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

São Martinho S.A.

Interim Financial Statements for the Quarter and Nine-Month Period Ended January 31, 2007 and Independent Auditors' Special Review Report

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INDEPENDENT AUDITORS' SPECIAL REVIEW REPORT

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

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

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

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

4. We had previously reviewed the individual (Company) and consolidated balance sheets of São Martinho S.A. and its subsidiaries as of October 31, 2006, presented for comparative purposes, and issued an unqualified review report thereon, dated November 28, 2006. The individual (Company) and consolidated statements of income for the quarter and nine-month period ended January 31, 2006, presented for comparative purposes, were reviewed by us, in accordance with the scope described in paragraph 2 and, based on our special review, we are not aware of any material modifications that should be made to these statements for them to be in conformity with Brazilian accounting practices and standards established by the Brazilian Securities and Exchange Commission (CVM), specifically applicable to the preparation of mandatory interim financial statements.

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

Campinas, March 8, 2007

DELOITTE TOUCHE TOHMATSU Auditores Independentes	José Carlos Amadi Engagement Partner

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

SÃO MARTINHO S.A.

BALANCE SHEETS AS OF JANUARY 31, 2007 AND OCTOBER 31, 2006
(In thousands of Brazilian reais - R$)

	Company		Consolidated	
ASSETS	01/31/07	10/31/06	01/31/07	10/31/06
CURRENT ASSETS				
Cash and banks	6,454	10,012	28,417	43,576
Temporary cash investments	-	2,525	35,576	26,781
Receivables from Copersucar	11,728	11,168	42,671	54,017
Inventories	72,181	104,409	251,108	355,165
Recoverable taxes	5,446	5,023	19,562	18,352
Other assets	5,576	2,302	16,143	13,138
	101,385	135,439	393,477	511,029
NON CURRENT ASSETS				
Long-term assets:				
Intercompany receivables	18,411	4,439	-	-
Deferred income and social contribution taxes	30,363	30,940	72,084	72,986
Other assets	2,871	2,186	5,701	4,731
Investments	727,390	717,164	142	144
Property, plant and equipment	388,976	368,041	1,297,836	1,214,303
Deferred charges	22	-	4,616	2,452
	1,168,033	1,122,770	1,380,379	1,294,616
TOTAL ASSETS	1,269,418	1,258,209	1,773,856	1,805,645

	Company		Consolidated	
LIABILITIES AND SHAREHOLDERS' EQUITY	01/31/07	10/31/06	01/31/07	10/31/06
CURRENT LIABILITIES				
Loans and financing	36,154	43,836	100,120	102,059
Trade accounts payable	12,143	18,981	47,635	69,131
Payables to Copersucar	814	814	2,238	2,243
Payroll and related taxes	5,900	9,350	16,213	31,543
Taxes payable	2,148	3,069	5,047	5,971
Intercompany payables	37,477	11,303	-	-
Dividends payable	-	12,362	-	14,893
Advances	-	11,100	-	11,100
Other liabilities	174	125	965	802
	94,810	110,940	172,218	237,742
NON CURRENT LIABILITIES				
Long-term liabilities:				
Loans and financing	71,819	66,899	199,278	194,115
Payables to Copersucar	58,633	57,474	210,659	206,402
Deferred income and social contribution taxes	38,295	37,747	118,853	117,070
Provision for contingencies	6,339	4,217	71,577	67,223
Other liabilities	-	-	1,749	2,161
	175,086	166,337	602,116	586,971
SHAREHOLDERS' EQUITY				
Capital	100,000	100,000	100,000	100,000
Legal reserve	1,729	1,729	1,729	1,729
Revaluation reserve	773,865	779,659	773,865	779,659
Retained earnings	123,928	99,544	123,928	99,544
	999,522	980,932	999,522	980,932
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,269,418	1,258,209	1,773,856	1,805,645

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

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

SÃO MARTINHO S.A.

STATEMENTS OF INCOME FOR THE QUARTERS AND NINE-MONTH PERIODS ENDED JANUARY 31, 2007 AND 2006
(In thousands of Brazilian reais - R$, except earnings per share)

	Company				Consolidated			
	01/31/07	01/31/07	01/31/06	01/31/06	01/31/07	01/31/07	01/31/06	01/31/06
	Quarter	Nine-month period	Quarter	Nine-month period	Quarter	Nine-month period	Quarter	Nine-month period
GROSS SALES	61,386	189,569	57,293	163,133	206,875	712,203	74,730	215,276
DEDUCTIONS FROM GROSS SALES	(5,089)	(15,581)	(6,814)	(16,016)	(17,199)	(59,615)	(8,435)	(20,104)
NET SALES	56,297	173,988	50,479	147,117	189,676	652,588	66,295	195,172
COST OF SALES	(43,801)	(126,069)	(34,748)	(113,857)	(142,768)	(434,711)	(45,199)	(147,169)
GROSS PROFIT	12,496	47,919	15,731	33,260	46,908	217,877	21,096	48,003
Operating (expenses) income:								
Selling expenses	(3,354)	(9,970)	(1,289)	(6,448)	(12,932)	(44,524)	(1,998)	(9,275)
General and administrative expenses	(7,824)	(19,999)	(4,738)	(14,895)	(22,143)	(65,564)	(6,636)	(20,062)
Management fees	(1,062)	(2,678)	(497)	(1,531)	(1,849)	(5,864)	(686)	(2,100)
Equity in subsidiaries	10,226	60,815	1,535	4,154	0	0	0	0
Other operating income, net	4,504	4,666	123	451	13,409	14,227	142	497
	2,490	32,834	(4,866)	(18,269)	(23,515)	(101,725)	(9,178)	(30,940)
Income from operations before financial items	14,986	80,753	10,865	14,991	23,393	116,152	11,918	17,063
Financial income (expenses):								
Financial income	2,281	12,618	4,196	8,145	10,761	48,930	5,894	11,856
Financial expenses	(5,843)	(20,094)	(6,281)	(16,863)	(18,364)	(62,667)	(8,247)	(21,497)
Monetary and exchange gains	322	3,294	1,286	2,606	1,571	15,240	1,221	4,803
Monetary and exchange losses	(321)	(3,080)	(1,548)	(2,848)	(1,524)	(14,604)	(1,534)	(3,765)
	(3,561)	(7,262)	(2,347)	(8,960)	(7,556)	(13,101)	(2,666)	(8,603)
Income (loss) from operations	11,425	73,491	8,518	6,031	15,837	103,051	9,252	8,460
Non operating income	11,330	12,197	1,090	1,744	11,329	12,588	1,106	1,739
Income (loss) before income and social contribution taxes and income (loss) from spun-off net assets	22,755	85,688	9,608	7,775	27,166	115,639	10,358	10,199
Income and social contribution taxes - current	(3,039)	(8,543)	227	227	(5,890)	(34,299)	(613)	(1,811)
Income and social contribution taxes - deferred	(1,125)	82	(2,981)	(1,958)	(2,685)	(4,113)	(2,863)	(2,096)
	(4,164)	(8,461)	(2,754)	(1,731)	(8,575)	(38,412)	(3,476)	(3,907)
Net income from spun-off assets and liabilities	-	-	(21)	8,723	-	-	(49)	8,475
Net income	18,591	77,227	6,833	14,767	18,591	77,227	6,833	14,767
Earnings per share at the end of the period (in Brazilian reais – R$)	0.19	0.77	0.20	0.43				

The accompanying notes are an integral part of these 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; cattle raising and agricultural exploitation; import and export of goods, products and raw material, and holding of equity interests in other companies.

Currently, the Company is upgrading its industrial structure (Usina Iracema plant), operating with a single and better optimized mill, capable of assuring the same processing capacity per crop, through the prolongation of the milling period, which will provide better operating performance and reduction of costs, especially maintenance costs. In the agricultural area we highlight the processes of adjusting the harvest period to the new industrial demand and intensified mechanical harvesting, as well as the change in the sugarcane variety profile and improved pest control, aimed at increasing productivity.

In the Extraordinary Shareholders' Meeting held on September 28, 2006, shareholders approved the change of the fiscal year end from April 30 to March 31 of each year, according to the initiative adopted by COPERSUCAR and the trend of moving forward the start and end of the sugarcane crop. Therefore, the fiscal year in progress will end on March 31, 2007 and will cover eleven months.

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

In the Extraordinary Shareholders' Meeting held on November 24, 2006, the Company's shareholders approved the proposal to list the Company's shares on the Bolsa de Valores de São Paulo – BOVESPA (São Paulo Stock Exchange), with the Company entering the BOVESPA New Market ("Novo Mercado"). The register of Public Company was provided by CVM (Brazilian Securities and Exchange Commission) on February 7, 2007. The company proceeded to the initial public offering of 13,000,000 common shares, resulting in a capital increase of R$ 260,000, including the stock option of the financial institution coordinator of the offering, which was concluded on February 27, 2007. In addition, the offering comprised a secondary sale of 8,184,000 common shares owned by the Company's shareholders. Due to this offering, 25,864 new shareholders entered into the Company's Board of Shareholders. Additional details are mentioned in the note 23 to the Interim Financial Statements.

1.2. Association with COPERSUCAR

The Company and its wholly-owned subsidiary Usina São Martinho S.A. are associated with the Cooperativa de Produtores de Cana, Açúcar e Álcool do Estado de São Paulo Ltda. – COPERSUCAR (Cooperative of Sugarcane, Sugar and Alcohol Producers of the State of São Paulo) [also called the "Cooperative"], whose cooperative by-laws signed by the parties require the Company to make 100% of its production of sugar and alcohol available to COPERSUCAR.

As established in COPERSUCAR's by-laws, 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 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 for each cooperative member, including the inventory amounts to be allocated to cost of sales, are reported monthly by COPERSUCAR to its cooperative members in specific and detailed reports according to the nature of the event. The total amount is recorded in accounting books and presented in the Cooperative's financial statements, which are audited by independent auditors, ending April 30 of each year, and starting 2007, ending March 31 of each year.

1.3. Partial spin-off of assets and liabilities

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

The balances of revenues, expenses and the related tax effects arising from spun off assets and liabilities for the quarter ended January 31, 2006 are presented in specific lines of the individual and consolidated statements of income, for purposes of segregation of the other balances representing the planting of sugarcane and the production of sugar and alcohol, and to allow for a comparative analysis of the Company's operations for the current quarter and six-month period, without such effects.

In the nine-month period ended January 31, 2006, the largest impacts on the result arising from spun-off assets and liabilities derive from equity gains in subsidiaries of R$ 7,245 and net gain on the sale of real properties of R$ 1,077.

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

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

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

In the Extraordinary Shareholders' Meeting held on September 28, 2006, the shareholders of Usina São Martinho S.A. approved the merger of all its shares into the Company, based on Usina São Martinho S.A.'s financial statements as of April 30, 2006. This operation was approved by the shareholders in the Extraordinary Shareholders' Meeting held on the same date. The ratio of exchange of Usina São Martinho's shares for the Company's shares was determined through a business valuation of both companies by an independent specialized firm. After this merger, Usina São Martinho S.A. became a wholly-owned subsidiary of the Company. As provided for in the share merger agreement, the Company recorded the income of Usina São Martinho S.A. as equity in subsidiaries, beginning May 1, 2006. These effects, retroactive to May 1st, 2006, were recorded in the accounting books beginning on the date of the Extraordinary Shareholders' Meeting which took place on September 28, 2006.

1.6. Purchase offer for a sugar and alcohol production unit by the Company

On January 31, 2007, aiming to proceed with the expansion plans, the Company administration made a purchase offering for a medium-sized sugar and alcohol production unit, including land, supply sources and sugarcane cultivation areas, located in the mid-southern region of Brazil, in partnership with a company controlled by quota holders. This negotiation is ongoing; however, there is no definition to date.

2. PRESENTATION OF INTERIM FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING PRACTICES

The individual (Company) and consolidated interim financial statements have been prepared in accordance with Brazilian accounting practices and consistently with the Company's annual financial statements. The interim financial statements should be read together with such annual financial statements.

3. CONSOLIDATION CRITERIA

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

Company	Main activities
Usina São Martinho S.A. – 100% interest in capital as of January 31, 2007 and October 31, 2006 and 11.40% interest in capital as of January 31, 2006.	Processing of sugarcane, own production and production acquired from third parties, manufacture and sale of sugar, alcohol and their byproducts, agricultural exploitation and cattle raising, import and export of goods, products and raw material, and holding of equity interests in other companies.

Company	Main activities
Usina Boa Vista S.A. - 30% interest in capital for all dates and periods presented.	Processing of sugarcane, own production and production acquired from third parties, manufacture and sale of sugar, alcohol and their byproducts, agricultural exploitation and cattle raising, import and export of goods, products and raw material, and holding of equity interest in other companies.
Omtek Indústria e Comércio Ltda. – 99.99% interest in capital for all dates and periods presented.	Processing and sale of sodium salt in the foreign market. The operating cycle is the same as the parent company's, which is responsible for supply, under specific conditions, of sugarcane molasses, steam and electric power, inputs necessary for the company's production.

Usina São Martinho S.A. was a jointly-owned subsidiary through September 28, 2006, since no shareholder individually had ownership control over the company through that date, as established in paragraph 1, article 32 of CVM (Brazilian Securities and Exchange Commission) Instruction n. 247, of March 27, 2006. Due to the event described in note 1.5, related to the Company's increase in ownership interest in Usina São Martinho S.A. arising from the merger of shares approved by the Extraordinary Shareholders' Meeting on September 28, 2006, the Company's interim financial statements, beginning in the second quarter of the current year, started being consolidated, considering a 100% ownership interest in Usina São Martinho S.A. In compliance with the respective merger agreement, the Company recognized this as equity in subsidiaries and consolidated the income of Usina São Martinho S.A. beginning May 1, 2006. This fact should be considered in the comparative analysis of the balances of the consolidated income statements between January 31, 2007 and 2006.

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

- Usina Boa Vista S.A. – 70% interest in capital. Usina São Martinho S.A. fully consolidates Usina Boa Vista S.A, stating in a separate caption of its consolidated interim financial statements the 30% minority interest of São Martinho S.A. Usina Boa Vista S.A. is in the preoperating stage, and the control of its common shares is held by Usina São Martinho S.A. The consolidation of this subsidiary by the Company follows the proportion of 30% interest in capital. With the purpose of including the totality of its interest, both directly (30%) and indirectly (70%), in Usina Boa Vista S.A., as part of the Company's interim financial statement consolidation process, the respective investment balance is eliminated against the minority interest presented in the liabilities of the consolidated interim financial statements of Usina São Martinho S.A..

- Mogi Agrícola S.A. – 46.02% interest in capital (15.7% as of January 31, 2006) – see note 1.4. Mogi Agrícola S.A. is engaged in agricultural exploitation and holding equity interest, as partner or shareholder, in the capital of other companies. Usina São Martinho S.A. is the parent company of this company jointly with other shareholders under an agreement between them.

As mentioned in note 1.3, the spin-off of assets and liabilities not related to sugarcane planting and sugar and alcohol production operations, which occurred on March 31, 2006, refers to investments in other companies that were not consolidated into the Company's statements of income for the quarter ended January 31, 2006. The balance related to equity in subsidiaries arising from these investments is summarized and presented in a specific account "net income from spun-off assets and liabilities" in the individual (Company) and consolidated statements of income for the quarter ended January 31, 2006.

In addition, the following main consolidation procedures have been adopted:

a) elimination of interests in the subsidiaries' shareholders' equity;

b) elimination of the investment balance and equity in subsidiaries;

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

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

4. CASH AND BANKS

The cash and banks balance include deposits in bank accounts available for immediate use. This balance presents significant amounts due to the normal flow of operations of the Company and its subsidiaries and the use of such cash to pay commitments at the beginning of the following month.

5. TEMPORARY CASH INVESTMENTS

		Company	
Type	Yield	01/31/2007	10/31/2006
Repurchase agreements	100% of the CDI variation	-	984
Debenture repurchase agreements	100.1% of the CDI variation – weighted average rate	-	1,541
Total		-	2,525

		Consolidated	
Type	Yield	01/31/2007	10/31/2006
Repurchase agreements	100% of the CDI variation	11,157	5,986
Debenture repurchase agreements	100.81% of the CDI variation	-	15,007
Debêntures compromissadas	100,1% of the CDI variation – weighted average rate	4,165	-
Bank certificates of deposit	101.17% of the CDI variation – weighted average rate	-	4,038
Collection account	US dollar variation + 85% of the daily LIBOR	330	1,750
Others	100.7% of the CDI variation	19,924	-
Total		35,576	26,781

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

The temporary cash investment in the "Collection Account" type was made as a guarantee of payment of the "PPE – Export Prepayment" loan with maturity scheduled for February 2007.

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

6. RECEIVABLES FROM COPERSUCAR

Receivables from COPERSUCAR are similar to a current account, including amounts receivable from allocations related to the sale of products and amounts deductible due to allocations of expenses and advances. The amount of advances received that exceeds cooperatives members' right arising from the allocation of revenues and expenses is subject to interest at rates corresponding to 100% of daily variation of the DI (Interbank Deposit rate) disclosed by CETIP (Clearinghouse for the Custody and Financial Settlement of Securities), representing the average funding by COPERSUCAR. Other components of this account are not subject to interest. Receivables from COPERSUCAR present an average turnover of 30 days.

The allocated operating expenses are set off against amounts receivable on a monthly basis by COPERSUCAR.

The Company did not identify the need to record an allowance for doubtful accounts. This allowance is estimated and recorded by COPERSUCAR, which is the entity that sells the products to end customers. Historically, the amounts receivable from COPERSUCAR do not present losses.

7. INVENTORIES

	Company	
	01/31/2007	10/31/2006
Finished products held by Copersucar:		
Sugar and Alcohol	45,138	82,940
Sugarcane – crop treatment	20,676	13,092
Advances - advance purchase of sugarcane	918	735
Inputs, indirect materials, for maintenance and other	5,449	7,642
	72,181	104,409

	Consolidated	
	01/31/2007	10/31/2006
Finished products held by Copersucar:		
Sugar and Alcohol	141,082	265,026
Sodium salt	3,203	3,875
Sugarcane – crop treatment	66,393	43,550
Advances - advance purchase of sugarcane	25,143	23,137
Inputs, indirect materials, for maintenance and other	15,287	19,577
	251,108	355,165

As the Company's production is immediately made available to COPERSUCAR and the distribution to customers by the Cooperative is not necessarily linked to sales proportionally attributed to the Company, the amount of sugar and alcohol held in inventory that is physically kept by the Company and Usina São Martinho S.A. differs from the quantity that represents the balance of inventories. As of January 31, 2007, the Companies safeguarded sugar and alcohol inventories in the approximate amount of R$ 25,924 (R$ 44,576 – consolidated), and R$ 92,572 (R$ 280,720 - consolidated) as of October 31, 2006, stated at average production cost. The Company and Usina São Martinho S.A. are responsible for the risk of safeguarding inventories made available to COPERSUCAR that are stored in its facilities.

8. RECOVERABLE TAXES

Recoverable taxes as of January 31, 2007 and October 31, 2006 are as follow:

	Company	
	01/31/2007	10/31/2006
COFINS (tax on revenue)	3,206	2,999
ICMS (state VAT) on purchases of property, plant and equipment	1,344	1,110
PIS (tax on revenue)	694	648
ICMS	10	84
Other	192	182
	5,446	5,023

	Consolidated	
	01/31/2007	10/31/2006
COFINS (tax on revenue)	4,307	4,457
ICMS (state VAT)	5,098	4,371
Corporate income tax	3,732	3,831
ICMS on purchases of property, plant and equipment	2,552	2,168
PIS (tax on revenue)	1,000	1,022
Social contribution tax	1,889	1,537
Other	984	966
	19,562	18,352

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.

9. INTERCOMPANY BALANCES AND TRANSACTIONS

a) Company and consolidated balances:

	Controladora			
	01/31/2007		10/31/2006	
	Noncurrent assets	Current liabilities	Noncurrent assets	Current liabilities
Of subsidiary and jointly-owned subsidiaries:				
Usina São Martinho S.A.	-	37,477	326	11,303
OMTEK Ind. e Com. Ltda.	6,288	-	408	-
Usina Boa Vista S.A.	12,123	-	3,705	-
Subtotal	18,411	37,477	4,439	11,303
Of shareholders, arising from purchase of sugarcane (trade accounts payable)	-	493	-	801
	18,411	37,970	4,439	12,104

	Consolidated	
	01/31/2007	10/31/2006
	Current liabilities	Current liabilities
Of shareholders, arising from purchase of sugarcane (trade accounts payable)	2,746	4,216
	2,746	4,216

Intercompany balances refer to loan agreement maturing every December 31, which may be extended for an additional year. The loan is subject to charges equivalent to 100% of the CDI variation.

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 conducted with third parties.

b) Parent Company transactions

	01/31/2007 – quarter			01/31/2006 – quarter	
	Financial income	Financial expense and cost	Sales revenue	Financial expense and cost	Sales revenue
Usina São Martinho S.A.	-	837	68	373	38
OMTEK Ind. e Com. Ltda.	41	-	3,043	-	3,279
Usina Boa Vista S.A.	-	-	3	-	-
Sub-Total	41	837	3,114	373	3,317
Of shareholders, arising from purchase of sugarcane	-	-	-	415	-
	41	837	3,114	788	3,317

Intercompany transactions refer to revenues and expenses related to charges on loan agreements, revenue from sale of molasses, electric power and steam to Omtek Indústria e Comércio Ltda., and inputs to Usina São Martinho S.A..

The consolidated amounts of sugarcane purchases from shareholders for the quarters ended January 31, 2006 were R$ 1,144. There were no sugarcane purchases from shareholders for the quarter ended January 31, 2007.

10. INVESTIMENTS

	01/31/2007			
	Usina São Martinho S.A.	Usina Boa Vista S.A.	OMTEK Indústria e Comércio Ltda.	Total
a) In subsidiaries:				
Shares held (thousands)	23,500	6,000	5,598	
Ownership interest	100.00%	30.00%	99,99%	
Capital	16,868	20,000	5,598	
Shareholders' equity	707,460	20,000	13,889	
Net income (loss) for the quarter	10,503	-	(277)	
Changes in investments:				
Balances as of October 31, 2006	696,957	6,000	14,166	717,123
Capital increase in invested				
Equity in subsidiaries – quarter	10,503	-	(277)	10,226
Balances as of January 31, 2007	707,460	6.000	13,889	727,349
b) Other investments				41
Total investments				727.390

	10/31/2006			
	Usina São Martinho S.A.	Usina Boa Vista S.A.	OMTEK Indústria e Comércio Ltda.	Total
a) In subsidiaries:				
Shares held (thousands)	23,500	6,000	5,598	
Ownership interest	100.00%	30.00%	99.99%	
Capital	16,868	20,000	5,598	
Shareholders' equity	696,863	20,000	14,166	
Net income (loss) for the quarter	50,516	-	(141)	
Changes in investments:				
Balances as of July 31, 2006	77,979	4,586	13,917	96,482
Capital increase in investee	572,561	1,414	-	573,975
Equity in subsidiaries – quarter	46,417	-	249	46,666
Balances as of October 31, 2006	696,957	6,000	14,166	717,123
b) Other investments				41
Total investments				717,164

11. PROPERTY, PLANT AND EQUIPMENT

	Company				
	01/31/2007				10/31/2006
	Cost	Revaluation	Accumulated depreciation	Net	Net
Land	20,301	219,430	-	239,731	239,731
Buildings and premises	9,067	7,349	6,019	10,397	10,625
Industrial equipment facilities	32,669	43,355	58,695	17,329	22,210
Vehicles	18,899	-	13,444	5,455	4,876
Agricultural machinery and implements	38,034	-	23,724	14,310	15,206
Sugarcane crops	81,664	-	22,057	59,607	51,377
Other	18,784	391	5,391	13,784	5,470
Construction in progress	28,363	-	-	28,363	18,546
Total	247,781	270,525	129,330	388,976	368,041

	Consolidated				
	01/31/2007				10/31/2006
	Cost	Revaluation	Accumulated depreciation	Net	Net
Land	91,017	709,897	-	800,914	800,929
Buildings and premises	54,560	48,785	52,389	50,956	52,399
Industrial equipment facilities	120,304	193,397	221,448	92,253	102,705
Vehicles	45,664	-	34,385	11,279	9,764
Agricultural machinery and implements	118,113	-	74,206	43,907	38,025
Sugarcane crops	246,039	-	68,061	177,978	154,244
Other	86,891	2,679	22,148	67,422	20,634
Construction in progress	53,127	-	-	53,127	35,603
Total	815,715	954,758	472,637	1,297,836	1,214,303

The Company's sugar warehouses and alcohol tanks are granted on a commodatum basis to COPERSUCAR, without payment, to store the production when it is made available to be sold by the Cooperative.

As of January 31, 2007, the Company's balance of construction in progress refers to boiler soot treatment system and the industrial structure optimizing process, mentioned in note 1. This process involved the deactivation of 1 (one) of the 2 (two) mills previously in operation and the adaptation of the remaining mill to increase and optimize its capacity. In the consolidated, the balance of construction in progress also includes improvements to the industrial unit of the subsidiary Usina São Martinho S.A. related to the adjustment of the fermentation process, bulk storage in the sugar warehouse and improvements to sugar granularity and temperature, in addition to construction works of the industrial plant of the indirect subsidiary Usina Boa Vista S.A.

Due to some loans and financing of the Company and its subsidiaries, as of January 31, 2007, approximately R$ 61,624 (R$ 130,151 in the consolidated) of fixed asset items were pledged as collateral to creditors. These items are mostly represented by industrial equipment and facilities, and agricultural machinery and implements. Additionally, the amount of R$ 104,216 (R$ 256,311 – consolidated) in land was pledged as collateral of securitized rural credits, recorded in current and long-term liabilities.

The Company, its wholly-owned subsidiary Usina São Martinho S.A. and the subsidiary Omtek Indústria e Comércio Ltda. recorded, as of April 30, 2003, revaluation of land, buildings, industrial equipment and facilities, based on reports prepared by independent experts. In addition, according to the procedures adopted by the Company, when the indirect jointly-owned subsidiary Mogi Agrícola S.A. was established, on December 23, 2004, its land was revalued for equity in subsidiaries and consolidation purposes.

The revaluation amounts of property, plant and equipment, net of depreciation and gross of deferred charges, in the consolidated, as of January 31, 2007 and October 31, 2006, were R$ 835,530 and R$ 844,726, respectively, of which R$ 592,658 and R$ 597,957, respectively, arising from subsidiaries.

Depreciation and write-offs of revaluation which impacted the results for the nine-month periods ended January 31, 2007 and 2006 totalized R$ 22,372 and R$ 22,958, respectively, net of the amounts allocated to inventories and gross of tax effects, in the consolidated.

The Company and its subsidiaries did not capitalize financial charges in the periods presented, due to the immateriality of the respective amounts.

12. LOANS AND FINANCING

Type	Charges	Guarantees	Maturity	Company 01/31/2007	Company 10/31/2006
In local currency:					
Securitized rural credits	IGP-M (General market price index)	(a)	Yearly instalments with final maturitu from September 2018 to July 2020	41,606	41,766
Rural credit	Fixed-rate weighted average interest of 8.75% p.a. to be paid in the final maturity	(b)	Unique installment per contract maturing from February 2007 and March 2007	9,401	18,386
Automatic Finame BNDES loan	TJLP (Long-term interest rate) + weighted average interest of 4.92% p.a, payable in a monthly basis	(c)	Monthly installments with final maturing from February 2007 to January 2011	28,491	21,968
Automatic Finame BNDES loan	Fixed-rate weighted average interest of 12.0% p.a. payable in a monthly basis	(d)	Monthly installments with final maturing from February 2007 to January 2011	16,467	17,448
Working capital	Fixed-rate interest of 16.53% p.a to be paid in the final maturity	-	Unique installment per contract maturing from April 2007 and May 2007	5,305	5,106
Working capital	Referential Rate - TR monthly + fixed-rate interest of 12.99% p.a. to be paid in the final maturity	-	Unique installment per contract maturing in July 2007	5,530	5,335
Other securitized credits	Fixed-rate interest of 3.00% p.a. to be yearly paid	(e)	Yearly installments with final maturity in October 2025	85	85
In foreign currency:					
Automatic Finame / BNDES loan	Currency basket (US dólar, Euro and Yen) + fixed-rate weighted average interest of 12.03% p.a. payable in a monthly basis	(c)	Monthly installments with final maturing from May 2007 to March 2009	1,086	641
Total				107,972	110,735
Current liabilities				36,154	43,836
Noncurrent liabilities				71,819	66,899

Type	Charges	Guarantees	Maturity	Consolidated 01/31/2007	Consolidated 10/31/2006
In local currency:					
Securitized rural credits	IGP-M (General market price index) payable in yearly basis	(a) & (f)	Yearly installments with final maturity from September 2018 to July 2020	119,795	118,742
Rural credit	Fixed-rate weighted average interest of 8.75% p.a. to be paid in the final maturity	(b)	Unique installment per contract maturing from February 2007 to March 2007	39,441	39,527
Automatic Finame / BNDES loan	TJLP (Long-term interest rate) + weighted average interest of 5.09% p.a, payable in a monthly basis	(c), (g), (k) & (i)	Monthly installments with final maturing from February 2007 to November 2011	53,348	45,846
Automatic Finame / BNDES loan	Fixed-rate weighted average interest of 11.74% p.a. payable in a monthly basis	(d), (h) & (j)	Monthly installments with final maturing from February 2007 to August 2011	51,719	54,502
Working capital	Fixed-rate interest of 16.56% p.a to be paid in the final maturity	-	Unique installment per contract maturing from April 2007 and May 2007	16,333	15,716
Working capital	Referential Rate - TR monthly + fixed-rate interest of 12.99% p.a. to be paid in the final maturity	-	Unique installment per contract maturing in July 2007	5,530	5,335
Other securitized credits	Fixed-rate interest of 3.00% p.a. to be yearly paid		Yearly installments with final maturity in October 2025	85	85
In foreign currency:					
Automatic Finame / BNDES loan	Currency basket (US dólar, Euro and Yen) + fixed-rate weighted average interest of 11.96% p.a. payable in a monthly basis	(c) & (g)	Monthly installments with final maturing from May 2007 to March 2009	2,523	1,532
EPP – Export Prepayment	US dollar variation + 6.55% p.a.	(k)	Six-month installments with final maturity to January 2007	-	3,932
Commercial papers	US dollar variation + 9% p.a. payable in semester basis	-	Unique installment maturing in July 2011	10,624	10,957
Total				299,398	296,174
Current liabilities				100,120	102,059
Noncurrent liabilities				199,278	194,115

Collateral for loans and financing are represented by mortgages of land, liens on sugar cane, promissory notes and liens on agricultural and industrial equipment, as it follows (references to the loans described in the table above):

Loans and financing, as of January 31, 2007		Book or contractual value
(a)	Mortgage – 7,857.88 ha of land	104,216
(b)	Agricultural lien (sugarcane)	5,000
(c)	Liens on industrial equipment	12,052
	Liens on agricultural equipment	22,375
	Promissory note	12,974
	Mortgage – 2,577.10 ha of land	44,240
(d)	Liens on industrial equipment	3,866
	Liens on agricultural equipment	23,331
	Promissory note	3,981
	Mortgage – 591.60 ha of land	10,110
(e)	Mortgage – 78,53 ha of land	1,224
(f)	Mortgage – 9,647.42 ha of land	152,095
(g)	Liens on industrial equipment	238
	Liens on agricultural equipment	15,613
	Promissory note	3,821
	Mortgage – 1,949.78 ha of land	34,433
	Agricultural lien (sugarcane)	5,940
(h)	Liens on industrial equipment	12,242
	Liens on agricultural equipment	32,324
	Promissory note	9,274
	Mortgage – 810.50 ha of land	13,851
(i)	Liens on agricultural equipment	2,392
	Promissory note	2,408
(j)	Liens on agricultural equipment	5,268
	Promissory note	5,268
(k)	Liens on industrial equipment	450

ha: hectares

The individual (Company) and consolidated long-term portions as of January 31, 2007 have the following maturities by twelve-month period ended January 31 of each year:

	01/31/2007	
	Company	Consolidated
De 02/01/2008 a 01/31/2009	19,555	47,483
De 02/01/2009 a 01/31/2010	13,852	34,536
De 02/01/2010 a 01/31/2011	8,002	20,748
De 02/01/2011 a 01/31/2012	4,330	22,364
De 02/01/2012 a 01/31/2013	3,122	9,147
De 02/01/2013 a 01/31/2026	22,958	65,000
	71,819	199,278

Based on Central Bank of Brazil Resolution n. 2,471/98 and other current legal provisions, in 1998, 1999 and 2000 the Company securitized debts with financial institutions, by means of the acquisition, in the secondary market, of CTNs (National Treasury Certificates), as collateral for the payment of the principal. The securitized financing will be automatically settled on their 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 4.14% and 4.88% per year on the securitized amount monetarily adjusted based on the IGP-M through the annual payment date. This obligation was recorded in the individual (Company) and consolidated interim financial statements as of January 31, 2007 according to the amount of these future disbursements. The balance of this obligation is subject to adjustment based on the IGP-M variation.

13. TRADE ACCOUNTS PAYABLE

	Company	
	01/31/2007	10/31/2006
Sugarcane	4,272	10,243
Materials, services and others	7,871	8,738
	12,143	18,981

	Consolidated	
	01/31/2007	10/31/2006
Sugarcane	24,675	47,255
Materials, services and others	22,960	21,876
	47,635	69,131

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.

14. PAYABLES TO COPERSUCAR

COPERSUCAR provides funds to its cooperative members for financing their operations, through bills of exchange. The Cooperative's funds come from the following sources:

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

(b) The Cooperative's temporary cash surplus arising from injunctions in lawsuits claiming the suspension of liabilities. This cash surplus is related to provisions for contingencies recorded by the Cooperative in non current liabilities. Accordingly, the Company also records these liabilities in non current liabilities. However, in case of unfavorable outcome in lawsuits in which the Cooperative obtained an injunction, the Company will be required to disburse the amount that was transferred within 120 days. The main amounts included in these liabilities arise from the IPI (federal VAT) challenged in court by the Cooperative as to the constitutionality and lawfulness of the requirement of the tax, and are represented by R$ 15,178 as of January 31, 2007 and R$ 15,069 as of October 31, 2006 (R$ 56,559 and R$ 56,122 in the consolidated, respectively).

The Company's payables to COPERSUCAR are as follows:

	Company	
	01/31/2007	10/31/2006
Exchange bill – Updated based on 103.35% of the CDI variation	1,915	1,855
Exchange bill – Updated based on SELIC variation	31,612	29,939
Exchange bill – Onlending of funds not subject to charges	18,997	19,392
Exchange bill – Updated based on TJLP variation	6,923	7,102
Total	59,447	58,288
Current liabilities	814	814
Non current liabilities	58,633	57,474

	Consolidated	
	01/31/2007	10/31/2006
Exchange bill – Updated based on 103.35% of the CDI variation	6,959	6,742
Exchange bill – Updated based on SELIC variation	116,626	110,746
Exchange bill – Onlending of funds not subject to charges	69,294	70,621
Exchange bill – Updated based on TJLP variation	20,018	20,536
Total	212,897	208,645
Current liabilities	2,238	2,243
Non current liabilities	210,659	206,402

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

15. SHAREHOLDERS' EQUITY

The Annual and Extraordinary Shareholders' Meeting, held on September 28, 2006, approved the allocation of R$ 3,346 from the retained earnings account for capital increase. In this same Meeting, the shareholders approved a capital increase of R$ 93,868 and an increase in the revaluation reserve in the amount of R$ 478,693 due to the merger of shares of Usina São Martinho S.A. mentioned in note 1.5. As a result of such capital increase, the number of shares was increased to 50,000,000 nominative common shares without par value (34,069,870 in January 31, 2006).

In the Extraordinary Shareholders' Meeting held on November 24, 2006, the shareholders approved the split of the Company's shares in the proportion of 1 (one) common share existing on November 1st, 2006 for 1 (one) new common share, without change in the capital. Due to such split, the number of shares composing the capital was increased to 100,000,000 of common shares.

The revaluation reserve classified in the Shareholders' equity resulting from the fixed assets revaluation, is realized in accordance with the depreciation and write-offs of the revalued fixed assets and respective realization is added to the net results at the end of each period for the purposes of minimum dividends computation.

Dividends declared in the quarter ended October 31, 2006, in the amount of R$ 13,593, were paid from the retained earnings account.

Under the by-laws, shareholders are entitled to minimum dividends of 25% of net income, after the recognition of the legal reserve and realization of the revaluation reserve.

The summarized changes in shareholders' equity in the quarter ended January 31, 2007 are as follow:

	Total
As of October 31, 2006:	980,932
Net income for the quarter	18,590
As of January 31, 2007:	999,522

16. PROFIT SHARING PROGRAM

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

The operating and financial indicators agreed upon between the Company and its subsidiaries and employees, through labor unions representing them, are related to the following: (i) 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 January 31, 2007, recorded as operating costs or expenses in the consolidated income for the quarter period was R$ 2,316 (R$ 348 as of January 31, 2006).

17. INCOME AND SOCIAL CONTRIBUTION TAXES

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

	Company		Consolidated	
	01/31/2007	10/31/2006	01/31/2007	10/31/2006
Assets				
Income tax loss carryforwards	17,332	18,307	27,357	27,952
Social contribution tax loss carryforwards	6,898	7,249	11,913	12,278
Provision for contingencies	2,441	1,719	18,977	17,904
Securitized financing	-	-	4,684	4,951
Other	3,692	3,665	9,153	9,901
Deferred income and social contribution tax assets	30,363	30,940	72,084	72,986
Liabilities				
Revaluation of assets	(8,455)	(9,725)	(47,739)	(50,724)
Accelerated depreciation incentive	(23,573)	(21,978)	(64,838)	(60,318)
Securitized financing	(6,245)	(6,044)	(6,245)	(6,044)
Other	(22)	-	(31)	16
Deferred income and social contribution tax liabilities	(38,295)	(37,747)	(118,853)	(117,070)
Total net – Assets (Liabilities)	(7,932)	(6,807)	(46,769)	(44,084)

Prevailing tax legislation allows tax losses to be carried forward indefinitely to be offset against future taxable income up to a limit of 30% of annual taxable income, without monetary adjustment or interest. Deferred tax credits arising from tax loss carryforwards are recognized based on the Company's and its subsidiaries' projections of taxable income, which support the recovery of the tax credits in accordance with applicable accounting practices. On a conservative basis, the Company classifies all deferred tax credits into non current assets.

The recovery of these credits as indicated by the projections of taxable income approved by Management is estimated as shown below:

Company:

Year	2007	2008	2009	2010	2011	2012 em diante
Estimated realization	6,779	4,023	3,492	4,312	3,196	8,561

Consolidated:

Year	2007	2008	2009	2010	2011	2012 em diante
Estimated realization	22,248	13,829	6,289	7,840	4,850	16,828

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 18% per year, in view of 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.

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

Company:	01/31/2007 – quarter		01/31/2006 – quarter	
	Income Tax	Social contribution	Income Tax	Social Contribution
Income before income and social contribution taxes and income from spun-off net assets	22,755	22,755	9,608	9,608
Statutory rates - %	25%	9%	25%	9%
Income and social contribution tax expenses	(5,689)	(2,048)	(2,402)	(865)
Reconciliation to effective rate:				
Permanent differences				
Equity in subsidiaries	2,557	920	384	138
Realization of revaluation reserve for land sold	-	-	(1)	-
Other nondeductible expenses	(51)	(19)	(7)	(2)
Deductible donations – Rouanet law and Childhood Fund	160	-	-	-
PAT (Workers' Meal Program)	6	-	1	-
Income and social contribution tax expenses	(3,017)	(1,147)	(2,025)	(729)
Income and social contribution tax expenses	(4,164)		(2,754)	

Consolidated:	01/31/2007 – quarter		01/31/2006 – quarter	
	Income Tax	Social contribution	Income Tax	Social Contribution
Income (loss) before income and social contribution taxes and income (loss) from spun-off net assets	27,166	27,166	10,358	10,358
Statutory rates - %	25%	9%	25%	9%
Income and social contribution tax expenses	(6,791)	(2,445)	(2,589)	(932)
Reconciliation to effective rate:				
Permanent differences				
Realization of revaluation reserve for land sold	(54)	(19)	(7)	(2)
Other nondeductible items (nontaxable)	(146)	(56)	(2)	3
Deductible donations – Rouanet law and Childhood Fund	865	-	36	-
PAT (Workers' Meal Program)	71	-	24	-
Income and social contribution tax expenses	(6,055)	(2,520)	(2,538)	(938)
Income and social contribution tax expenses	(8,575)		(3,476)	

18. COMMITMENTS

18.1. Land for legal reserve and permanent preservation areas

The Company and its subsidiaries have uncultivated areas covered by preserved native vegetation or in process of reforestation intended to assure the ecological balance of the environment. Such tracts of land are permanent preservation areas and the so called “legal reserve” areas, pursuant to applicable environmental legislation.

Permanent preservation areas (for example, riverbank forests and hillsides) are observed at the time of cultivation of sugarcane and the Company and its subsidiaries do not cultivate the land on these areas.

The obligation to abandon currently cultivated areas for legal reserve purposes has been discussed at political and judicial levels, for which reason environmental authorities have not yet performed decisive inspections. The Company and its subsidiaries own land registered as legal reserve in an area smaller than the minimum percentage set by law.

The Company and its wholly-owned subsidiary Usina São Martinho S.A. are discussing this matter in court and the risk of loss on the lawsuits is assessed as possible.

The Company and its subsidiaries are evaluating legal alternatives for meeting this legal requirement, in the time limit set by legislation of 30 years from 1990 at the rate of 10% for each 3-year period. The amounts to be invested to meet this requirement, the manner in which it will be met and the time required for completion cannot be determined at this time.

Investments in preservation areas, when made, are recorded under “property, plant and equipment”.

18.2. Sugarcane purchase agreements

The Company and its wholly-owned subsidiary Usina São Martinho S.A. entered into agreements for purchase of sugarcane produced in third parties’ rural properties, in the amount of approximately 271 tons (1,115,000 tons - consolidated). The amount to be disbursed for these purchases will be determined at the end of each crop at the price per ton of sugarcane established by the model of the Conselho dos Produtores de Cana-de-açúcar, Açúcar e Álcool do Estado de São Paulo - CONSECANA (Council of Sugarcane, Sugar and Alcohol Producers of the State of São Paulo). This commitment for the average price for the 2006/2007 crop of R$ 48.81 (R$ 48.81 – consolidated) per ton of sugarcane totals approximately R$ 13,228 (R$ 54,432 - consolidated).

19. PROVISION FOR CONTINGENCIES

Income and social contribution tax calculations and tax returns, and other taxes and payroll charges, are open 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				
	10/31/2006	Additions	Uses	Monetary adjustment	01/31/2007
Tax	5,153	-	-	24	5,177
Civil	195	1,620	-	40	1,855
Labor	2,255	385	(25)	83	2,698
	7,603	2,005	(25)	147	9,730
(-) Escrow deposits	(3,386)	(5)	-	-	(3,391)
Total	4,217	2,000	(25)	147	6,339

	Consolidated				
	10/31/2006	Additions	Uses	Monetary adjustment	01/31/2007
Tax	42,775	-	-	454	43,229
Civil	1,923	1,620	-	40	3,583
Labor	44,088	1,657	(1,106)	1,346	45,985
	88.786	3,277	(1,106)	1,840	92,797
(-) Escrow deposits	(21,563)	(736)	1,199	(120)	(21,220)
Total	67,223	2,541	93	1,720	71,577

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

a) Tax lawsuits:

(i) Monetary adjustment of untimely used ICMS (VAT) credit: The State Finance Department issued a tax delinquency notice and a fine for purposes of collection of ICMS (state VAT) for March 1993. Supported by a lawsuit, the Company monetarily updated the untimely used ICMS credits on purchases of electricity, diesel, secondary materials and telecommunications services. The total amount involved is R$ 2,633 (Company and consolidated).

(ii) Offset of tax loss carryforwards: Federal tax authorities filed a tax collection proceeding to collect the IRPJ (corporate income tax) for 1997, when the wholly-owned subsidiary Usina São Martinho S.A., supported by a lawsuit, offset tax losses determined from 1992 to 1996 without complying with the 30% limit required by Law N. 8,981/95. The total amount involved in this lawsuit is R$ 10,211 in the consolidated.

(iii) Offset of tax loss carryforwards of merged company: Federal tax authorities filed a tax collection proceeding to collect the IRPJ for the period from October 1997 to March 1998, which was not paid by the company merged into the wholly-owned subsidiary Usina São Martinho S.A. due to the offset of tax losses incurred between 1992 and 1994 without complying with the 30% limit required by Law N. 8,981/95.The total amount involved is R$ 19,301 in the consolidated.

(iv) Social contribution tax loss carryforwards: Federal tax authorities filed a tax collection proceeding to collect the CSL (social contribution on net profit) for 1997, which was not paid due to the offset of social contribution tax loss carryforwards determined from 1992 to 1996. The total amount involved is R$ 8,540 in the consolidated.

(v) Other tax lawsuits involving: (i) INSS (social security contribution) at 2.6% for the period from November 1990 to November 1991; (ii) contribution to SENAR (National Rural Learning Service) for the period from November 1992 to September 1997; (iii) SAT (Occupational Accident Insurance) for the period from February 1993 to April 1994; (iv) social security contribution to rural employees for the period from May to July 1994; (v) PIS (tax on revenue) basis for the period from December 2000 to November 2002; (vi) COFINS (tax on revenue) basis for the period from August 2001 to March 2003; and (vii) FGTS (severance pay fund) and surtax on termination fine for the period from November 2001 to December 2002. The total amount involved is R$ 2,545 (Company and consolidated).

b) Civil lawsuits:

The Company and its subsidiaries have a provision for 20 civil lawsuits in which they are defendants, involving: (i) indemnity for property damage and pain and suffering for occupational illness and accidents; (ii) indemnity for property damage and pain and suffering for traffic accidents; (iii) rescission of residential land sale agreements; and (iv) public civil actions and tax foreclosure for sugarcane burning These lawsuits total R$ 1,855 – Company (R$ 3,583 – consolidated), adjusted through January 31, 2007.

c) Labor lawsuits:

The Company and its subsidiaries have a provision for contingencies for labor lawsuits in which they are defendants, involving claims for: (i) overtime; (ii) commute hours; (iii) indemnity for elimination of lunch break; (iv) hazardous duty premium and health hazard premium; (v) refund of payroll deductions such as union confederation dues, union dues, etc.; (vi) night shift premium; and (vii) continuity of employment relationship with the consequent payment of 13th salary and vacation pay plus 1/3 vacation bonus. These lawsuits total R$ 2,698 – Company (R$ 45,985 – consolidated), adjusted through January 31, 2007.

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

Tax and social securities lawsuits:

Subject		Number of lawsuits	Stage: Administrative	Trial court	Lower court	Superior court	Total
(i)	Social charges	14	32,551	28,720	-	-	61,271
(ii)	VAT (ICMS)	1	-	-	12,353	-	12,353
(iii)	Funrural *(rural worker assistance fund)*	3	-	-	33	6,010	6,043
(iv)	Negative balance income tax (IRPJ)	5	3,323	2,007	161	-	5,491
(v)	Offset Créditos – tax on sales (PIS)	2	2,975	-	1,326	-	4,301
(vi)	Income tax on investment losses	2	-	-	1,415	-	1,415
(vii)	Offset of federal taxes	5	877	134	1,112	-	2,123
(viii)	Other tax lawsuits:	21	943	62	2,233	-	3,238
	Total	53	40,669	30,923	18,633	6,010	96,235

(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 N. 8,212/92 and not according to Law N. 8,870/94. 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 N. 7/97 and Service Order N. 157/97, alleging that the principles of legal security, equal treatment, contribution capacity, among others, were violated. The total amount of the tax collection actions is R$ 28,720. The case was not judged by the higher courts and are unresolved in the federal regional courts. There are favorable precedents (Injunction Appeal N. 98.05.39590-1 – 1st Panel of the Federal Regional Court of the 5th Region and Bill of Review N. 1998.01.00.043888-1 – 2nd Panel of the Federal Regional Court of the 1st Region) and unfavorable precedents (Injunction Appeal N. 94.03.047472-6 – 2nd Panel of the Federal Regional Court of the 3rd Region). On the other hand, Law N. 10,736, of September 15, 2003, was published, permitting remission of social security debts for the period from April 1994 to April 1997, relating to the payment of this social security contribution by agribusiness companies based on Law N. 8,870/94; 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 N. 10,736/2003. Thus, as the remission of said social security debts will depend on an analysis of the special features of the concrete case, the Company's legal counsel understands that an unfavorable outcome in these cases is possible.

b) The National Social Security Institute - INSS filed an NFLD (Fiscal Notification of Debit Tax Assessment) against São Martinho S.A. seeking to collect the social security due by the agro industries corresponding to the period from November 2001 to April 2002, as a result of the amounts being developed based on the Law 8212/91 wording, without taking in consideration the alterations made by Law 10.256/2001. The NFLD also aims the payment of contributions of the period from November 2001 to March 2006 (interrupted), at the delivery of the production to Copersucar for later commercialization, and not at the income developed with basis on the Regulatory Opinions CST No. 77/76 and 66/86, corresponding to the total amount of the gross income earned based on the Regulatory Instruction MPS/SRP No. 03/2004. The total value involved in this process corresponds to R$ 19,527. The credit liability is suspended as a result of administrative refutation presented by the Company due to its understanding that the income arising from exports operations to foreign markets, made through Copersucar, is exempt of social contribution, based on article 149, § 1 of the Federal Constitution. The Company further believes that the originating factor for social contribution is the commercialization of the production and not the act of delivering the production to the Cooperative. The Company has a preliminary injunction acknowledging its tax immunity upon revenues arising from export operations to foreign markets done by means of the Cooperative. In this preliminary injunction the Company also confirms that the entry of the following values should be cancelled: (i) R$ 5,887, corresponding to surplus collection occurred in several periods, considering the determination in accordance with inspection, which were not offset in writing with the debits determined during the fiscal procedure, resulting in a higher tax bases, interest and applicable fines; and (ii) R$ 2,662, corresponding to the period from November 2001 and April 2002, based on article 22a of Law 8212/91, with alteration inserted by Law 10.256/01, during which the Company was not yet rural, since it did not produce any amount of sugarcane, and the total production during this period of time was originated from products planted by third parties. Note that only after the incorporation of the production unit Boa Vista Agrícola e Pecuária Ltda., in May 2002, the Company was characterized as a rural producer. The success of this discussion depends on analysis of peculiarities of the concrete case; therefore the Company attorneys, up to this moment, understand there is a possibility of losing this case.

c) The National Social Security Institute - INSS filed an NFLD (Fiscal Notification of Debit Tax Assessment) against São Martinho S.A. in order to collect payment of the contributions, withheld or otherwise, in amounts in below those foreseen on the social security legislation, by the company hired for the services through assigned labor and corresponding to 11% of the gross value of the invoice, as provided on article 31 of law 8212/91, with wording provided by law 9,711/98. The total amount involved in this process corresponds to R$ 8.584. Of this total amount, the Company, based on the opinion of its attorneys, understands the chances of losing as being remote, in relation to the total R$ 4.507 corresponding to debits in periods before November 2001, encompassed by the prescription term provided on article 150 of Law 5100 72/66 (National Tax Code). The enforceability of NFLD is suspended as a result of the administrative refutation imposed by the Company. With the exception of the amounts of the litigation that correspond to the previous prescription term provided by the National Tax Code, and which are considered by the Company legal advisors as having remote risk of loss, the risk in this case will depend on assessment of peculiarities of the case, being initially classified by the Company attorneys as possible concerning the remaining issues of the process.

d) The National Social Security Institute - INSS filed a Notice of Infringement against São Martinho S.A. for noncompliance with the accessory obligations provided in Law 8.212/91. The debts correspond to the period from January 1999 to March 2006. The total amount involved in this process corresponds to R$ 2.063. Of this total, the Company, based on the opinion of its attorneys, considers the risk of losing as being remote due to the total amount of R$ 474, corresponding to debts of the period before November 2001, encompassed by the prescription term provided on article 150 of Law 5100 72/66 (National Tax Code). The enforceability of NFLD is suspended as a result of the administrative refutation imposed by the Company. With the exception of the amounts of the litigation that correspond to the previous prescription term provided by the National Tax Code, which are considered by Company's legal advisors as having remote risk of loss, the risk in this case will depend on assessment of peculiarities of the case, being therefore, classified by the Company attorneys as having potential risk for a loss, taking into account the total amount of the notice, ducted from the value assessed as having a remote risk of loss, as indicated above.

e) The National Social Security Institute - INSS filed three NFLD (Fiscal Notification of Debit Tax Assessment) against São Martinho S.A.seeking to collect contributions incident on benefits paid to administrators and collaborators of the Company and classified by the fiscal authority as indirect compensation. The debts correspond to the period between January 1999 and March 2006. The total amount involved in this process corresponds to R$ 1.341. The Company, based on the opinion of its attorneys, considers the risk of losing as being remote due to the total amount of R$ 926, corresponding to debts of the period before November 2001, encompassed by the prescription term provided on article 150 of Law 5100 72/66 (National Tax Code). The enforceability of NFLD is suspended as a result of the administrative refutation imposed by the Company. The success of this negotiation will depend on the assessment of peculiarities of the case; the Company attorneys understand it to be possible to lose in such cases, as per the amount in the notice deducted from the amount assessed as being of remote chances of loss, as indicated above.

(ii) *ICMS (state VAT).* The State Finance Department filed a tax collection action against the Company seeking collection of ICMS, relating to credits considered undue that are derived from merged companies, unfounded recording, transfer of credits to Coopersucar in a hypothesis not set forth in CAT (Coordinating Committee of the Tax Administration Board) Administrative Rule N. 33/87, and also relating to the monetary adjustment of untimely used credits. The action was judged invalid by the trial court with regard to the untimely used credits. At present, the action is in the São Paulo State Court of Justice in view of the appeal filed by the Company against the unfavorable portion of the judgment. The amount involved is R$ 12,353. 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) *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 N. 8,212/91. The thesis discussed is that there was not sufficient legislation for the collection of this contribution, since Supplementary Law N. 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 N. 8,213/91. 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 in the appeal stage. The amount involved is R$ 6,043. 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.

(iv) *Income tax – negative balance*. Usina São Martinho S.A. filed a request for refund with requests for offset of credits arising from negative balance of income tax of the merged company Usina São Martinho S.A. – Açúcar e Álcool for the year 1996, as stated in the Income Tax Return filed in 1997, against IRRF (withholding income tax), Cofins (tax on revenue), PIS (tax on revenue) and third parties' debts. For the determination of the negative balance for 1996, the IRRF on cash investments in 1993 and 1994 was offset. The Federal Revenue Service did not approve the offsets since it understood that the procedure adopted has no legal basis. Although there is an administrative appeal filed with the Board of Tax Appeals, the federal tax authorities filed four tax collection actions for the collection of these debts, which are suspended because of appeals. The adjusted amount of these actions is R$ 5,491. There is no established case law for the matters of this tax collection. The Company's legal counsel understands that an unfavorable outcome is possible.

(v) *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 this action is R$ 4,301. 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.

(vi) *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 collection of corporate income tax (IRPJ) 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 N. 1,598/77. 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$ 1,415. 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.

(vii) *Offset of federal taxes.* The Federal Revenue Service sent several collection notices to São Martinho S.A. seeking collection of several federal taxes of the Company and third parties that were offset by the Company against credits arising from: (a) IPI (federal VAT) on purchases of raw material, intermediate products and packaging materials until December 31, 1998 and used in the Company's industrial process, based on article 82, item I, Decree N. 87,981/82 and Regulatory Instruction N. 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 N. 7689/88, article 7 of Law 7,894/89 and article 1 of Law 8,147/90, which were subsequently declared unconstitutional; (c) negative balances of income tax arising from withholding income tax on cash investments, determined in tax years 1997, 1998 and 1999, which were offset against ITR (rural land tax) payable and gave rise to three tax collection actions. Against these collections the Company filed an annulment action to assure its right to offset. The collections are suspended by escrow deposits. The adjusted amount of these actions is R$ 2,123. 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.

(viii) *Other Tax Lawsuits.* Refer to several administrative and judicial collection proceedings filed by the INSS, federal, state and municipal tax authorities and professional organizations related, respectively, to differences in payroll taxes of rural workers and independent contractors, other offsets of federal taxes, ICMS (state VAT) on purchase of fixed assets, differences in ISS (municipal service tax) and payment of dues to the Regional Pharmacy Council of the State of São Paulo. The adjusted amount of these proceedings is R$ 3,238. 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.

Civil Lawsuits:

			Stage				
Subjext		Number of lawsuits	Administrative	Trial court	Lower court	Superior court	Total
(i)	*Environmental*	106	1,727	5,026	5,384	2	12,138
(ii)	*Civil*						
a)	Indemnities resulting from occupational disease or accidents	33	-	1,593	560	-	2,153
b)	Indemnity for pain and suffering	11	-	886	295	-	1,181
c)	Contract reviews	20	-	10	30	-	40
d)	Rectification of area and real-estate registry	1	-	-	-	-	-
e)	Presentation of documents	2	-	-	-	-	-
f)	Permits for obtaining Mining Research license	5	-	64	-	-	64
		178	1,727	7,579	269	2	15,577

(i) *Environmental*. The Company is a party to several administrative and judicial proceedings relating principally to sugarcane burning. 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, in view of the inaction in the regulation of Law N. 10,547, of May 2, 2000, since this Law determined tacit authorization in the absence of action on authorization requests filed more than 15 days ago; 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$ 12,138. There is no established case law for the matters of the present proceedings. The Company's legal counsel understands that an unfavorable outcome is possible, considering the special features of each case.

(ii) The Company and its subsidiaries are defendants in 72 other lawsuits involving the following matters: (a) indemnity for occupational illness and accidents; (b) indemnity for property damage and pain and suffering; (c) review of agreements; (d) rectification of area and property register; (e) disclosure of documents; and (f) mining survey license. These lawsuits total approximately R$ 3,438. 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 special features of each case.

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

20. FINANCIAL INSTRUMENTS

20.1. General considerations of risk management

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

Since the responsibility for sale of the sugar and alcohol produced by the Company and its subsidiary Usina São Martinho S.A. lies with COPERSUCAR, the risk management policy that guarantees the protection of cooperative members against fluctuations in exchange rates or prices of their products is the responsibility of the Cooperative, which enters into hedge contracts in the futures market for commodities and exchange rates. COPERSUCAR has a Risk Management Committee formed by 3 members of the respective Board of Directors, which determines the strategy of these operations. Gains or losses on hedge transactions conducted by COPERSUCAR are passed through to the cooperative members according to monthly apportionments.

20.2. Temporary cash investments

Consist principally of repurchase agreements backed by government securities and CDBs (bank certificates of deposit) indexed to the CDI (interbank deposit rate), with high liquidity and trading on the market.

20.3. Concentration of credit risk

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

20.4. Loans and financing and payables to COPERSUCAR

Loans and financing are represented by rural credit, financing from the BNDES and short-term working capital loans and are subject to market interest rates. Long-term loans and financing as of January 31, 2007, if stated at present value calculated at the annual interest rate of 13%, would amount to R$ 46,061 (R$ 125,090 – consolidated).

Payables to COPERSUCAR refer to funds obtained by the Cooperative at more attractive interest rates from those that would be obtained by cooperative members and cash surplus with low interest rate or free of interest. Such payables as of January 31, 2007, if stated at present value calculated at the annual interest rate of 13%, would amount to R$ 45,898 (R$ 164,738 – consolidated).

21. MANAGEMENT FEES

In the quarters ended January 31, 2007 and 2006, respectively, the Company paid R$ 1,062 and R$ 496 (R$ 1,849 and R$ 1,581, consolidated) for management fees. These amounts consist principally of the compensation of the executive board and board of directors and respective payroll charges.

22. OTHER OPERATING INCOME AND NON OPERATING RESULTS

Other operating incomes total R$ 4,404 - controlling company and R$ 13,306 - consolidated, in the quarter ending on January 31, 2007, relative to the transfer by Copersucar of credits resulting from prevailing in a process which discussed PIS (Employee Participation Plan) and does not allow the government any further recourses. The above mentioned amounts were converted into cash through additions and availabilities of remittances made by Copersucar and settlement of the Company liabilities and its fully owned subsidiary Usina São Martinho S.A. with the Cooperative.

Non operating revenues in the quarter ending on January 31st 2007, totaling R$ 10,959 - of the controlling company, corresponds to net earnings on the disposal to third parties of industrial equipment, including a grinding unit which was deactivated, during the optimization of the industrial plant (Note 1.1). The corresponding sales price was fully received by January 31, 2007.

23. SUBSEQUENT EVENTS

23.1. Public Offering Of Shares (see Note 1)

On February 12, 2007, the Company's shares started being traded on the *Bolsa de Valores de São Paulo* - BOVESPA (São Paulo Stock Exchange). In this public offering, a total of 18,420,870 nominative common shares was offered , without par value, free of any burdens or liens, being 10,236,870 new common shares by means of the initial offering and 8,184,000 common shares belonging to selling shareholders, by means of secondary offering. The price was established at R$ 20,00 per share, totaling the offering in R$ 368,417.

With the issuance of a supplementary lot of 2,763,130 common shares on February 27, 2007, at the same price per share, São Martinho S.A. increased the amount obtained with the public offering to R$ 423,680.

As a result of this offering, the total share capital was raised by R$ 260.000, totaling R$ 360.000, corresponding to 113,000,000 common shares.

23.2. Contacting a loan from BNDES

Usina Boa Vista S.A. representatives signed on February 16, 2007, a loan contract totaling R$ 248.876 from *Banco Nacional de Desenvolvimento Econômico e Social* – BNDES (National Economic and Social Development Bank), intended for the construction of its industrial facilities, currently ongoing. The amount was divided into eight sub-credits of variable amounts, ranging from R$ 731 to R$ 132.244. These sub-credits are subject to burden corresponding to a 1.65% rate above the rate adjusted quarterly based on the average weighted cost of all rates and expenses incurred by BNDES in obtaining these resources in foreign-currency or 2.15% per year upon the Long Term Interest Rates (*Taxa de Juros de Longo Prazo* - TJLP).

24. COMBINED INCOME STATEMENT

In view of the relevance of the merger of shares of Usina São Martinho S.A. into the Company mentioned in note 1.5 and of the fact that the Company and Usina São Martinho S.A. were under common management and control before this merger of shares, the Company decided to present combined statements of income for the quarter and nine-month period ended January 31, 2006, considering all operations of the Company and Usina São Martinho S.A. and their subsidiaries. This information is presented to provide the interim financial statement readers with a broader view of the Company’s operations considering the merger of shares. The balance sheets as of January 31, 2007 and October 31, 2006, and the consolidated income statements for the quarter and nine-month period ended January 31, 2007 already include full operations of Usina São Martinho S.A. since such closing dates are subsequent to mentioned merger of shares. For this reason, combined financial statements are not necessary for such closing dates.

The statement of income is referred to as “combined” because, as of January 31, 2006, the Company was not yet the controlling shareholder of Usina São Martinho S.A. Therefore, said financial statements cannot be referred to as “consolidated”. The combination procedures adopted in preparing said financial statements are the all usual consolidation criteria.

The combined statement of income includes the accounts of the following companies, in the proportions stated, with applicable eliminations:

- 100% of assets, liabilities, revenues, costs and expenses of São Martinho S.A., Usina São Martinho S.A., Omtek Indústria e Comércio Ltda. and Usina Boa Vista S.A.; and

- 15.7% of assets, liabilities, revenues, costs and expenses of Mogi Agrícola S.A. (percentage of investment in the subsidiary in place at that time).

The comments on the consolidated performance of the Company for the quarter and semester ending on January 31st, 2007, considered the quarterly information for the same periods in 2006 for comparison, as shown below.

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

SÃO MARTINHO S.A.

COMBINED STATEMENTS OF INCOME FOR THE QUARTER AND
NINE-MONTH PERIODS ENDED JANUARY 31, 2006
(In thousands of Brazilian reais - R$)

	Combined	
	01/31/2006	01/31/2006
	Quarter	Nine-month period
GROSS SALES	198,588	586,061
DEDUCTIONS FROM GROSS SALES	(21,019)	(51,857)
NET SALES	177,569	534,204
COST OF SALES	(112,884)	(366,967)
GROSS PROFIT	64,685	167,237
Operating (expenses) income:		
Selling expenses	(7,501)	(31,243)
General and administrative expenses	(20,446)	(55,951)
Management fees	(1,582)	(4,788)
Other operating income, net	446	856
	(29,083)	(91,126)
Income from operations before financial items	35,602	76,111
Financial income (expenses):		
Financial income	16,386	30,641
Financial expenses	(21,187)	(52,128)
Monetary and exchange gains	4,661	11,324
Monetary and exchange losses	(5,630)	(9,376)
	(5,770)	(19,539)
Income (loss) from operations	29,832	56,572
Nonoperating income	1,166	1,806
Income (loss) before income and social contribution taxes and income (loss) from spun-off net assets	30,998	58,378
Income and social contribution taxes - current	(4,608)	(13,083)
Income and social contribution taxes - deferred	(5,485)	(6,754)
	(10,093)	(19,837)
Net income from spun-off assets and liabilities	(273)	6,545
Net income	20,632	45,086