Tereos Internacional Reports Q2 2010/11 Results

- **Total Revenues:** R$1.5 billion
  - + 12.5% Year-on-Year, + 26.7% at constant exchange rate
- **Adjusted EBITDA:** R$286.2 million
  - + 44.3% Year-on-Year, + 70.1% at constant exchange rate
  - Reported EBITDA: R$226.4 million, +1.4% Year-on-Year, +17.5% at constant exchange rate
- **Sugarcane:** strong increase in EBITDA driven by recent acquisitions, higher sugar production and favorable market conditions
  - Increase in sugar production with the start-up of Tanabi sugar factory and expansion of the São José and Cruz Alta plants in Brazil
  - Start-up of Andrade cogeneration facility
  - Successful integration of Vertente and Mandu mills in Brazil and of GQF in La Réunion
- **Cereal:** revenues and EBITDA impacted by lower prices and higher cost of goods sold
  - EBITDA temporarily affected by a mismatch between prices and cost of goods sold for the starch activity and lower production in ethanol segment
  - Successful optimization of starch plants: stable volumes achieved after closure of Greenwich plant (UK)
  - Commercial certification of DVO's premium alcohol by Bacardi
- On a constant currency basis, second half 2010/2011 results are expected to benefit from:
  - Impact of continued high sugar and ethanol prices on Brazilian sugarcane operations, despite a reduced crop in Brazil
  - Normalized gross margins for the European cereal operations in the final quarter, as new sales contracts should reflect higher raw material and energy costs
  - Continued contributions from recent acquisitions in sugarcane activities in Brazil and La Réunion

CEO COMMENTARY: "Tereos Internacional had several important achievements in this quarter, including: the integration of acquired sugarcane mills in Brazil and in La Reunion; the optimization of our starch industrial structure, which maintained stable volume with fewer plants; and the recent certification by Bacardi of our DVO's premium alcohol production."

"Our second quarter performance represented year-over-year and sequential improvements in revenues and operating profitability, driven in large part by the strength of our Brazilian sugarcane operations. Our 83% year-over-year increase in Brazilian sugar production reflected both the benefits of our strategy as an industry consolidator and the success of our organic growth program, which was enhanced by the start-up of the Tanabi sugar factory and the capacity expansion at São José and Cruz Alta."

"In the second quarter, our cereal business results were impacted by increases in energy and raw material prices. As contract renegotiations that should reflect our cost increases begin in the third fiscal quarter, we are confident that margins will return to more normalized levels in the fourth quarter."

"With its strong industrial base, diversified array of products, and longstanding relationships with raw material suppliers, Tereos Internacional is well positioned to benefit from positive market conditions. The listing of Tereos Internacional and our strategic partnership with Petrobras in Brazil are indicative of our strategy of organic growth and consolidation."

SÃO PAULO, NOVEMBER 15, 2010 - Tereos Internacional (Bovespa:TERI3), one of the world's leading producers of sweeteners and bioenergy through its sugarcane and cereal processing activities, reported financial results for the second quarter ended September 30, 2010. The Company's financial statements were prepared in accordance with International Financial Reporting Standards (IFRS).

FINANCIAL AND OPERATING HIGHLIGHTS - 2ND QUARTER 2010/2011

R$ Million	Q2 2010/2011 As Reported	Q2 2009/2010 As Reported	Change As Reported	Change At Constant Currency*
Net Revenues	1,498	1,332	+12.5%	+26.7%
Gross Profit	244	356	-31.5%	-22.3%
Gross Margin	16.3%	26.7%		
EBIT	63	128	-50.4%	-40.0%
Adj. EBIT	123	103	+19.2%	+51.3%
EBITDA	226	223	+1.4%	+17.5%
EBITDA Margin	15.1%	16.8%		
Adj. EBITDA**	286	198	+44.3%	+70.1%
Adj. EBITDA Margin	19.1%	14.9%		
Depreciation and Amortization	-163	-95	+71.6%	+89.9%
Net Result - Group Interest	-19	87	-121.8%	-
Capex	113	109	+3.6%	-

Change at Constant Currency*: amounts corresponding to the results reported for Q2 2009/2010, calculated by the application of the exchange rate of R$2.26/€1.00, which corresponds to the exchange rate applied for Q2 2010/2011

R$ / Euro	Q2 2010/2011	Q2 2009/2010
Average Rate	2.2618	2.6691
Closing Rate	2.3098	2.6003

Adjusted EBITDA**: EBITDA excluding items from discontinued operations, accounting effect of the adjustment in the fair value of the biological assets and financial instruments.

OPERATING AND FINANCIAL PERFORMANCE - 2ND QUARTER 2010/2011

• For the second quarter, net revenues were R$1.5 billion, a sequential increase of 38.5% from the R$1.1 billion reported in the prior quarter and 12.5% above the R$1.3 billion of last year's second quarter. On a constant currency basis, second quarter revenues were up 26.7% from the year-ago quarter. Revenues for the current period include the contributions of Mandu and Vertente, in Brazil, and Groupe Quartier Français in La Réunion, all of which were acquired earlier this year.

• Adjusted EBITDA was R$286 million, representing an increase of 44.3% over the year-ago quarter, calculated on the same basis. On a constant currency basis, adjusted EBITDA was up 70.1% from the year-ago quarter.

Adjusted EBITDA excludes items from discontinued operations, as well as the accounting effect of the adjustment in the fair value of the biological assets and financial instruments, aggregating R$59.8 million as follows:

- Discontinued operations: - R$3.0 million
- Accounting effect of financial instruments mark-to-market adjustment: - R$20.8 million
- Accounting effect of biological assets fair value adjustment: - R$36.0 million

• As a result, the reported EBITDA for the quarter was R$226.4 million, up 17.5% from last year's second quarter on a constant currency basis, and slightly higher (+1.4%), compared to the R$223.3 million reported in the fiscal 2009/2010 second quarter.

• Depreciation and amortization was R$163 million, up 71.6% from the year-ago quarter, in line with the investments in DVO, the Vertente, Mandu and GQF acquisitions, as well as the capital expenditure programs, for the increase in sugar production in São José, Cruz Alta and Tanabi plants.

INDEBTEDNESS AND FINANCIAL RESULT - 2ND QUARTER 2010/2011

• Net financial expenses were R$43.1 million, an improvement from first quarter 2010/2011 levels of R$58.3 million, but below the net financial income of R$5.7 million reported for last year's second quarter. Net interest costs for the quarter were R$38.9 million, up 25.1% year-on-year, with a foreign exchange loss of R$0.5 million.

• Tereos Internacional's total net debt at September 30, 2010 stood at R$2,416 million, representing a 9.7% increase compared to June 30, 2010 levels. This increase is in line with increased working capital needs of sugarcane, mainly due to seasonality and the expanded scope of operations.

• 24.2% of the gross debt was Real-denominated, 26.1% was US Dollar-denominated, 47.8% was Euro-denominated and 1.9% was other currencies.

• The LTM Net Debt/EBITDA ratio was at 3.4x at September 30, 2010.

• After inclusion of the R$59.8 million effect of items from discontinued operations, as well as the accounting effect of the adjustment in the fair value of the biological assets and financial instruments, the Company incurred a reported net loss for the period of R$19 million.

MARKET COMMENTARY - SUMMARY

Following is a summary of the market commentary that reviews major price and production trends for the Company's primary product categories. A more detailed discussion can be found on Page 17.

- **Sugar**

Raw sugar prices (NY 11) increased by 40.3% in the quarter ended September 30, 2010, reflecting a confluence of factors, including: sugar production below expectation among leading producers (Brazil, India) and short-term demand pressure coupled with low world stocks. Drier-than-expected weather in the Center-South affected Brazilian sugarcane fields, and exports were hurt by logistical bottlenecks at the ports. Domestic Brazilian sugar prices are expected to remain strong.

- **Starch**

Several factors, including climatic issues, drove up spot wheat prices during the period. World stocks, however, are expected to be sufficient to meet demand. Corn prices have also moved higher in response to low world inventories as well as the impact of higher wheat prices as it is expected to be used as a substitute.

Increased demand for starch-based products continued in Europe, while starch producers using potato as the raw material faced supply difficulties and starch-based product offerings reflected the industry's limited spare capacity.

- **Alcohol / Ethanol**

During the quarter ended September 30, 2010, ethanol prices increased worldwide due to the tight supply-demand situation.

Ethanol prices increased in Brazil, driven by a recovery in ethanol consumption and a reduction of sugarcane diverted to biofuel production, as a result of high sugar world sugar prices. Domestic Brazilian ethanol prices are expected to remain strong in the short term.

Increased consumption combined with a lag in production in the EU and the favorable international environment led to a strong recovery in ethanol prices in Europe during the period. These factors also contributed to stronger alcohol prices for non-fuel applications.

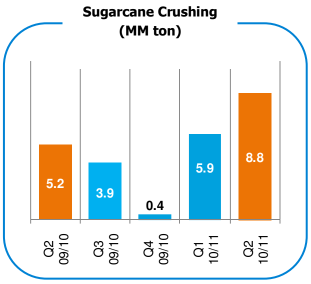
SEGMENT HIGHLIGHTS

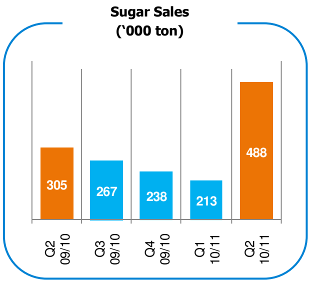
HIGHLIGHTS

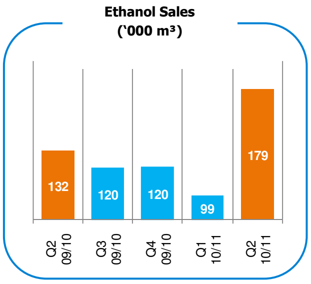
R$ Million	Q2 2010/2011 As Reported	Q2 2009/2010 As Reported	Change As Reported	Change At Constant Currency
NET REVENUES	**1,498**	**1,332**	**+12.5%**	**+26.7%**
Sugarcane	**744**	**408**	**+82.5%**	**+87.6%**
Brazil	613	355	+ 72.7%	+72.7%
Indian Ocean	131	53	+147.2%	+215.6%
La Réunion	116	35	+ 234.1%	+ 297.0%
Mozambique	15	18	- 18.2%	+ 19.6%
Cereal	**751**	**924**	**-18.7%**	**-4.3%**
Starch Europe	591	741	- 20.2%	- 6.1%
Ethanol Europe	159	183	- 12.5%	+ 2.8%
Other	**2**	**-**	**-**	**-**
EBITDA	**226**	**223**	**+1.4%**	**+17.5%**
Sugarcane	**164**	**83**	**+97.3%**	**+123.1%**
Brazil	139	51	+ 175.1%	+175.1%
Indian Ocean	25	32	-21.9%	+8.3%
La Réunion	29	6	+ 348.8%	+ 430.1%
Mozambique	- 4	26	- 115.9%	- 123.7%
Cereal	**68**	**140**	**-51.4%**	**-43.0%**
Starch Europe	61	121	- 49.6%	- 40.7%
Ethanol Europe	7	19	- 63.8%	- 57.3%
Other	**-6**	**-**	-	-
ADJUSTED EBITDA	**286**	**198**	**+44.3%**	**+70.1%**
Sugarcane	**228**	**59**	**+286.4%**	**+357.2%**
Brazil	189	41	+360.9%	+360.9%
Indian Ocean	39	18	+117.0%	+169.9%
La Réunion	29	6	+383.3%	+430.1%
Mozambique	10	12	-16.6%	+161.9%
Cereal	**63**	**139**	**-54.7%**	**-46.4%**
Starch Europe	56	120	-53.3%	-44.6%
Ethanol Europe	7	19	-63.1%	-57.3%
Other	**-6**	**-**	**-**	**-**

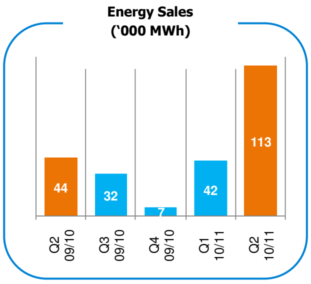
BRAZIL: GUARANI

- **RECORD SUGARCANE CRUSHING AND SUGAR PRODUCTION**
- **SHARP RISE IN NET REVENUES AND EBITDA**









Note: The Brazil segment includes (1) all legacy sugarcane operations in Brazil, (2) 50% of the Vertente plant consolidated as of Q1 2010/2011; and (3) the Mandu plant consolidated at 100% as of Q2 2010/2011.

GUARANI

R$ Million	Q2 2010/2011 As Reported	Q2 2009/2010 As Reported	Change As Reported
Sugarcane crushed ('000 tons)	8,751	5,222	+67.6%
Sugar production ('000 tons)	766	419	+82.8%
Ethanol production ('000 m^3)	340	181	+87.8%
Net Revenues	613	355	+72.7%
Gross Profit	158	120	+31.7%
Gross Margin	*25.9%*	*33.7%*	-
Selling & Logistic Expenses	-55	-46	+19.6%
General & Administrative	-43	-15	+184.1%
Other Operating Results	-15	-52	-65.4%
Depreciation and Amortization	-100	-49	+120.4%
EBITDA	139	51	+175.1%
EBITDA Margin	*22.7%*	*14.4%*	-
Adjusted EBITDA	189	41	+360.9%
Adjusted EBITDA Margin	*30.9%*	*11.5%*	-

Sugarcane Crushing
This was another quarter of record sugarcane crushing, which reached 8.7 million tons in the second quarter and 14.7 million tons for the first half 2010/2011. This represented increases of 67.6% and 51.1%, respectively, compared to the second quarter and first half of last year. 77% of the sugarcane crushed was supplied by third party growers during the quarter, with the remainder coming from Company-owned or leased fields.

In the second quarter, total production measured in TRS (Total Recoverable Sugar) increased 84.7% from last year's levels to 1.4 million tons, benefitting from dry weather conditions that are favorable for crushing.

On the other hand, as a consequence of the dry weather in the sugarcane fields, lowering sugarcane availability, the Company's crushing estimate for this year's crop has been reduced from 20.3 million tons to 20 million tons.

Production
The Company successfully shifted production mix toward sugar in order to benefit from higher prices and margin potential, and opportunistically added to ethanol inventory during crop season in order to take advantage of favorable pricing trends.

Sugar production accounted for 57.9% of total TRS production in the second quarter compared to 58.6% last year. This includes the effect of the Vertente and Mandu acquisitions, which produce more ethanol.

Second quarter sugar production reached a record 766,000 tons, which represented a year-over-year increase of 82.7%. In addition to the higher sugar content of the raw material, production growth over comparable 2009/2010 levels was driven by increased capacity in the São José and Cruz Alta plants and the ramp-up of the Tanabi plant, which in the aggregate, accounted for a 37.4% increase in sugar production, excluding the contribution of the company's recent acquisitions. White and crystal sugar accounted for 67.1% of total production for the second quarter, a decrease from the 96.9% of the previous year due to the existing raw sugar production of recent acquisitions.

Ethanol production increased 87.3% to 340,000 m^3, mainly due to the Vertente and Mandu plants. Anhydrous ethanol accounted for 33.5% of this quarter's production, compared to 28.7% in last year's second quarter.

At September 30, 2010, inventories were up on a year-on-year basis:

- Sugar inventories were equal to 514,000 tons, representing 42.3% of first half 2010/2011 production and equivalent to R$234.4 million. At September 30, 2009 sugar inventories were 270,000 tons and equivalent to R$144.3 million.

- Ethanol inventories were 257,000 m^3, representing 49.6% of first half 2010/2011 production and equivalent to R$206.5 million. At September 30, 2009 ethanol inventories were 128,000 m^3 and equivalent to R$106.0 million.

Revenues
Total net revenues for Brazil were R$613.0 million, up 72.7% from the R$355.0 million reported for the comparable year-ago period, mainly due to an increases of R$181.8 million in volume and of R$76.2 million in prices and changes in production mix.

Sugar sales accounted for 65% of the total revenue increase, reflecting a 60.3% increase in sales volumes, mainly to the export market, as well as a combined product mix and price increase of 7.2% to R$821.5/t from R$766.3/t. Excluding the effect of the higher raw sugar production from the Mandu and Vertente mills, prices would have increased 11.2%.

Ethanol sales accounted for 19.8% of the year-over-year revenue increase, reflecting a 35.0% increase in sales volumes and a 13.5% increase in ethanol prices to R$822.0/$m^3$. Due to the higher prices reached for the anhydrous ethanol (average of R$920.7/ m^3), anhydrous ethanol accounted for 33.5% of production in this year's second quarter compared to 28.7% last year. Total ethanol revenue increased by 53.2% due to the additions of Vertente's and Mandu's volumes.

Gross Profit / Gross Margin

Gross margin for the second quarter, including Mandu and Vertente, was 25.9% representing gross profit of R$158.5 million as compared to gross profit of R$119.7 million, or 33.7% of segment revenues, in last year's second quarter.

The decrease in gross margin was due to the net accounting effect of the fair value adjustment on biological assets of R$88 million. Excluding this impact, gross margin would have increased by 6.2 percentage points to 32.1%.

Gross Profit for the quarter included other revenues not related to the main activity, mainly services rendered to suppliers and sales of other agricultural products (R$60 million), which aggregated R$73.7 million for the quarter, and their corresponding non-recurring costs of R$77.7 million.

SG&A

Selling and logistics expenses were R$55.0 million, or 9.0% of segment revenues, as compared to R$46.4 million, or 13.1% of segment revenues, in the second quarter of 2009/2010. General and administrative costs increased to R$42.9 million from R$15.1 million in last year's second quarter.

Adjusted for non-recurring items of R$24.6 million, which included R$3 million of costs from discontinued activities, R$11 million of one-time reclassification expenses and R$10.6 million of non-recurring provision-related expenses, general and administrative costs would have been R$18.1 million, including the consolidation of Mandu and Vertente.

EBITDA

Other operating results reported an expense of R$15 million, reduced by R$33 million as compared to the second quarter 2009/10, mainly due to a reduction in hedging expenses of R$14.8 million, and R$17.8 million related to reclassification of selling and administrative expenses.

EBITDA increased 175.1% to R$139.4 million for the second quarter and represented 22.7% of segment revenues, up from R$50.7 million, or 14.4% of segment revenues, reported in last year's second quarter, adjusted to IFRS.

Adjusted EBITDA increased 360.9% year-over-year to R$189.2 million, and represented 30.9% of segment revenues.

The strong year-over-year Adjusted EBITDA performance was mainly due to higher organic growth and acquisition revenues, favorable product mix and lower selling and hedging expenses.

Capital Expenditures

Capital expenditures for the second quarter were R$41 million compared to R$3 million in last year's second quarter.

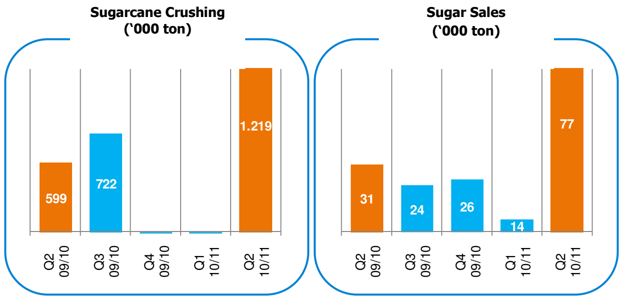
The breakdown of capital expenditures was as follows:

- R$12.5 million for plantation activities

- R$28.8 million in PPE primarily for the future increase of crushing and cogeneration capacity at Mandu (R$13.4 million), the expansion of the São José mill and the sugar factory at Tanabi (R$6.6 million), as well as sugar expansion capacity and operational improvements at the Cruz Alta mill (R$8.8 million)

INDIAN OCEAN: LA RÉUNION AND MOZAMBIQUE

- **SHARP RISE IN REVENUES AND EBITDA, REFLECTING ACQUISITION OF GROUPE QUARTIER FRANÇAIS**



INDIAN OCEAN

LA RÉUNION: SUGARCANE CRUSHING AND PRODUCTION

Second quarter results for this segment include the production of Groupe Quartier Français, which was acquired on July 3, 2010.

Sugarcane Crushing
The crop started on July 5th in Bois Rouge, one week later than in 2009, and on July 15th in Gol, similar to last year.

In the second quarter, 989,000 tons of sugarcane were crushed. In last year's second quarter, a problem with the cogeneration system caused a four week work stoppage at the Bois Rouge plant. The Company expects to crush 1.9 million tons by the end of this year's crop.

Sugar production
Including the sugar production of Groupe Quartier Français, the sugarcane operations in La Réunion produced 106,000 tons of sugar during this year's second quarter, despite the unfavorable weather conditions, which also reduced the harvest.

Revenues
Second quarter revenues were R$116.5 million, a significant increase from the R$34.9 million reported in last year's second quarter. Excluding the effect of the Groupe Quartier Français acquisition, revenue growth was 18.6%. Revenues benefitted from a significant increase in volume, mainly from the recent acquisition, partially offset by a negative R$5.5 million foreign exchange impact.

EBITDA
EBITDA reached R$29.1 million up from R$6.5 million in the second quarter 2009/2010, including the effect of the Groupe Quartier Français acquisition.

Capital Expenditures
Capital expenditures for the second quarter were R$41 million compared to R$3 million in last year's second quarter. This increase is primarily due to maintenance and environmental investments.

MOZAMBIQUE: SUGARCANE CRUSHING AND PRODUCTION

Sugarcane crushing
The crop started on June 5th in Marromeu, Companhia de Sena's mill location, a month after the beginning of last year's crop due to poor weather conditions, with the rainy season beginning in January instead of mid-December, and affecting the volume of sugarcane crushed.

Sugarcane crushing reached 230,000 tons in the second quarter.

The Company expects to crush 525,000 thousand tons by the end of this year's crop season.

Sugar production
Sugar production reached 19,000 tons in the second quarter, representing an increase of 5.6% over the similar period of last year's crop due to higher sugar extraction.

Revenues
On a constant currency basis, revenues were R$12 million, up 19.6% from the comparable year-ago period. Revenues were affected by a 5.6% increase in sales volume and a price increase of 12.6%. As reported, second quarter revenues were R$14.6 million, a 18.2% decrease from the R$ 17.8 million reported in last year's second quarter.

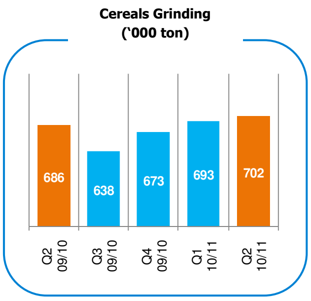
EBITDA
EBITDA was negative R$4.2 million, highly impacted by the accounting effect of the fair value adjustments in the biological assets.

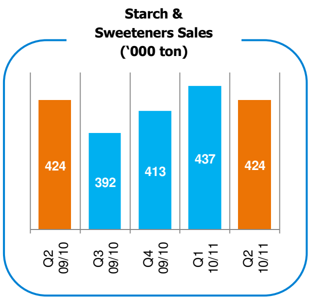
Adjusted EBITDA was R$9.8 million, down from last year's Adjusted EBITDA of R$12.3 million.

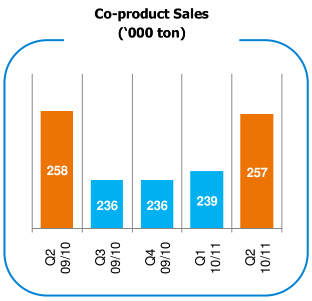
Capital Expenditures
Capital expenditures for the second quarter were R$5.2 million compared to R$6.5 million in last year's second quarter. Investments target an acceleration in the yield improvements experienced during the beginning of this crop, primarily by expanding the irrigation area and improving the drainage of the fields, as well as by replanting sugarcane and improving the agricultural equipment and logistics.

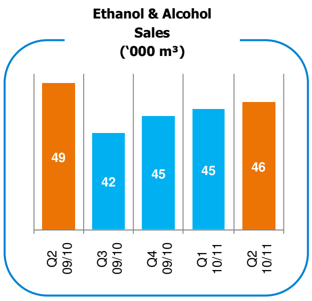
Starch Europe: Syral

- **Revenues and EBITDA impacted by higher energy prices and lower prices**









Syral

R$ Million	Q2 2010/2011 As Reported	Q2 2009/2010 As Reported	Change As Reported	Change At Constant Currency
Cereal grinded ('000 tons)	702	685	+2.5%	-
Starch & Sweeteners production (' tons)	424	424	-	-
Alcohol & Ethanol production ('000 m^3)	49	46	+6.5%	-
Net Revenues	591	741	-20.2%	-6.1%
Gross Profit	128	208	-38.4%	-26.4%
Gross Margin	*21.7%*	*28.1%*	-	-
Selling & Logistic Expenses	-79	-61	+29.9%	+50.8%
General & Administrative	-54	-19	+189.7%	+232.9%
Other Operating Results	34	-45	-176.7%	-200.4%
Depreciation and Amortization	-32	-37	-13.9%	+1.4%
EBITDA	61	121	-49.6%	-40.7%
EBITDA Margin	*10.5%*	*16.3%*	-	-
Adjusted EBITDA	56	120	-53.3%	-44.6%
Adjusted EBITDA Margin	*9.5%*	*16.2%*	-	-

Cereal Grinding
Cereal grinding increased 2.5% to 702,000. The Company expects to grind 2,770,000 tons of cereal by the end of this year's crop, 2% above last year's levels.

The raw material is acquired by the Company on the free market. The free market is comprised of European cereal cooperatives, private trading companies and associated French cereal cooperatives that have a fourfold production capacity over the Company's supply needs.

Production
The Company succeeded in maintaining its 2009 sales and inventory volume levels despite the closing of its UK facility in September of last year. This was accomplished by increasing the industrial utilization efficiency rate of its other mills.

Starch & sweeteners accounted for 90.1% of total production in the second quarter compared to 89.7% last year. This included the effects of the surrender of the isoglucose quotas by the Company's operations in Spain and the closing of the UK facility that had produced 200,000 tons.

Alcohol & ethanol accounted for 9.9% of total production in the second quarter down by just 2,400 m^3 when compared to the same period last year.

Co-products production declined slightly this quarter (-0.4%), when compared to the same period last year, reaching total production in the second quarter of 257,000 tons compared to the 238,600 tons of the first quarter.

Inventories: The Company keeps low alcohol and ethanol inventories due to its all-year production and commercialization strategies. For starch and sweeteners, inventories remained stable, at approximately 20 days of production at September 30, 2010.

Revenues
Total net revenues increased to R$591.1 million on a sequential basis but declined 20.2% on a year-over-year basis. In constant currency terms, the year-over-year decrease was 6.1%, reflecting a 6% decline in selling prices and stable volumes.

Starch & Sweeteners revenues accounted for 59% of total revenues, or R$348.9 million in the second quarter. Reported revenues declined 25.7% from the prior year and were down 2.5% sequentially. On a constant currency basis, net revenues decreased by 8% compared to the second quarter of 2009/2010, primarily due to lower selling prices on similar volumes of 424,100 tons.

Alcohol and Ethanol revenues increased to R$65.6 million from R$54 million in this year's first quarter, but declined 5% on a constant currency basis, when compared to last year's second quarter. This reflects the effect of stable prices and a volume decrease of 5.1% to 46,500 m^3.

Co-products revenues increased 14.7% to R$156.1 million sequentially but, on a constant currency basis, revenues declined 3% from the comparable period last year, reflecting a 0.4% reduction in volume to 257,000 tons, and a slight decline in selling prices.

Other revenues, mainly income from sales of energy from the Company's co-generation facilities and other services, increased to R$20.6 million from R$5.8 million in last year's second quarter.

Gross Profit / Gross Margin
Gross margin for the second quarter decreased from 28.1% to 21.7%, to R$128 million, as compared to R$208 million in last year's second quarter.

The reduction in gross margin was due to the foreign exchange effect as well as a mismatch between the 6.1% decrease in starch net revenues (at constant currency) and a 1.7% increase in Cost of Goods Sold (COGS), primarily due to a 20% increase in gas prices, resulting in higher energy costs of approximately R$11 million for the quarter.

This temporary effect was caused by the fact that a significant part of the cereal business' selling contracts is negotiated in the October / November season, for implementation in January of the following year. The negotiation of selling prices is usually based on the raw material trends of the Company's Q2 and early Q3, including cereal and gas. The Company's hedging policy aims at reducing the impact of raw material price movements during the length of commercial contracts.

As a consequence of the Company's hedging policy, COGS in the next quarter should be impacted by:

- a limited increase in cereal purchasing costs until most new contracts become effective in January 2011, despite surging wheat and corn market prices
- a limited 5% remaining increase in gas prices until most new contracts become effective in January 2011.

SG&A

Selling and logistics expenses were R$79 million, or 13.4% of revenues, compared to R$61 million, in the second quarter of 2009/2010. Adjusted for R$20 million in one-time reclassification logistic expenses (previously classified in other expenses), second quarter 2009/1010 would have been R$81 million.

General and administrative costs increased to R$54 million from R$18.7 million in last year's second quarter. This year's costs included one-time expenses of R$11 million, mainly related to development projects fees attributed in total for the quarter, and non recurring income of R$14 million, related to the cancellation of a social security provision related to the activities of the Italian and Belgian subsidiaries; therefore, the recurring G&A cost increase was only R$10.3 million.

EBITDA

Other operating results reported a gain of R$34 million, compared to a loss of R$45 million in the second quarter of 2009/2010. The loss of R$45 million included R$ 20 million, a one-time reclassification of logistic expenses. The remaining costs of second quarter 2009/10 were related to the social plan of the Greenwich plant. The gain of R$34 million in the second quarter 2010/2011 was due to revenues from CO2 quota (R$ 10 million) and other income.

As a consequence, EBITDA decreased to R$60.9 million, or 49.6% in the second quarter from the comparable period last year. Excluding the currency impact, EBITDA fell 40.7% year-over-year resulting from the impact of the increase in energy costs into our fixed revenues resulting in lower gross profits and higher SG&A.

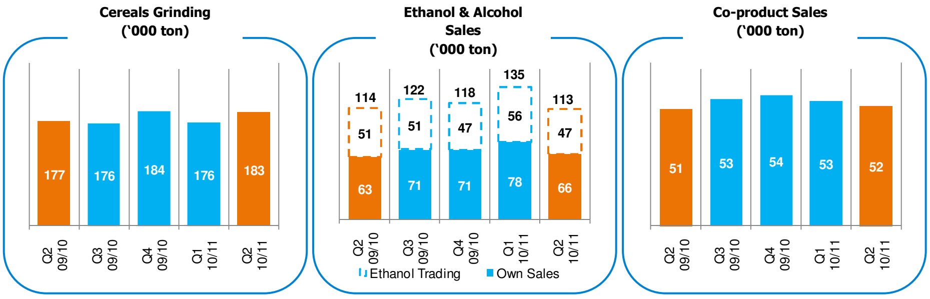
Adjusted EBITDA was R$56.4 million, representing a 53.3% year-over-year decline. Adjustments included: R$4.5 million income from the accounting effects of fair value adjustments, positive impacts for energy and currencies of respectively, R$2.9 million and R$9.8 million, and an R$8.2 million negative impact for cereals.

Capital Expenditures

Capital expenditures for the second quarter were R$18 million compared to R$77 million in last year's second quarter. Capital expenditures were mainly allocated to energy savings, optimization of the production line and equipment purchases for the Selby grain alcohol plant.

Ethanol Europe: BENP Lillebonne and DVO

- **REVENUES UP SLIGHTLY IN CONSTANT CURRENCY**
- **PROFITABILITY IMPACTED BY HIGHER ENERGY PRICES**



Cereal Grinding

Cereal grinding reached 183,500 tons, an increase of 4% over the comparable period last year. The Company expects to grind 710,000 tons of cereal by the end of this year's crop, stable or + 1% compared to the previous year's crop.

The raw material is acquired through a 725,000 ton long term contract from associated French cereal cooperatives. Cereal prices are based on BENP Lillebonne products selling prices. Remaining volumes for the DVO premium alcohol activity are also supplied through specific long term contracts from associated French cooperatives.

Production

This quarter, industrial activities still suffered from the consequences of the tests made in the first quarter using barley as an alternative raw material, with a series of stoppages required to address technical problems. The Company has, as per July 2010, continued its activities with the primary raw material base, which is wheat, and has increased ethanol production by 4.8%, compared to the same period last year.

During the next quarter, BENP Lillebonne will continue to work on improving the reliability of the production facility, as well as finding energy savings, with the consequent possibility of further technical stoppages that will not permit the plant to operate at full capacity.

Ethanol production for the second quarter of 2010/2011 was 66,000 m^3, a reduction of 12,000 m^3 over first quarter levels. The Company expects production to recover in the second half of the year to previous levels resulting from the stoppage of barley trials as well as technical improvements performed in the plant, and increased production from the DVO plant now that commercial certification was obtained from Bacardi.

Co-products production declined slightly this quarter, by 1.5%, when compared to the same period last year, reaching total production of 50,700 tons.

Revenues

In addition to its production, BENP Lillebonne distributes all sugarbeet based ethanol produced by Tereos France. The Company expects that this agreement should provide an additional 210,000 m^3 of ethanol to be distributed by BENP Lillebonne until the end of the Q4 2010/2011.

Improved price and product mix resulted in a 2.8% sequential increase in year-over-year revenues.

Alcohol and ethanol revenues amounted to R$142.4 million or 88.8% of segment revenues. In constant currency terms, revenues increased 2% over 2009/2010 levels and 1% sequentially, reflecting a 5.4% price increase, which more than offset a slight reduction in volume to 113,000 m^3. Alcohol and ethanol reported revenues were down 12.1% compared to 2009/2010 levels.

Co-products revenues decreased by 22.4% to R$16.6 million. Excluding the currency impact, net revenues decreased by 5% on a slight volume increase of 0.8% to 52,000 tons, offset by a price reduction resulting from a 6% decline in grain prices and the different type of co-products that have been produced during this quarter, in view of the industrial capability of the plant.

Gross Profit / Gross Margin

Gross margin for the second quarter declined from 12.6% to 4.4%, reflecting gross profit of R$7 million compared to R$23 million in last year's second quarter.

The reduction in margin was mainly due to:

- a 20% increase in energy prices, resulting in additional costs of R$4 million,
- higher industrial costs related to irregular production in the plant during the quarter.

SG&A

Selling, General and Administrative expenses of R$8.9 million, or 5.5% of revenues declined compared to R$11.8 million, or 6.4% of revenues, in the second quarter of fiscal 2009/2010.

EBITDA

EBITDA declined by 63.8% to R$6.9 million from last year's second quarter. Excluding the currency impact, EBITDA was down by 57.3% primarily due to higher production costs.

Capital Expenditures

Capital expenditures for the second quarter were R$7 million compared to R$20 million in the prior year's second quarter. Capital expenditures were mainly linked to improving the reliability of the production facilities and to energy savings.

▪ RECENT CORPORATE DEVELOPMENTS

The Company announced that its subsidiary, Açúcar Guarani S.A. signed a contract valued at approximately R$2.1 billion over four years to deliver up to 2.2 billion liters of ethanol to Petrobras Distribuidora and Petrobras Biocombustível. This contract is a result of the strategic partnership that Tereos Internacional forged with Petrobras in April of this year. The new agreement provides Tereos Internacional with a seamless sales structure and access to important new global customers as well as to an extensive transportation infrastructure.

Two energy contracts were awarded to Tereos Internacional's Guarani subsidiary in the second quarter, representing cogeneration projects in the Reserve Energy Auction and the Alternative Sources Auction. In the aggregate, these contracts represent an average of 55.7 MW per year, equivalent to 488 GWh per year, over the next 15 to 20 years. With the addition of these new cogeneration contracts, the Company will be supplying almost 750 GWh per year, starting with the 2013/2014 crop.

The DVO high-quality alcohol plant has passed its certification tests for distribution in the US, and the agreement recently signed with Bacardi will go into effect in the second half of fiscal 2010/2011, with DVO delivering premium alcohol for the Grey Goose brand.

In October 2010, the US Environment Protection Agency (EPA) certified Guarani's Severínia mill, in Brazil, for the commercialization of ethanol in the United States, qualifying its ethanol as a renewable fuel achieving the required significant reductions in greenhouse emissions, in accordance with the Renewable Fuel Standard (RFS2) program.

▪ PRUDENT RISK POLICY AND USE OF FINANCIAL INSTRUMENTS

Sugar futures sales and swap transactions are qualified as cash-flow hedges (CFH); as such changes in fair value are booked in equity. Options are considered as trading transactions and their fair value variations are booked through the income statement. As a result, the impacts in the income statement are directly related to changes in the commodities markets, which were extremely volatile over the year.

The Group's exposure to commodities derivatives is the most significant in the second quarter of the fiscal year mainly due to the fact that positions are taken in the harvest period. The predominant part of the derivatives is futures purchase positions, a minor part is the purchase of options. Sales of options are very limited. The fair value of cereals derivatives was R$7.4 million negative in the whole position of commodities. All these operations are accounted for as trading derivatives in the income statement, although economically they are intended to hedge the Group's risk to its raw material exposure.

Commodities derivatives are considered to be directly linked to the core business activity of the Group and therefore the result of closed commodities operations and the fair value of commodities derivatives in trading are booked in operating result.

▪ OUTLOOK AND CAPITAL INVESTMENT PLAN

On a constant currency basis, second half 2010/2011 results are expected to benefit from:

- The impact of continued high sugar and ethanol prices on its Brazilian sugarcane operations, despite a reduced crop in Brazil due to dry weather
- Normalized gross margins for the Company's European cereal operations as new sales contracts reflect higher raw material and energy costs
- Increased volumes and prices from EU premium alcohol and ethanol activities
- Initial synergies from the integration of assets in La Réunion, including the reduction of maintenance costs

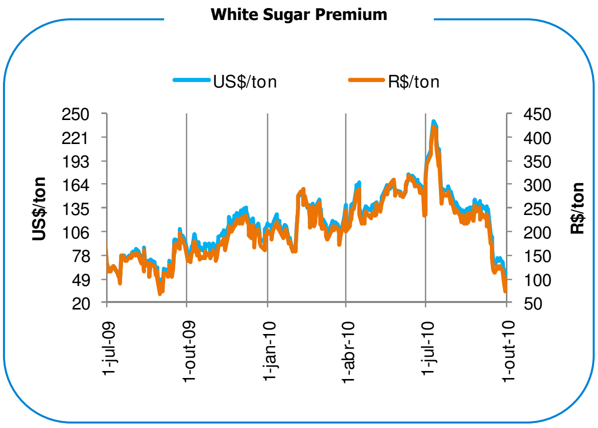
Over the longer term, results are expected to benefit from recent corporate actions, including:

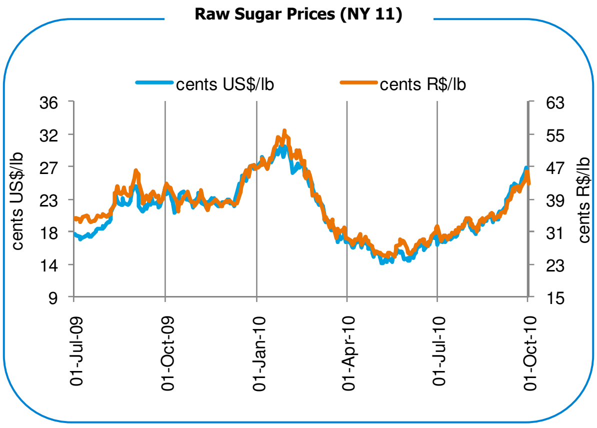
- plans to combine the Company’s European ethanol business into its Cereal operations (Syral), in a move to simplify its organizational structure, increase capacity and gain synergies; and
- changes in the Lillebonne plant’s business mix that will reduce the Company’s volatility and increase synergies from producing new products in the facility.

In fact, the Board of Directors recently approved a R$130 million (€56 million) investment project for the production of gluten in the BENP Lillebonne facility. Beginning July 2011, the site is expected to be a multiproduct facility, operating at the same high standards of the Company’s other industrial units. It will maintain the capability of producing ethanol from its on-site cereal transformation activities, but will have the added capability of producing gluten for the food industry, using Syral’s technology and know how.

ADDITIONAL MARKET COMMENTARY

- **SUGAR**





World Sugar Market

Return of high sugar prices, driven by fall in production and greater demand on low world stocks

Raw sugar prices (NY 11) continued to increase in Q2 10/11, ending the quarter quoted up 40.3% at 25.3 cents/lb as a result of: (i) sugar production below expectation among leading producers (Brazil, India); (ii) greater short-term demand pressured coupled with low world stocks; and (iii) a correction of the sharp price decline that occurred in the prior quarter (from 30 cents/lb to 13 cents/lb).

Despite the global growth in planted area, sugar production was below expectations primarily due to climate issues, including droughts in Russia and Thailand and recent floods in Pakistan and India. According to LMC International, sugar production in India should reach 27 million tons (0.5 million tons above the previous quarter). However, due to delays in sugarcane price definition by the Indian government, export availability remains uncertain until the amount of sugarcane to be diverted to gur is defined.

Brazil also contributed to the increase in sugar prices. Even with an estimated increase of 17.9% in sugar production to 42.6 million tons, the drier-than-expected weather affected Brazilian sugarcane fields, and exports were hampered by logistic bottlenecks at the ports.

White sugar prices (LIFFE#5) increased by 16.7%, reaching 617 US$/ton at the end of the quarter. This increase followed a previous sharp price appreciation on the London market related to physical short demand from primarily European countries. White premium sugar prices increased to 220 US$/t prior to the Jul/10 contract expiration and then returned to historical levels, although still above world refining costs.

With the current global dynamics, LMC forecasts production of 168 million tons of sugar and consumption of 165 million tons for the 2010/11 world crop, resulting in an adjusted surplus of 2 million tons, following 2 consecutive years of deficit, and final stocks at very low levels of 24% of total production.

Finally, institutional funds did not significantly increase their net long positions after the recent stabilization of sugar prices, in contrast to the reaction to other commodities such as corn, soy, wheat and cotton. In view of that, there may still be an effect on prices if funds participate in the market more aggressively.

Brazilian Sugar Market

Higher international prices result in record exports and point to domestic price increases

Domestic sugar prices recovered from Q1 10/11 and the ESALQ index reached R$66.3 /50-kg bag by the end of the quarter, an increase of 64.9% during Q2 10/11. Average quarterly sugar prices reached R$48.0 /50-kg bag which was in-line with the averages of Q1 10/11 and Q2 09/10.

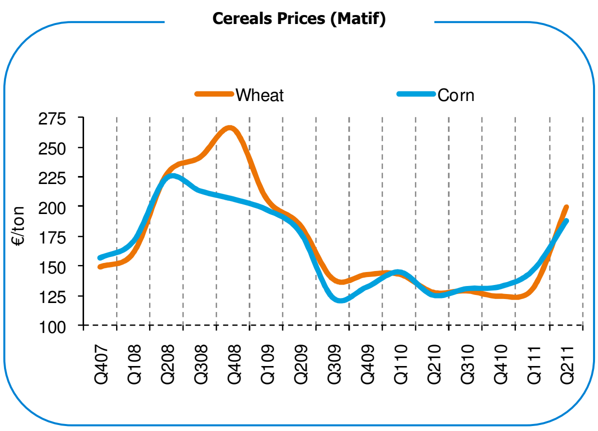
Despite the solid premiums of ESALQ crystal sugar over NY11, strong worldwide demand could have diverted additional sugar to the export market. Logistics problems at the Santos Port and the appreciation of the Real, resulted in increased premiums (currently near 90 US$/t which is considerably above the premium seen in the past four years, according to FC Stone), and potentially hindered additional exports.

Despite port issues and the currency appreciation, according to SECEX, Brazilian sugar exports during the first half of the 2010/11 crop were 22.0% above H1 09/10, totaling 15.5 million tons. Brazil has been registering record sugar exports month after month. In September, exports were 4% above August levels, totaling 3.3 million tons and 31% above September, 2009.

Supply side fundamentals were impacted by dry weather in the Center-South region, resulting in UNICA once again reducing the forecast of sugarcane crushed for the whole crop. UNICA reported that sugarcane crushing during the first half of the crop totaled 445 million tons (+17.3% vs. H1 09/10) resulting in sugar production of 27.1 million tons (+30.2% vs. H1 09/10) and cumulative TRS content of 142 kg/ton of sugarcane, implying an increase of 7.2% vs. H1 09/10.

Due to a tight domestic sugar supply-demand situation and the lower-than-expected increase in sugar production in the Center-South, domestic sugar prices are expected to remain strong.

- **STARCH**



Cereal Market

Cereal prices are increasing but stock estimates at sufficient levels to meet demand

As a result of the drought and fires that struck the Black Sea countries this past summer, Russia and Ukraine, traditionally large exporters of wheat, announced that they will limit wheat exports. This situation, combined with the poor quality of this year's German wheat crop, has increased pressure on the remaining milling wheat exporters, namely France, USA, Canada and Australia. Anticipating a shortage of wheat, speculators pushed prices up during the summer close to levels similar to the highs reached in 2007. This time, however, the situation is different, as world stocks are estimated to be sufficient to meet demand levels.

While demand for corn has increased in response to higher wheat prices, it is following a different pattern. Despite the recently reduced yield estimate for the 2010/11 crop by the USDA (US Department of Agriculture), the US corn crop is still expected to be at the average level of the past few years. This will result in a certain degree of substitution of wheat by corn in the feed sector globally, and should have a leveling effect on wheat prices. However, the increase in the corn prices coupled with the slightly lower yields caused a jump in near term corn prices, also in Europe.

Starch & Sweeteners Market

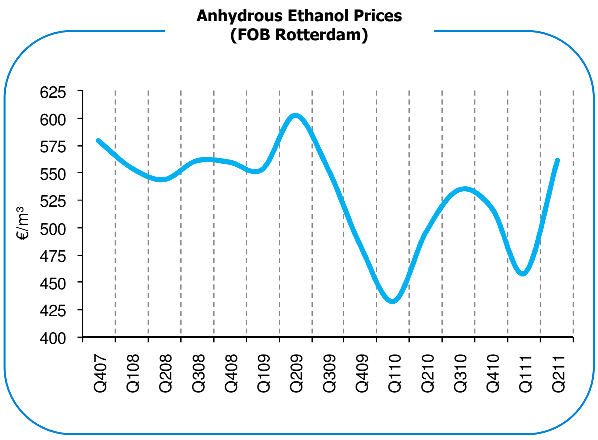
Sustained demand and shortage of starch supplies in Europe are driving up prices

Increased demand for starch-based products in Europe continued in the quarter ended September 30, 2010, driven by both food and non-food applications. All product categories experienced higher year-over-year demand with the exception of isoglucose, a sugar competitor regulated under the EU regime currently in an abandonment of quotas process. The paper industry, in particular, continued to be a leading consumer of native and modified starch products.

At the same time, European potato starch producers have faced unfavorable weather conditions, resulting in production levels that have been inadequate to meet current demand. Additionally, the mealy bug infestation in Thailand has reduced the availability of tapioca starch-based products, which has caused further supply pressure.

The combined effect of structural demand increases and weak potato starch supplies has stretched the production capacity of European wheat and corn starch companies. While Q2 selling prices do not reflect the supply/demand imbalance, the selling contract renegotiation season starting in Q3 should incorporate both recent and forecasted cereal and gas price trends as well as the lack of availability of large volumes in some markets.

- **ETHANOL AND ALCOHOL**



World Ethanol Market

Global rise in ethanol prices and promising short-term opportunity for Brazilian exports

During Q2 10/11, ethanol prices rose worldwide (US: +27%; Brazil: +24% for hydrous; EU: +28%) due to the increase in feedstock prices and the tight supply-demand balance.

The increase in global ethanol prices reduced Brazil's participation in global trade. It has been priced out of the US and EU fuel market with strengthened domestic prices and currency appreciation vis-à-vis the US Dollar. Global trade (in percentage of production), which currently stands at the lowest level since 1999, is expected to reach 5.7% in 2010.

From a US regulatory standpoint, the upper limit for the blend of ethanol in gasoline was increased by the EPA (Environmental Protection Agency) during the first half of October to 15% from a previous limit of 10%. At present, this increase is restricted to cars and light trucks sold since 2007. Vehicles sold between 2001 and 2006 (approximately 86 million units) will be subject to further testing, which is expected to be completed in November.

According to forecasts from the US Department of Agriculture, the US ethanol industry should consume 37% of the current corn crop. Thus, the US will have to identify new sources to meet future ethanol demand.

European Ethanol Market

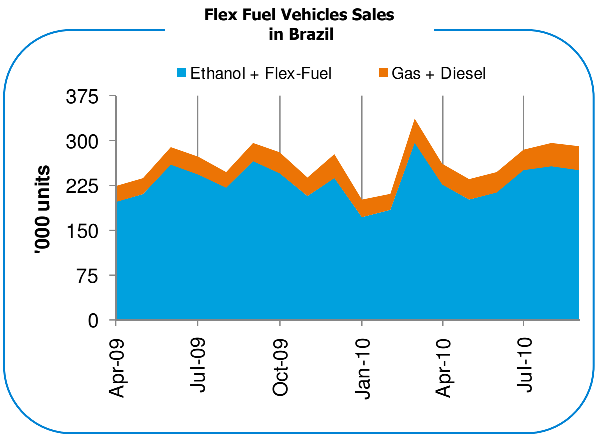
Tight global supply-demand situation driving European ethanol spot prices back to high levels

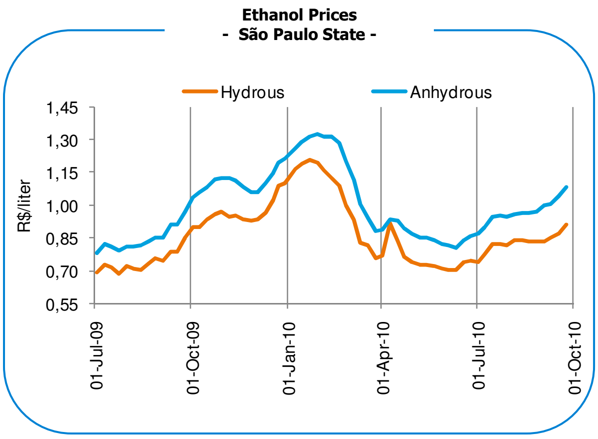
Multiple factors influencing ethanol price trends in Europe have caused increased price volatility over the past several years. Specifically during the second quarter, world ethanol prices staged a significant recovery as a result of a tight global supply-demand situation. There was strong demand in all markets, including those of major exporters (US and Brazil), limited ethanol production in Brazil due to higher sugar production, an increase in worldwide feedstock prices, and a recovery in demand for corn-based products in the US. As a result, FOB Rotterdam prices in the EU increased to 620-630€/CBM, reaching levels similar to those of 2007-08.

Ethanol production in the EU lagged behind consumption resulting in lower inventories and higher prices. At the same time, Brazilian exports to the EU continued to be limited by strong domestic demand. US exports to the EU were also reduced due to high domestic consumption and lower ethanol prices that compared favorably to gasoline. According to commodity reports by LMC International, European producers have taken advantage of weaker imports to closely align their prices with feedstock costs and thus cautiously manage their risks.

Non-fuel ethanol prices increased substantially due to tighter supply in the fuel sector, combined with lower production by leading European traditional alcohol manufacturers.

Brazilian Ethanol Market





Prices strengthened by a low price parity and reduced sugarcane diverted to ethanol production

In the beginning of Q2 10/11, ethanol prices reversed their downward trend, driven by a recovery in ethanol consumption and a reduction of sugarcane diverted to biofuel production, in view of more profitable equivalent prices for sugar. Current prices reached levels above the same period during the past three years. ESALQ prices for anhydrous ethanol rose from 0.87 R$/l in the beginning of July to 1.08 R$/l at the end of September, and hydrous ethanol recorded a 23.5% increase, finishing the month quoted at 0.91 R$/l.

This year, 86.7% of light vehicles sold were flex fuel vehicles. In this quarter alone, approximately 760,000 units were flex fuel vehicles, an increase of 3.9% from the same quarter last year. Currently, flex-fuel vehicles represent 40.2% of the total vehicle fleet, with 4.1% of vehicles running on ethanol, 5.9% on natural gas and 49.8% on gasoline. The growth in flex fuel vehicles, combined with the advantageous price of ethanol compared to gasoline, resulted in a 4.7% increase in ethanol consumption to 6.5 billion liters in Q2 10/11, of which 27.5% was anhydrous ethanol and 72.5% was hydrous ethanol.

Cumulative ethanol production was 20.5 billion liters (up 22.3%) compared to cumulative ethanol consumption of 13.3 billion liters (1.2 billion liters were exported), resulting in stocks of 7.7 billion liters, including the 0.5 billion liters of initial stocks. The SCA (Sociedade Corretora de Álcool) expects production for the rest of the crop to reach approximately 6.0 billion liters versus demand of approximately 12.0 billion liters, resulting in final stocks of less than 2 billion liters and an imbalance for anhydrous.

APPENDIX 1

FINANCIAL STATEMENTS
CONSOLIDATED INCOME STATEMENT

Consolidated income statement				
(R$ '000)	3-month period ended		6-month period ended	
	Sep 30, 2010	Sep 30, 2009	Sep 30, 2010	Sep 30, 2009
Revenue	**1,498**	**1,332**	**2,578**	**2,576**
Cost of sales	(1,254)	(976)	(2,143)	(1,954)
Gross Profit	**244**	**356**	**435**	**622**
Distribution costs	(154)	(114)	(266)	(234)
General and administrative expenses	(115)	(47)	(196)	(113)
Restructuring	-	(4)	1	(4)
Other operating income	88	(63)	78	(64)
Operating income	**63**	**128**	**52**	**207**
Net Financial Result	**(43)**	**6**	**(101)**	**17**
Net Financial Expenses	(226)	(78)	(400)	(269)
Net Financial Income	183	84	299	286
Share of profit of associates	3	2	4	2
Net Income Before Taxes	**23**	**136**	**(45)**	**226**
Income tax	(41)	17	(32)	(8)
Net Income (loss)	**(18)**	**153**	**(77)**	**218**
Attributable to non controlling interests	**1**	**65**	**(41)**	**87**
Attributable to owners of the parent	**(19)**	**87**	**(36)**	**131**

FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEET

Consolidated statement of financial position			
(R$ '000)	Sep 30, 2010	Mar 31, 2010	Variation
ASSETS			
Cash and cash equivalent	440	501	-12,2%
Trade receivables	698	630	10,8%
Inventories	980	447	119,2%
Current financial assets with related parties	73	307	-76,2%
Other current financial assets	403	359	12,3%
Current tax assets	29	25	16,0%
Other current assets	31	5	520,0%
TOTAL CURRENT ASSETS	**2,654**	**2,274**	**16,7%**
Deferred tax assets	381	398	-4,3%
Biological assets	406	409	-0,7%
Available-for-sale financial assets	26	16	62,5%
Non-current financial assets with related parties	11	14	-21,4%
Other non-current financial assets	154	89	73,0%
Investments in associates	31	110	-71,8%
Property, plant and equipment	2,963	2,682	10,5%
Goodwill	1,230	932	32,0%
Other intangible assets	69	73	-5,5%
Other non current assets	5	-	-
TOTAL NON-CURRENT ASSETS	**5,276**	**4,723**	**11,7%**
Non-current assets classified as held for sale	**1**	**-**	**-**
TOTAL ASSETS	**7,931**	**6,997**	**13,3%**
LIABILITIES AND EQUITY			
Short-term borrowings	1,662	1,169	42,2%
Trade payables	708	493	43,6%
Current financial liabilities with related parties	32	676	-95,3%
Other current financial liabilities	495	373	32,7%
Short-term provisions	8	4	100,0%
Current tax liabilities	33	20	65,0%
Other current liabilities	42	61	-31,1%
CURRENT LIABILITIES	**2,980**	**2,796**	**6,6%**
Long-term borrowings	1,228	1,107	10,9%
Deferred tax liabilities	58	38	52,6%
Provisions for pensions and other post employment benefits	27	25	8,0%
Other long-term provisions	48	38	26,3%
Non current financial liabilities with related parties	21	163	-87,1%
Other non-current financial liabilities	352	195	80,5%
Other non-current liabilities	28	34	-17,6%
NON-CURRENT LIABILITIES	**1,762**	**1,600**	**10,1%**
Liabilities directly associated with non-current assets (or group of assets) classified as held for sale	**14**	**18**	**-22,2%**
TOTAL LIABILITIES	**4,756**	**4,414**	**7,7%**
Issued capital	2,466	1,988	24,0%
Treasury shares	(29)	-	-
Retained earnings and other reserves	12	92	-87,0%
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**2,449**	**2,080**	**17,7%**
Non-controlling interests	726	503	44,3%
TOTAL EQUITY	**3,175**	**2,583**	**22,9%**
TOTAL EQUITY AND LIABILITIES	**7,931**	**6,997**	**13,3%**

FINANCIAL STATEMENTS
CONSOLIDATED CASH FLOW STATEMENT

Consolidated statement of cash flow				
(R$ '000)	3-month period ended		6-month period ended	
	Sep 30, 2010	Sep 30, 2009	Sep 30, 2010	Sep 30, 2009
Consolidated net income / (loss)	**(18)**	**152**	**(77)**	**218**
Adjustments to reconcile net income to cash provided by operating activities:				
Share of profit of associates	(2)	(2)	(4)	(2)
Amortization and depreciation	168	103	289	224
Fair value adjustments on biological assets	36	(64)	34	(81)
Other fair value adjustments through income statement	19	53	30	65
Loss (gain) on disposal of assets	6	39	6	37
Variation of marketable securities pledged as collaterals	22	-	24	3
Income tax expense (income)	41	(17)	32	8
Net finance costs	43	(29)	79	115
Impact of the change in working capital	(222)	(306)	(837)	(533)
of which decrease (increase) in trade and other receivables	*47*	*(366)*	*346*	*(394)*
of which increase (decrease) in trade and other payables	*32*	*137*	*(732)*	*18*
of which decrease (increase) in inventory	*(302)*	*(77)*	*(451)*	*(157)*
Income taxes paid	(20)	3	(15)	19
Change in other provisions	(15)	27	(15)	31
Net cash from operating activities	**57**	**(41)**	**(454)**	**104**
Acquisition of Mandu, net of cash	-	-	(278)	-
Acquisition of subsidiary	(69)	1	(69)	1
Acquisition of property, plant and equipment and intangibles assets	(88)	(83)	(176)	(169)
Purchases of biological assets	(17)	-	(44)	(39)
Acquisitions of financial assets	(4)	(2)	32	-
Change in loans and advances granted	-	117	(2)	117
Grants received related to assets	1	(4)	1	1
Proceeds from the disposal of property, plant and equipment, intangible assets and financial assets	38	52	39	91
Dividends received	2	-	12	-
Net cash used in investing activities	**(135)**	**81**	**(486)**	**1**
Capital increase	-	(1)	683	31
Borrowing issues	568	161	1,667	300
Borrowing repayments	(488)	(50)	(1,367)	(418)
Financing interest paid	(51)	25	(105)	(131)
Financing interest received	8	1	25	18
Dividends paid to equity holders of the parent	-	-	-	(4)
Dividends paid to non controlling interests	(9)	(5)	(13)	(8)
Net cash from (used in) financing activities	**28**	**131**	**890**	**(212)**
Impact of exchange rate on cash and cash equivalents	(6)	(3)	(5)	14
Net change in cash and cash equivalents, net of bank overdrafts	**(56)**	**168**	**(55)**	**(92)**
Cash and cash equivalents, net of bank overdrafts at opening	291	20	290	280
Cash and cash equivalents, net of bank overdrafts at closing	235	188	235	188
Net change in cash and cash equivalents	**(56)**	**168**	**(55)**	**(92)**

APPENDIX 2

1. Breakdown per segment

As at Sep 30th, 2010 (R$ '000) 3-month period	Ethanol Europe	Starch	Brazil[1]	Indian Ocean[2]	Central & elimina tions	Total
Revenue	**160**	**591**	**628**	**116**	**2**	**1,497**
Cost Of Goods Sold	(153)	(463)	(480)	(74)	-	(1,170)
Gross profit	7	128	148	(42)	2	243
Selling Expenses	(6)	(79)	(55)	(15)	-	(155)
G&A Expenses	(3)	(55)	(44)	(10)	(9)	(121)
Other Recurring & non recurring	0	34	(15)	73	(0)	92
EBITDA	**7**	**62**	**135**	**29**	**(6)**	**227**
Depreciation of PPE, change due to harvest and amortization for intangible assets	(9)	(32)	(100)	(25)	-	(165)
Impairment losses on goodwill	-	-	-	-	-	-
Gain on bargain purchases	-	-	-	-	-	-
Operating income	**(2)**	**30**	**36**	**4**	**(6)**	**63**
Share of profit of associates	-	-	-	-	3	3
Net financial result	-	-	-	-	(43)	(43)
Taxation	-	-	-	-	(41)	(41)
Net Income	**-**	**-**	**-**	**-**	**-**	**(18)**
Operating assets (as at Sep 30, 2010)	**569**	**1,683**	**2,737**	**444**	**2,498**	**7,931**
Operating Liabilities (as at Sep 30, 2010)	**242**	**524**	**431**	**27**	**3,532**	**4,756**
Investments in associates (as at Sep 30, 2010)	**-**	**-**	**-**	**31**	**-**	**31**
Capital expenditure	**6**	**18**	**46**	**41**	**-**	**113**

As at Sep 30th, 2009 (R$ '000) 3-month period	Ethanol Europe	Starch	Brazil[1]	Indian Ocean[2]	Central & elimina tions	Total
Revenue	**183**	**741**	**373**	**35**	**-**	**1,332**
Cost Of Goods Sold	(160)	(532)	(228)	(55)	-	(976)
Gross profit	23	208	144	(20)	-	356
Selling Expenses	(4)	(61)	(46)	(3)	-	(114)
G&A Expenses	(9)	(18)	(17)	(3)	-	(48)
Other Recurring & non recurring	-	(46)	(52)	30	-	(68)
EBITDA	**20**	**121**	**77**	**6**	**-**	**224**
Depreciation of PPE, change due to harvest and amortization for intangible assets	(8)	(37)	(48)	(3)	-	(97)
Impairment losses on goodwill	-	-	-	-	-	-
Gain on bargain purchases	-	-	-	-	-	-
Operating income	**11**	**84**	**29**	**4**	**-**	**127**
Share of profit of associates	-	-	-	-	2	2
Net financial result	-	-	-	-	6	6
Taxation	-	-	-	-	17	17
Net Income	**-**	**-**	**-**	**-**	**-**	**152**
Operating assets (as at Mar 31, 2010)	**621**	**2,248**	**2,884**	**184**	**1,060**	**6,997**
Operating Liabilities (as at Mar 31, 2010)	**119**	**670**	**1,046**	**161**	**2,419**	**4,415**
Investments in associates (as at Mar 31, 2010)	**-**	**-**	**-**	**110**	**-**	**110**
Capital expenditure	**19**	**77**	**10**	**3**	**-**	**109**

Notes:

(1) due to the legal organization of the companies from the sugarcane segment, for accounting purposes the numbers for Brazil correspond to the activities in Brazil and in Mozambique

(2) due to the legal organization of the companies from the sugarcane segment, for accounting purposes the numbers for Indian Ocean do not include activities in Mozambique

2. Net revenues, Sales & Average Prices

Net Revenues – 3-month period					
(R$ '000)	Sep 30, 2010		Sep 30, 2009		Variation
Starch	**591**	**100.0%**	**741**	**100.0%**	**-20.2%**
Starch and sweeteners	349	59.0%	470	63.4%	-25.7%
Alcohol	66	11.1%	84	11.4%	-22.3%
Co-products	156	26.4%	181	24.4%	-13.6%
Other	21	3.5%	6	0.8%	255.2%
Brazil[1]	**628**	**100.0%**	**373**	**100.0%**	**68.3%**
Sugar	416	66.2%	251	67.4%	65.4%
Ethanol	147	23.4%	96	25.7%	53.3%
Other	65	10.4%	26	6.9%	152.3%
Ethanol Europe	**160**	**100.0%**	**183**	**100.0%**	**-12.5%**
Ethanol	142	88.8%	162	88.3%	-12.1%
Co-products	17	10.3%	21	11.7%	-22.4%
Other	1	0.9%	-	0.0%	-
Indian Ocean[2]	**116**	**100.0%**	**35**	**100.0%**	**235.2%**
Sugar	72	61.7%	20	58.2%	255.0%
Other	45	38.3%	15	41.8%	-
Total Net Revenue	**1,497**	**100.0%**	**1,332**	**100.0%**	12.3%

Volumes – 3-month period			
(tons '000) & (m^3 '000)	Sep 30, 2010	Sep 30, 2009	Variation
Starch			
Starch and sweeteners	424.1	423.9	0.0%
Alcohol	46.4	48.9	-5.1%
Co-products	257.0	258.1	-0.4%
Brazil[1]			
Sugar	506.5	322.4	57.1%
Ethanol	178.7	132.4	35.0%
Ethanol Europe			
Ethanol	112.6	113.7	-1.0%
Co-products	51.9	51.5	0.8%
Indian Ocean[2]			
Sugar	58.4	13.0	349.2%

Net Prices – 3-month period			
BRL/ton	Sep 30, 2010	Sep 30, 2009	Variation
Starch			
Starch and sweeteners	822.7	1,108.3	-25.8%
Alcohol	1,413.8	1,726.0	-18.1%
Co-products	607.4	699.7	-13.2%
Brazil[1]			
Sugar	820.3	779.2	5.3%
Ethanol	822.6	724.3	13.6%
Ethanol Europe			
Ethanol	1,264.7	1,424.8	-11.2%
Co-products	319.8	415.5	-23.0%
Indian Ocean[2]			
Sugar	1,227.7	1,553.8	-21.0%

Notes:

(1) due to the legal organization of the companies from the sugarcane segment, for accounting purposes the numbers for Brazil correspond to the activities in Brazil and in Mozambique

(2) due to the legal organization of the companies from the sugarcane segment, for accounting purposes the numbers for Indian Ocean do not include activities in Mozambique

3. Financial Income (Expenses)

Financial Expenses – 3-month period (R$ '000)	Sep 30, 2010	Sep 30, 2009
Interest Expenses	(50)	30
Gain (loss) on borrowings at amortized cost	(1)	-
Foreign exchange losses	(174)	(105)
Other financial expenses	(1)	(3)
Financial Expenses	**(226)**	**(78)**
Interest Income	(7)	-
Fair value gain (loss)	4	(6)
Foreign exchange gains	175	90
Other financial income	11	-
Financial Income	**183**	**84**
Net Financial Income (Expenses)	**(43)**	**6**

4. Net Debt

Net Debt (R$ '000)	Sep 30, 2010	June 30, 2010	Variation
Current	**1,667**	**1,598**	**4.3%**
Working capital	446	336	32.7%
Securization	33	182	-81.9%
Investment financing	947	805	17.6%
Export pre-financing	241	275	-12.4%
Non-current	**1,236**	**1,001**	**23.5%**
Working capital	34	36	-5.6%
Securization	-	-	-
Investment financing	736	840	-12.4%
Export pre-financing	466	125	595.5%
Amortized cost	(16)	(9)	272.8%
Total Gross Debt	**2,887**	**2,590**	**11.5%**
In €	1,388	1,245	11.5%
In USD	757	424	78.5%
In R$	703	857	-18.0%
Other currencies	55	73	-24.6%
Cash and cash Equivalent	(440)	(382)	15.2%
Total Net Debt	**2,447**	**2,208**	**10.8%**
Related parties net debt	(31)	(6)	416.7%
Total Net Debt + Related parties	**2,416**	**2,202**	**9.7%**

HEDGING POLICY

Financial Instruments

Financial Instruments Consolidated	Fair Value Total	Notional			
		< 1 year	1-5 years	> 5 years	TOTAL
Interest rate derivatives	**(23.1)**	302.7	807.7	160.8	1,271.3
Foreign exchange Derivatives	**1.6**	186.6	-	-	186.6
Commodity derivatives	**(74.6)**	382.4	156.0	-	538.4
Energy Derivatives	**(5.7)**	13.0	38.2	-	51.3
Total	**(101.8)**	**884.7**	**1,001.9**	**160.8**	**2,047.6**

The global position of R$2 billion for financial instruments accounts for 62% interest rate derivatives (predominantly for euro denominated debt), 26% commodities derivatives (mainly sugar) 9% foreign exchange derivatives (relative to export sales) and 2.5% energy derivatives (swaps on emission rights in Europe).

Changes in overall positions of financial instruments concern interest rate derivatives which increased strongly due to new hedging operations on European new financing. Foreign exchange derivatives positions decreased considerably because Brazilian NDF expired and no further ones were put in place.

As concerns the overall sensitivity of the Group to the fluctuation of the underlying rates and prices, it can be considered that a +/-10% fluctuation would have an impact in a range of -2/+14 MBRL on the P/L of the Group, mainly on the interest rate fluctuations and foreign exchange.

CEREAL & ENERGY DERIVATIVES (STARCH & ETHANOL EU SEGMENTS)

Cereal Instruments

Cereal Derivatives	Fair Value Total	Notional			
		< 1 year	1-5 years	> 5 years	TOTAL
Futures	**(7.4)**	91.9	28.2	-	120.1
Option	**(0.0)**	8.0	-	-	8.0
Total	**(7.4)**	**99.9**	**28.2**	**-**	**128.1**

Positions in cereal derivatives increased considerably since the first quarter, their notional amount is about three times higher than at June 2010. This increase is due to the fact that this quarter is more active in terms of fixing prices as the first of the year. In fact, the Company starts to fix a part of its production needs before the new crop. Even though, these positions represent only 27% of total commodities derivatives of the Group.

We cover the main part (between 80% and 90%) of the cereal needs for our production by physical contracts with fixed prices. The remaining share comes from the Futures or Options contracts on the Futures, used in order to fix the purchase price of anticipated volumes of cereals to be purchased and processed in the coming months.

The current price uptakes are not expected to materially impact the results of the next quarters, as we have already cover between 10 and 100% of our monthly needs for 2010/2011.

Energy Instruments

Energy Derivatives	Fair Value Total	Notional			
		< 1 year	1-5 years	> 5 years	TOTAL
Swaps	**(5.7)**	13.0	38.2	-	51.3
Total	**(5.7)**	**13.0**	**38.2**	**-**	**51.3**

Energy derivatives concern predominantly swaps on Co2 emission rights, of which a half is considered a cash-flow hedge, representing the hedge of future obligations, and the other half in trading, representing optimization products. A small operation of a swap on oil derivatives represents R$3 million of the total Notional amount. At the end of the first quarter the operations in the portfolio were the same as at March 31. No change in policy was observed.

SUGAR DERIVATIVES (BRAZIL SEGMENTS)

Financial Instruments/HEDGING

Sugar Derivatives	Fair Value Total	Notional			
		< 1 year	1-5 years	> 5 years	TOTAL
Futures	**(41.3)**	264.9	127.8	-	392.7
Option	**(25.8)**	17.6	-	-	17.6
Total	**(67.1)**	**282.5**	**127.8**	**-**	**410.3**

The sugar derivatives position increased by more than 35% compared to June 2010, mainly due to seasonality.

Futures and Options increased, respectively, by 14% and 60%.

At September 30th, 2010, hedging position on sugar represented, through Futures and Options, prices on a mark-to-market basis of:

- 2010/2011: 411,000 tons at 18.86 ¢/lb for raw sugar and 132,200 tons at 511.6 US$/ton for white sugar
- 2011/2012: 451,300 tons at 19.32 ¢/lb for raw sugar and 22,000 tons at 520 US$/ton for white sugar
- 2012/2013: 220,300 tons at 15.59 ¢/lb for raw sugar

About 75% of the open position of exports already has been hedged for the current crop with an average price higher than the one prevailing at the quarter close.

FINANCIAL CALENDAR

Conference Call in Portuguese

Date: Wednesday, November 17th, 2010
07h00 am (New York) - 10h00 am (Brasília)
Phone: + 55 11 3301-3000
Code: Tereos Internacional
Replay: + 55 11 3127-4999
Code: 47556874

Conference Call in English

Date: Wednesday, November 17th, 2010
09h00 am (New York) - 12h00 pm (Brasília)
Phone: +1 (706) 679-4932
Code: 20789406
Replay: +1 (706) 645-9291
Code: 20789406

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