Sold	5,000	1.9121	9,561	11,865	(2,304)
CITIBANK	Oct-08	Mar-09	Sold	2,000	2.2046	4,409	4,763	(354)
CITIBANK	Sep-08	Mar-09	Sold	900	1.8305	1,647	2,134	(487)
UNIBANCO	Oct-08	May-09	Sold	3,000	2.2430	6,729	7,220	(491)
UNIBANCO	Oct-08	May-09	Sold	3,000	2.3725	7,118	7,237	(119)
UNIBANCO	Oct-08	Jun-09	Sold	96	2.0635	198	231	(33)
BANCO ABC	Dec-08	Jun-09	Sold	1,000	2.5100	2,510	2,430	80
CITIBANK	Dec-08	Jun-09	Sold	2,000	2.5000	5,000	4,858	142
ITAÚ BBA	Oct-08	Jun-09	Sold	8,000	2.1405	17,124	19,304	(2,180)
UNIBANCO	Oct-08	Aug-09	Sold	389	2.0905	812	941	(129)
BRADESCO	Nov-08	Aug-09	Sold	1,500	2.4028	3,604	3,670	(66)
ITAÚ BBA	Oct-08	Sep-09	Sold	1,300	2.2640	2,943	3,179	(236)
UNIBANCO	Oct-08	Sep-09	Sold	1,300	2.4040	3,125	3,193	(68)
ITAÚ BBA	Oct-08	Sep-09	Sold	4,800	2.1773	10,451	11,709	(1,258)
UNIBANCO	Oct-08	Oct-09	Sold	389	2.1085	819	947	(128)
ITAÚ BBA	Oct-08	Oct-09	Sold	3,200	2.3677	7,577	7,881	(304)
ITAÚ BBA	Oct-08	Nov-09	Sold	3,200	2.1940	7,021	7,855	(834)
UNIBANCO	Oct-08	Nov-09	Sold	700	2.2920	1,604	1,724	(120)
UNIBANCO	Oct-08	Dec-09	Sold	389	2.1340	829	953	(124)
UNIBANCO	Oct-08	Jan-10	Sold	1,500	2.3055	3,458	3,724	(266)
UNIBANCO	Oct-08	Jan-10	Sold	4,800	2.3075	11,076	11,919	(843)
ITAÚ BBA	Oct-08	Mar-10	Sold	4,500	2.2350	10,058	11,219	(1,161)
ITAÚ BBA	Oct-08	Mar-10	Sold	1,500	2.3350	3,503	3,760	(257)
Total				72,582				(16,609)

Company - 9/30/08								
Counterparty	Beginning	Maturity	Position	US$ 000	US$ fixed rate	Notional amount - R$	Fair value - R$	Accumulated effect payable – R$
ITAÚ BBA	Aug-08	Jan-09	Sold	2,000	1.7045	3,409	3,872	(463)
UNIBANCO	Sep-08	Nov-08	Sold	5,000	1.9050	9,525	10,887	(1,362)
Total				7,000				(320)

Consolidated - 9/30/08								
Counterparty	Beginning	Maturity	Position	US$ 000	US$ fixed rate	Notional amount - R$	Fair value - R$	Accumulated effect payable – R$
ITAÚ BBA	Aug-08	Jan-09	Sold	2,000	1.7045	3,409	3,872	(463)
UNIBANCO	Sep-08	Nov-08	Sold	5,000	1.9050	9,525	10,887	(1,362)
UNIBANCO	Aug-08	Oct-08	Sold	1,000	1.6428	1,643	1,913	(270)
UNIBANCO	Aug-08	Oct-08	Sold	3,000	1.6657	4,997	5,739	(742)
ITAU BBA	Jul-08	Oct-08	Sold	5,000	1.6403	8,201	8,472	(271)
UNIBANCO	Aug-08	Jan-09	Sold	1,000	1.6802	1,680	1,934	(254)
ITAU BBA	Sep-08	Feb-09	Sold	1,500	1.8590	2,788	2,930	(142)
UNIBANCO	Sep-08	Feb-09	Sold	2,000	1.9026	3,805	3,912	(107)
UNIBANCO	Sep-08	Mar-09	Sold	5,000	1.9121	9,561	9,700	(139)
CITIBANK	Sep-08	Oct-08	Sold	860	1.7598	1,513	1,645	(132)
CITIBANK	Sep-08	Nov-08	Sold	860	1.7761	1,527	1,652	(125)
CITIBANK	Sep-08	Dec-08	Sold	860	1.7900	1,539	1,660	(121)
CITIBANK	Sep-08	Jan-09	Sold	860	1.8023	1,550	1,669	(119)
CITIBANK	Sep-08	Feb-09	Sold	860	1.8161	1,562	1,678	(116)
CITIBANK	Sep-08	Mar-09	Sold	900	1.8305	1,647	1,766	(119)
Total				30,700				(4,482)

23.2. Future price risk

In addition to the volume disclosed in the note No, 23,1(a) above, as of December 31, 2008, 130,454 tonnes of sugar in Consolidated were hedged by sales contracts for future delivery scheduled for the period between January and February 2009, fixed at an average price of 12.92 ¢/lb (cents of dollar per weight pound) on the New York Board of Trade – Nybot (ICE).

23.3. Assets and liabilities subject to exchange variation

The table below summarizes foreign currency-denominated assets and liabilities (in US dollar - US$ equivalent), recorded in the consolidated balance sheet as of December 31, 2008:

	Consolidated – 12/31/2008	
	R$	Thousands of US$ equivalents
Current assets		
Cash and banks	14,580	6,239
Receivables	8	3
Derivative financial instruments	5,214	2,231
Total assets	19,802	8,473
Liabilities		
Current:		
Loans and financing	(266,935)	(114,221)
Derivative financial instruments	(17,194)	(7,357)
	(284,129)	(121,578)
Noncurrent:		
Loans and financing	(233,700)	(100,000)
Total liabilities	(517,829)	(221,578)
Net exposure	(498,027)	(213,015)

These assets and liabilities were adjusted and recorded in the interim financial statements as of December 31, 2008 at the exchange rate in effect on this date, of R$ 2.337 per US$ 1.00.

The balance of short-term loans and financing, in the amount of R$ 266,935, refers basically to forward foreign currency agreements (ACC), maturing in January and December 2009, tied to product exports. The balance of long-term loans and financing, in the amount of R$ 233,700, refers to a US dollar-denominated export prepayment loan, raised by subsidiary Usina Boa Vista S.A. with international financial institutions, maturing within seven (7) years.

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

23.4. Temporary cash investments

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

23.5. Sensitivity analysis

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

Company

		Probable scenario		Possible scenario	
Operation	Risk	Average rate/price	Effect on the statement of operations and cash flow	Deterioration 25%	Deterioration 50%
Trade accounts receivable	US$ depreciation	R$ 2.2800	(47)	(518)	(989)
Loans and financing – short and long-terms	US$ appreciation	R$ 2.2800	670	(6,032)	(12,734)
Foreign currency contracts of fixed-term – NDF	US$ appreciation	R$ 2.2800	(1,479)	(4,899)	(8,319)
Futures market - Purchase	Decrease in commodity price	12.61 ¢/lb	1,102	(3,437)	(7,975)
Futures market - Sale	Increase in commodity price	12.59 ¢/lb	(1,635)	(8,234)	(14,833)
"Put" sale	Increase in commodity price	12.59 ¢/lb	24	20	16

Consolidated

		Probable scenario		Possible scenario	
Operation	Risk	Average rate/price	Effect on the statement of operations and cash flow	Deterioration 25%	Deterioration 50%
Cash and banks	US$ depreciation	R$ 2,2800	(356)	(3,912)	(7,468)
Loans and financing – short and long-terms	US$ appreciation	R$ 2.3190	3,861	(120,333)	(224,526)
Foreign currency contrats of fixed-term – NDF	US$ appreciation	R$ 2.2800	(6,550)	(47,922)	(89,293)
Futures market - Purchase	Decrease in commodity price	12.61 ¢/lb	1,102	(3,437)	(7,975)
Futures market - Sale	Increase in commodity price	12.59 ¢/lb	(1,635)	(8,234)	(14,833)
"Put" - Sale	Increase in commodity price	12.59 ¢/lb	24	20	16
"Put" - Purchase	Decrease in commodity price	12.59 ¢/lb	(342)	(540)	(739)

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

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

24. OTHER OPERATING INCOME (EXPENSES), NET

For the quarter ended December 31, 2008, other income (exepenses) was impacted by revenues in the amount of R$ 6,349 (R$ 23,037 - Consolidated) passed on by Copersucar, referring to the share attributable to the Company, to the subsidiary Usina São Martinho S.A. and to the subsidiary Usina Santa Luiza S.A. relating to the reversal of the accrual for PIS and COFINS on financial expenses that had been recognized when the companies were cooperative members, as the lawsuit was awarded a favorable decision. This amount, which is subject to adjustment based on SELIC, was recorded in noncurrent assets for future offset against obligations payable to Copersucar, properly recorded in the interim financial statements.

For the quarter and nine-month period ended December 31, 2007, other operating expenses, net was impacted by: a) expenses in the amount of R$ 7,364 relating to ICMS on credits from merged companies, considered undue and adjustment for inflation of untimely ICMS credits that had since then been discussed in court; b) expenses in the amount of R$ 2,919 (R$ 10,243 - Consolidated) incurred by Copersucar relating to the share attributable to the Company and subsidiaries referring to ICMS on sale of alcohol that had since then been discussed in court, and c) revenues in the amount of R$ 2,491 (R$ 9,203 - Consolidated) passed on by Copersucar relating to the share attributable to the Company, the subsidiary Usina São Martinho S.A. and jointly-owned indirect subsidiary Usina Santa Luiza S.A., referring to the proceeds recorded on the sale of Copersucar's properties and the reversal of provisions for contingencies the outcome of which was favorable for the Company.

25. FINANCIAL INCOME (EXPENSES)

Financial income and expenses for the quarters ended December 31, 2008 and 2007 are as follows:

Company:

	12/31/08		12/31/07	
	(Quarter)	Nine-month period	(Quarter)	Nine-month period
Financial income				
Interest income	493	3,485	5,525	23,159
Gains on derivatives	3,848	8,920	-	-
Other income	80	993	27	120
	4,421	13,398	5,552	23,279
Financial expenses				
Interest expenses	(3,985)	(13,175)	(5,459)	(14,909)
Losses on derivatives	(4,925)	(9,361)	-	-
Other	(167)	(865)	(613)	(2,421)
	(9,077)	(23,401)	(6,072)	(17,330)
Monetary and exchange gains (losses)				
Monetary and exchange gains	1,968	2,598	155	1,601
Monetary and exchange losses	(3,440)	(6,343)	(158)	(1,803)
	(1,472)	(3,745)	(3)	(202)
Net financial expenses	(6,128)	(13,748)	(523)	5,747

Consolidated:

	12/31/08		12/31/07	
	(Quarter)	Nine-month period	(Quarter)	Nine-month period
Financial income				
Interest income	5,186	9,741	20,157	61,428
Gains on derivatives	7,978	24,039	-	-
Other income	295	1,675	183	970
	13,459	35,455	20,340	62,398
Financial expenses				
Interest expenses	(34,648)	(79,427)	(20,077)	(57,098)
Losses on derivatives	(21,451)	(39,382)	-	-
Other	(677)	(3,891)	(1,809)	(6,706)
	(56,776)	(122,700)	(21,886)	(63,804)
Monetary and exchange gains (losses)				
Monetary and exchange gains	17,280	25,326	998	8,160
Monetary and exchange losses	(64,756)	(98,725)	(788)	(7,854)
	(47,476)	(73,399)	210	306
Net financial expenses	(90,793)	(160,644)	(1,336)	(1,100)

Changes in “Monetary and exchange gains (losses)” – Consolidated derive from Export Prepayment Loans contracted by the subsidiary Usina Boa Vista S.A., as mentioned in note 24.3. As the agreements will be settled through product exports, the Company’s Management understands that these transactions have a natural hedge and thus the exchange variations will have a temporary impact on the financial statements, without a corresponding effect of the Company’s cash flows.

26. COMPLIANCE WITH LAW 11638/07, PROVISIONAL ACT 449/08 AND CPC STANDARDS

As required by Law 11638/07 (as amended by Provisional Act 449/08) and CPC standards issued during 2008, as well as in connection with CVM Instruction 469/07, the Company’s and its subsidiaries’ long-term assets and liabilities, and material short-term assets were valued and adjusted to present value, where applicable, based on the methodology under which the discounted amount, realization dates (assets) and payment (liabilities) are known, and discount rates that reflect the Company’s best estimate, considering the money value over time and market rates adopted, were used.

Additionally, changes were introduced to ensure compliance with Technical Pronouncement “CPC 14”, issued by the Accounting Pronouncements Committee on December 17, 2008 and, therefore, applicable to the interim, financial statements as of December 31, 2008, on accounting for derivatives.

Due to the adoption of the approach above, the Company made adjustments to the results of operations for the quarter ended December 31, 2007, and to asset and liability balances for the quarter ended September 30, 2008, presented for comparison purposes, The following accounts were adjusted:

- Results of operations for the quarter ended December 31, 2007:

	Company				Consolidated			
	12/31/2007 (Prior to Law 11638)	Adjustments		12/31/2007 (After Law 11638)	12/31/2007 (Prior to Law 11638)	Adjustments		12/31/2007 (After Law 11638)
Gross profit (loss)	1,920	-		1,920	12,835	-		12,835
Operating expenses	(8,807)	682	(a)	(8,125)	(18,851)	-		(18,851)
Income (loss) before financial income (expenses)	(6,887)	682		(6,205)	(6,016)	-		(6,016)
Financial income (expenses)	(689)	426	(b)	(263)	(2,511)	1,459	(b)	(1,052)
Loss from operations	(7,656)	1,108		(6,468)	(8,527)	1,459		(7,068)
Income (loss) before income and social contribution taxes	(7,656)	1,108		(6,468)	(8,527)	1,459		(7,068)
Income and social contribution taxes	836	(145)	(c)	691	1,787	(496)	(c)	1,291
Net income (loss)	(6,740)	963		(5,777)	(6,740)	963		(5,777)

- Assets and liabilities as of September 30, 2008:

	Company				Consolidated			
	9/30/2008 (Prior to Law No, 11638)	Adjustments		9/30/2008 (After Law No, 11638)	9/30/2008 (Prior to Law No, 11638)	Adjustments		9/30/2008 (After Law No, 11638)
ASSETS								
Current								
Cash and banks	4,188	-		4,188	84,962	-		84,962
Temporary cash investments	29,289	-		29,289	121,344	-		121,344
Trade accounts receivable	11,421	-		11,421	48,983	-		48,983
Derivatives	6382	(3,340)	(d)	3,042	21,929	(10,230)	(d)	11,699
Inventories	93,751	-		93,751	405,112	-		405,112
Recoverable taxes	15,646	-		15,646	49,937	-		49,937
Other assets	2,412	-		2,412	12,942	-		12,942
	163,089	(3,340)		159,749	745,209	(10,230)		734,979
Noncurrent								
Intercompany receivables	6,116	-		6,116	116	-		116
Assets held for sale	-	-		-	26,581	-		26,581
Deferred income and social contribution taxesc	42,490	(62)	(f)	42,428	116,615	88	(f)	116,703
Recoverable taxes	2,709	-		2,709	24,508	-		24,508
Other assets	87	-		87	7,764	-		7,764
Investments:								
In subsidiaries and affiliates	1,117,790	(2,797)	(a)	1,114,993	-	-		-
Other investments	3,430	-		3,430	3,547	-		3,547
Property, plant and equipment	579,102	-		579,102	2,384,571	-		2,384,571
Intangible assets	114	-		114	36,998	-		36,998
Deferred charges	22	-		22	44,936	-		44,936
	1,751,860	(2, 859)		1,749,001	2,645,636	88		2,645,724
Total assets	1,914,949	(6,199)		1,908,750	3,390,845	(10,142)		3,380,703
LIABILITIES								
Current								
Loans and financing	83,643	-		83,643	352,858	-		352,858
Derivatives	4,777	(4,172)	(e)	605	12,740	(8,115)	(e)	4,625
Trade accounts payable	19,444	-		19,444	97,386	-		97,386
Payroll and related charges	9,549	-		9,549	40,334	-		40,334
Taxes payable	3,754	-		3,754	9,629	-		9,629
Intercompany payables	17,541	-		17,541	113	-		113
Other liabilities	4,926	-		4,926	17,276	-		17,276
	143,634	(4,172)		139,462	530,336	(8,115)		522,221
Noncurrent	187,643	-		187,643	1,255,829	-		1,255,829
Minority interest	-	-		-	22,632	-		22,632
Shareolder's equity								
Capital	360,000	-		360,000	360,000	-		360,000
Revaluation reserves	1,141,391	-		1,141,391	1,141,391	-		1,141,391
Legal reserve	5,079	-		5,079	5,079	-		5,079
Capital budget reserve	97,656	-		97,656	97,656	-		97,656
Treasury stocks	(286)	-		(286)	(286)	-		(286)
Accumualted deficit	(20,168)	(2,027)	(g)	(22,195)	(21,792)	(2,027)	(g)	(23,819)
	1,583,672	(2,027)		1581,645	1,582,048	(2,027)		1,580,021
Total liabilities	1,914,949	(6,199)		1,908,750	3,390,845	(10,142)		3,380,703

Adjustments made to captions, arising from adjustments to present value:

(a) "Equity in subsidiaries"

(b) “Financial expenses”;
(c) “Income and social contribution taxes - deferred”,

Adjustments to assets and liabilities as of September 30, 2008 refer to changes in accounting practices as set forth in CPC 14 – Derivatives, as mentioned in note 23:

(d) Unrealized profits and option premiums;
(e) Unrealized profits, option premiums and fair value of forward contracts;
(f) Deferred portion of income tax and social contribution on adjustments to derivatives;
(g) Items (d), (e) and (f).

Other changes introduced by Law 11638/07 and CPC standards have already been complied with and/or are not applicable to the Company and its subsidiaries. The Company and its subsidiaries elected to maintain their revaluation reserve.

27. SUBSEQUENT EVENTS

27.1. Sale of invesment in Santa Cecília Agroindustrial S.A.

On January 14, 2008, the subsidiary Usina São Martinho S.A. and other Santa Cecília Agroindustrial S.A.’s shareholders, to proceed with the process for obtaining operating and administrative sinergies from the acquisition of Usina Santa Luiza S.A. mentioned in note 1.3, decided to sell the investment in the jointly-owned subsidiary Santa Cecília Agroindustrial S.A., by selling 100% of shares to Nova Mucuri Participações S.A., for the price of R$ 37,829. The transaction resulted in a loss of R$ 11,242, with the portion attributable to the subsidiary Usina São Martinho S.A., proporcionally to its ownership interest, amounted to R$ 4,684. Pursuant to CVM Resolution 505/06, Usina São Martinho S.A. subsequently recorded an allowance for loss on sale of the investment held by Santa Cecília Agroindustrial S.A. against other revenues (expenses), net of the results for the quarter.