# Net Revenue grows 44.3%, with Net Income of R$ 11,2 million in 2009

*Porto Alegre, March 3rd, 2010* **– SLC AGRÍCOLA S.A. (Bovespa: SLCE3; Bloomberg: SLCE3:BZ; Reuters: SLCE3.SA), one of the largest landowners in Brazil and one of the largest agricultural producers in terms of cotton, soybean and corn planted area, announces today its results for 2009. The financial and operating data are presented on a consolidated basis, in accordance with Brazilian Corporate Law and adjusted for Law 11,638/07, and are expressed in thousands of Brazilian real, except where stated otherwise.**

## 2009 Main Figures

| (R$ thousands) | 2008 | 2009 | AH | 4Q08 | 4Q09 | AH |
|---|---|---|---|---|---|---|
| Net Revenue | 413,660 | 596,975 | 44.3% | 146,611 | 150,444 | 2.6% |
| Gross Income | 166,341 | 90,636 | -45.5% | 55,403 | 31,176 | -43.7% |
| *Gross Margin* | *40.2%* | *15.2%* | *-25.0p.p.* | *37.8%* | *20.7%* | *-17.1p.p.* |
| Operating Income | 60,452 | 10,770 | -82.2% | (20,620) | 16,005 | n.m. |
| *Operating Margin* | *14.6%* | *1.8%* | *-12.8p.p.* | *-14.1%* | *10.6%* | *24.7p.p.* |
| Net Income (loss) | 44,611 | 11,233 | -74.8% | (19,866) | 11,048 | n.m. |
| *Net Margin* | *10.8%* | *1.9%* | -8.9p.p. | *-13.6%* | *7.3%* | 20.9p.p. |
| EBITDA | 155,363 | 71,783 | -53.8% | 42,976 | 21,293 | -50.5% |
| *EBITDA Margin* | 37.6% | 12.0% | -25.6p.p. | 29.3% | 14.2% | -15.1p.p. |
| Net Debt | 167,481 | 318,400 | 90.1% | 167,481 | 318,400 | 90.1% |


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**NOTE:** 4Q08 and 4Q09 refer to the cumulative three-month period, from October to December of the years 2008 and 2009, respectively. 2008 and 2009 refer to the cumulative twelve month period from January through December of the years 2008 and 2009, respectively. AH refers to the horizontal percentage variation between two periods and AV refers to the vertical percentage variation in relation to a certain total.


NOVO MERCADO BM&FBOVESPA

Índice de Ações com Governança Corporativa Diferenciada IGC

Índice de Ações com Tag Along Diferenciado ITAG

## Message from Management

As we commented at the close of the third quarter, in 2009 we experienced an exceptional combination of adverse factors. We are confident that our competent management and experience in the industry were essential for achieving, despite the particularly difficult conditions, the positive results we delivered at the end of the year.

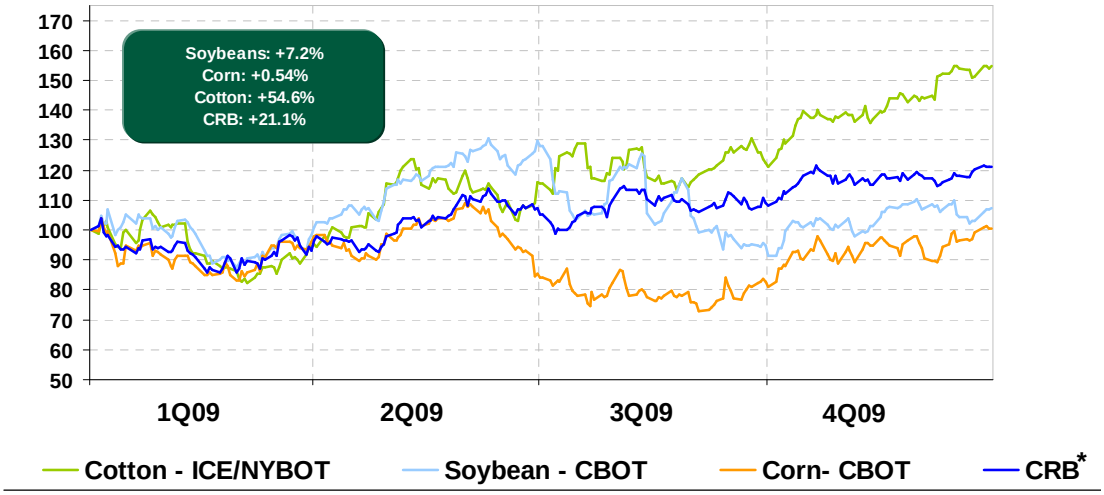
For 2010 (which reflects the 2009/10 marketing year), the scenario offers important changes. We have benefited from an improvement in general market conditions, basically due to the reduction in costs with our main inputs that we have obtained to date (31.9% in fertilizers and 26.7% in chemicals, both in local-currency terms), combined with a recovery in commodity prices and in market liquidity.

In addition, for the coming marketing year (for which planting begins in late 2010), we plan to resume the Company's historical pace of expansion in planted area.

## Market Outlook

### Commodities Prices Variation

From January to December, 2009 (1st Contract)

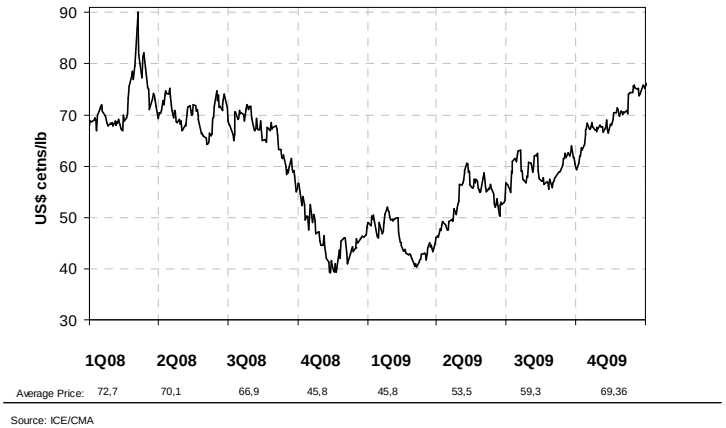



End in 31/12/2009 Source: CMA (02/01/2009 = 100) Commodity Research Bureau

## Cotton

The price of cotton futures contracts traded on the ICE/NYBOT (ICE Futures U.S.) registered an average price of US¢ 57.1/lb in 2009, down 10.36% in relation to 2008, when the average price was US¢63.7/lb. In 4Q09, on the other hand, the average cotton price stood at US¢ 69.39/lb, up 51.44% from 4Q08, which marked the peak of the economic crisis.

**Cotton Prices in the International Market**
**ICE - (1st Contract)**

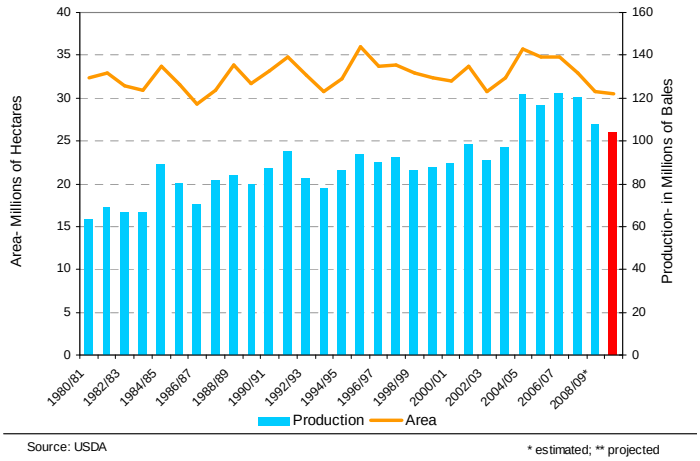



Source: ICE/CMA

At the close of 2008 and in early 2009, cotton prices were heavily impacted by the global financial and economic scenario. The downturn in the world economy had a direct impact on consumer spending, leading to a record contraction in cotton consumption. According to the United States Department of Agriculture (USDA), cotton consumption contracted by 10.5% in the 2008/09 marketing year. The reduction in consumption had a direct impact on the cotton price, which fell below US¢ 40.0/lb.

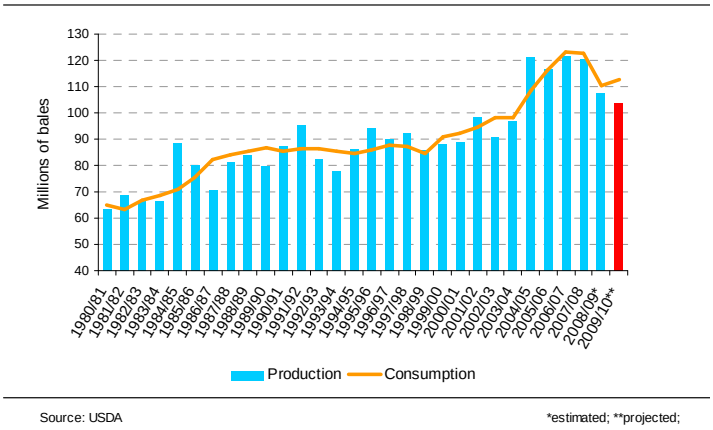
Lower cotton prices at the start of 2009 discouraged planting for the 2009/10 marketing year. According to the USDA, there was further contraction (1%) in global cotton area, which now represents the smallest cotton planted area since 1986. This contraction, added to adverse weather in important cotton producing countries, such as the United States, China and India led to a decline in world cotton production of 4.4% to 102.7 million bales.

## World Production and Area of Cotton




In view of the world economy regeneration, forecasts are also pointing to a recovery in cotton consumption. According to the USDA, world cotton consumption in the 2009/10 marketing year should grow by 4.9% to 115.5 million bales, or 12.8 millilion bales more than production, leading to a drawdown of 16.6% in world stocks.

## World Production and Consumption of Cotton




In the United Stated, the largest cotton exporter in the world, the drawdown in stocks should be even steeper, since the reduction in area and production and the increase in cotton exports in 2009/10 should reduce inventories by 48%. Also according to the USDA, cotton inventories should decline from 6.3 to 3.3 million bales, which would represent the lowest ending stocks in the United States since 1996.

In Brazil, according to estimates from Companhia Nacional de Abastecimento (Conab), an agency of Brazil's Ministry of Agriculture, the country's cotton planted area should contract by 3% in the 2009/10 marketing year to 817,600 hectares, from 843,200 hectares in 2008/09. Cotton production is estimated at 1,238,200 metric tons for the 2009/10 marketing year, up 2% from the previous marketing year. Still according to CONAB, domestic consumption should total 988,600 metric tons and exports 400,000 metric tons, leading to a 23% decline in cotton lint

ending stocks in Brazil to 335,400 metric tons in the 2009/10 marketing year, from 435,800 metric tons in the 2008/09 marketing year.

The recovery in cotton prices in the second half of 2009 and early 2010 directly reflected the higher cotton consumption, lower cotton production and drawdown in U.S. and world cotton stocks in 2009/10. Estimates point to prices remaining attractive over the next few years, since cotton area and production must expand and gain ground over other crops in order to meet the growth in consumption.

## Soybean

Soybean futures contracts traded on the Chicago Board of Trade (CBOT) registered an average price of US$ 10.31/bu in 2009, down 16.4% from 2008, when the average price was US$ 12.34/bu. On the other hand, in 4Q09 the average cotton price stood at US$ 10.03/bu, up 11.9% from 4Q08, when the market was suffering effects from the economic crisis.

**Soybean Prices on the International Market**
**CBOT (1st Contract)**

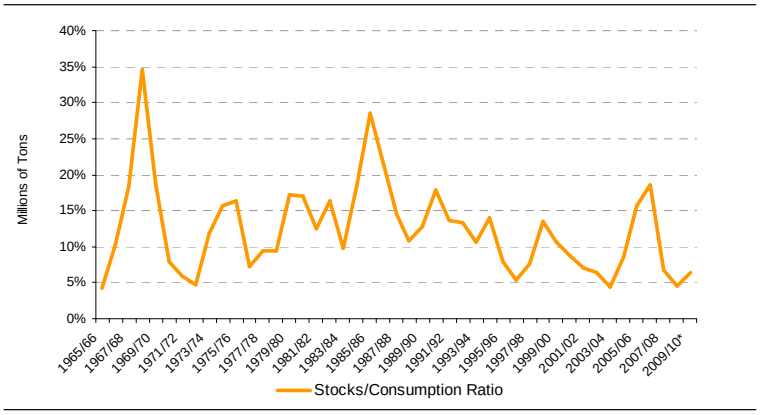



Source: CBOT/CMA

According to the USDA, world soybean production should recover in 2009/10 to reach 255 million metric tons, up 20.9% from the 2008/09 marketing year, which was severely affected by adverse weather, especially in Argentina.

In the United States, soybean production for the 2009/2010 marketing year should be 13.3% higher, resulting in growth of 2.3% in planted area and 10.7% in yield. The USDA estimates soybean production of 91.5 million metric tons, compared with 80.7 million metric tons in the previous year. With this estimate, ending stocks in the United States should increase to 5.7 million metric tons, from 3.9 million metric tons a year earlier. On the other hand, the soybean stocks-to-use ratio of 6.4% projected for the United States in 2009/10 should remain one of the lowest in recent decades.

**United States - Stock-to-use Ratio**




Source: USDA

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In Brazil, Conab estimated expansion of 6.7% in soybean planted area in the 2009/10 marketing year to 23.2 million hectares, compared with 21.7 million hectares in the previous marketing year. Brazil's production should reach 66.7 million metric tons, up 16.7% from the 2008/09 marketing year.

In Argentina, the return of soil humidity and lower production costs in relation to other crops led local producers to increase the soybean planted area in the 2009/10 marketing year, which according to the country's Ministry of Agriculture, Livestock, Fishery and Food (SAGPyA) should reach 18.2 million hectares, a 1.1% increase over the 2008/09 marketing year.

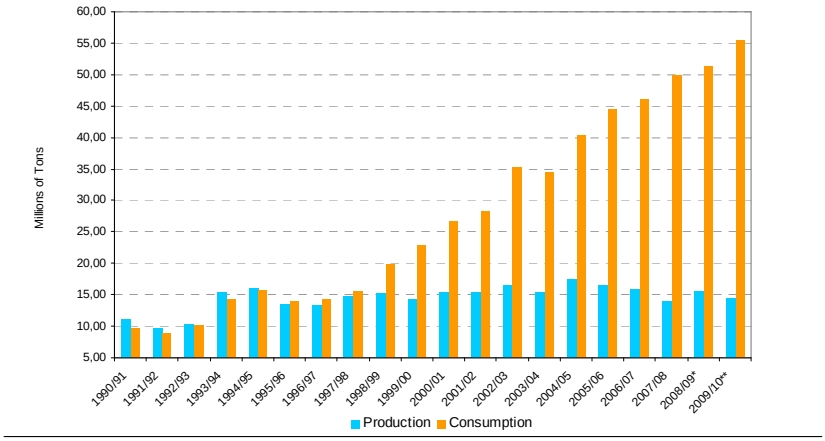
According to the USDA, the soybean planted area in Argentina is expected to reach 18.8 million hectares, with production of 53 million metric tons, up 65.6% in relation to the 2008/09 marketing year, which was severely impacted by drought.

Given the combination of forecasts of record world production and expectations of a recovery in economic growth, soybean consumption should resume an upward trend in the 2009/10 marketing year. The USDA estimates consumption of 231 million metric tons, 5.4% higher than in the previous year.

The highlight in world consumption remained China, which despite the international crisis increased its soybean imports by 8.7% in the 2008/09 marketing year. In 2009/10, according to the USDA, China should increase its consumption by 7.8% to 55.5 million metric tons, with imports of 42.5 million metric tons. The growing demand for food has led China to increase significantly its share of world soybean trade flows.

According to USDA estimates, imports by China should account for 52.2% of world soybean trade flows in the 2009/10 marketing year. In 2000/01, China accounted for just 24.6% of world soybean trade flows.

**Soybean Production and Consumption - China**




Source: USDA

* estimated; **projected;

## Corn

The price of corn futures contracts on the Chicago Board of Trade (CBOT) was 29.2% lower in 2009 than in 2008. The average price in the period was US$ 3.73/bu, compared with US$ 5.27/bu in 2008. Corn prices in the domestic market, as measured by the Esalq Index published by the Luiz de Queiroz Higher Agricultural School (ESALQ), fell by 26%, from US$6.07/bu to US$ 4.49/bu in the same period. On the other hand, in 4Q09 corn prices on the CBOT increased by 0.5% in relation to 4Q08, while the ESALQ index rose 25%.

**Corn Prices**




| | 1T08 | 2T08 | 3T08 | 4T08 | 1T09 | 2T09 | 3T09 | 4T09 |
|---|---|---|---|---|---|---|---|---|
| Esalq Index: | 7,00 | 6,90 | 6,47 | 3,96 | 4,06 | 4,49 | 4,47 | 4,96 |
| CBOT: | 5,17 | 6,29 | 5,76 | 3,84 | 3,76 | 4,06 | 3,28 | 3,86 |

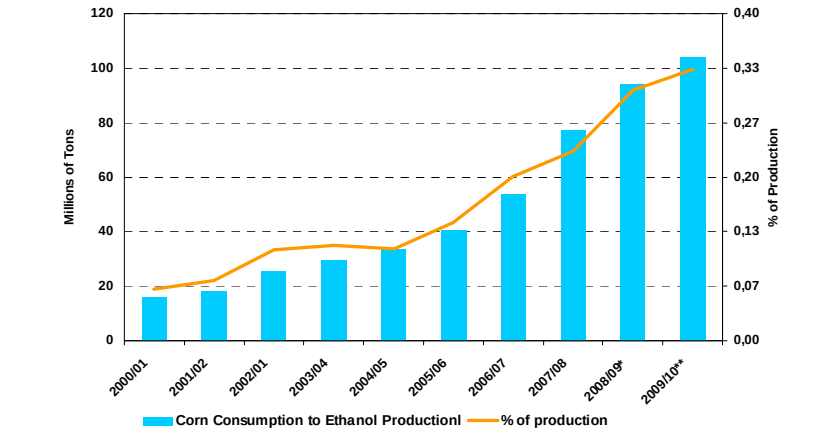
Source: CBOT/ Cepea (Esalq)/CMA

In its February supply and demand report, the USDA estimated world corn production in the 2009/10 marketing year of 797.8 million metric tons, an increase of 0.8% from the 791.5 million metric tons produced in the 2008/09 marketing year.

The USDA also forecasts world corn consumption in the 2009/10 marketing year of 807.4 million metric tons, a 4.4% increase in relation to the 773.7 million metric tons consumed in 2008/09. The strong increase in consumption should lead world corn stocks to shrink by 8.1% in the 2009/10 marketing year.

A significant part of the growth in world corn consumption continues to be directed to ethanol production. According to the USDA, corn consumption for ethanol production in the United States should grow by 16.9% in the 2009/10 marketing year to 109.2 million metric tons, compared with 93.4 million metric tons in 2008/09.

**US- Corn Consumption to Ethanol Production**

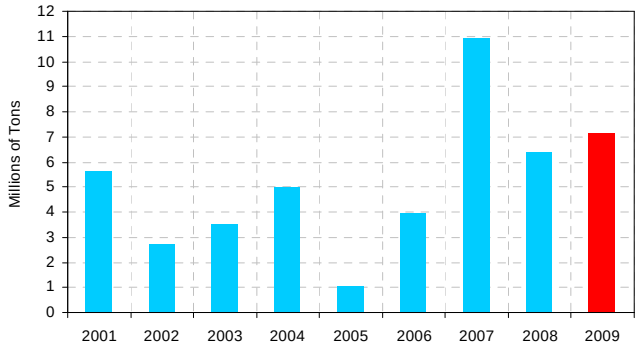



Source: USDA: *Projected; ** Projected Forum USDA

In Brazil, Conab estimates a 12% reduction in the planted area of first-crop corn in 2009/10, driven mainly by the commodity's low prices in 2009. The lower prices are also the reason why Conab estimates a 3.4% contraction in the planted area of second-crop corn. Considering Brazil's total harvest, this reduction should be around 1,278,500 ha, or 9.0%, and the country's production in the 2009/10 marketing year should total 51,363,300 million metric tons, down 359,400 or 0.7% from the 2008/2009 marketing year.

According to the country's Foreign Trade Department (SECEX), Brazil's corn exports in 2009 were 23.2% higher than in 2008, increasing from 6.37 million metric tons to 7.85 million metric tons.

## Brazilian Corn Exports




Source:Secex

## Operating Performance

The fourth quarter of the year was marked by the planting of soybean, cotton, cotton 2nd crop corn 1st crop and by the harvesting of super-early soybean for the 2009/10 marketing year. The beginning and conclusion of planting operations are mainly based on weather conditions in the various regions of the Brazilian Cerrado, the biome in which all our production units are located. The planting operations were carried out in accordance with the established calendar for each production unit, presenting an excellent result, according to the Company's quality standard.

### Yields

| Yields (kg/ha) | Achieved 2008/09 | Estimated[1] 2009/10 | Δ% |
|---|---|---|---|
| Cotton | 1,526 | 1,632 | 7 |
| *Cotton lint 1 st crop* | 1,515 | 1,664 | 10 |
| *Cotton lint 2 nd crop* | 1,599 | 1,442 | -10 |
| Ultra Narrow Row Cotton | 0 | 1,463 | 0 |
| Soybean | 2,817 | 3,100 | 10 |
| Corn | 6,489 | 7,188 | 11 |
| *Corn 1 st crop* | 9,652 | 9,840 | 2 |
| *Corn 2 nd crop* | 6,268 | 6,540 | 4 |

[1] Estimated yields for SLC Agrícola updated on 31/12/2009.

***Cotton 1st Crop:*** On October 21, we began planting cotton at the Pamplona Farm in Goiás. By the end of 4Q09, 92.5% of the area planned for this crop had already been planted, which is in line with the planting schedule for the production units in the states of Mato Grosso, Mato Grosso do Sul, Maranhão, Bahia and Goiás.

***Cotton 2nd Crop:*** The planting of the second cotton crop began in the second half of December 2009. By the end of 4Q09, 10% of the area planned for this crop had already been planted.

***Ultra Narrow Row Cotton:*** Because of the good results obtained from studies conducted in previous marketing years, this year we began planting ultra narrow row cotton on a commercial scale. This technique consists of reducing the space between rows (from 76-91 cm to 38 cm), which increases plant population per hectare (from 90,000-110,000 to 220,000-250,000). We planted an area of 531 ha with ultra narrow row cotton, divided among the Planalto (Mato Grosso do Sul), Planorte and Paiaguás (Mato Grosso), Planeste (Maranhão) and Palmares (Bahia) farms.

***Soybean:*** Soybean planting operations were concluded at all production units, except the Palmeira Farm (Maranhão), where planting operations are conducted only in the second half of January 2010. Of the company's total soybean planted area, 31.3% corresponds to super-early and early varieties (versus 36.8% in the 2008/09 marketing year), which have lower potential yields, but allow the planting of second-crop cotton, ultra narrow row cotton and second-crop corn. The harvesting of super-early soybean began in the second half of December 2009 in Mato Grosso, and in the second half of January at the Planalto and Planeste farms in Mato Grosso do Sul and Maranhão, respectively.

***Corn 1st crop:*** The planting of the first corn crop was concluded in the first half of November 2009. Harvesting will begin in the second half of February.

***Corn 2nd crop:*** The planting of the second corn crop began in the second half of January 2010 and will last until the first half of February. The planting is conducted at the Planalto (Mato Grosso do Sul), Planorte and Paiaguás (Mato Grosso), Planeste and Parnaíba (Maranhão) farms.

## Planted Area

Updated data on planting intentions for the 2009/10 marketing year is presented in the table below. The total area presents a slight difference from the first planting intentions disclosed in 3Q09, due to small adjustments made in agricultural planning.

| Crop Mix | Achieved 2008/09 ha | Estimated[1] 2009/10 ha | Share % | Δ Absolute ha | Δ Percentage % |
|---|---|---|---|---|---|
| Cotton | 63,458 | **63,762** | 28.3 | 304 | 0 |
| *Cotton 1st crop* | *55,211* | ***54,637*** | *24.2* | *(574)* | *-1* |
| *Cotton 2nd crop* | *8,247* | ***8,695*** | *3.9* | *448* | *5* |
| *Ultra Narrow Row Cotton* | *0* | ***430*** | *0.2* | *430* | *0* |
| Soybean | 116,821 | ***122,464*** | *54.3* | *5,643* | *5* |
| Corn | 36,420 | **36,371** | 16.1 | (49) | 0 |
| *Corn 1st crop* | *2,387* | ***7,140*** | *3.1* | *4,753* | *199* |
| *Corn 2nd crop* | *34,033* | ***29,231*** | *13.0* | *(4,802)* | *-14* |
| Others[2] | 2,982 | **2,893** | 1.3 | (89) | -3 |
| **Total** | **219,681** | **225,490** | **100.0** | **5,809** | **3** |

| Planted Área Mix | ha | ha | % | ha | % |
|---|---|---|---|---|---|
| Physical Área Under Control | 176,325 | 185,614 | 82 | 9,289 | 5 |
| *Owned Área* | *116,759* | *121,779* | *54* | *5,020* | *4* |
| *Leased Área* | *59,566* | *63,835* | *28* | *4,269* | *7* |
| *2nd crop* | 43,356 | 39,876 | 18 | (3,480) | -8 |
| **Total** | **219,681** | **225,490** | **100** | **5,809** | **3** |

[1] SLC Agrícola estimate. Planted area can be adjusted according to agricultural planning.
[2] Coffee, rice, wheat and corn seed.

## Property Portfolio

We currently control the following property portfolio:

| Áreas 2009/10 (ha) Farm | State | Owned[2] | Leased | Under Control[2] | Planted[1] |
|---|---|---|---|---|---|
| | | ---------- ha ---------- | | | |
| Pamplona | GO | 17,093 | 4,080 | **21,173** | 17,778 |
| Planalto | MS | 17,489 | 1,657 | **19,146** | 19,690 |
| Planorte | MT | 23,794 | 3,848 | **27,642** | 34,214 |
| Paiaguás | MT | 34,257 | 1,714 | **35,971** | 38,328 |
| Parnaíba | MA | 39,398 | 10,174 | **49,572** | 27,614 |
| Planeste | MA | 18,256 | 10,878 | **29,134** | 30,412 |
| Palmeira | MA | 14,625 | - | **14,625** | 4,413 |
| Panorama | BA | 9,219 | 14,404 | **23,623** | 21,849 |
| Piratini | BA | 25,355 | 5,000 | **30,355** | 6,873 |
| Palmares | BA | 9,678 | 18,930 | **28,608** | 24,319 |
| Parnaguá | PI | 26,611 | - | **26,611** | - |
| **Total** | | **235,775** | **70,685** | **306,460** | 225,490 |

(1) SLC Agrícola estimate for the crop year 2009/10: Planted area can be adjusted according to agricultural planning.
(2) Includes legal reserve areas.

## Machinery and Storage Capacity

On December 31st, 2009 our machinery and storage capacity included:

| 2009/10 Machinery | Quantity |
|---|---|
| Tractors | **369** |
| Grains Combines | **162** |
| Cotton Pickers | **69** |
| Planters | **179** |
| Sprayers | **78** |

| 2009/10 Storage Capacity | Grains | Cotton (lint) |
|---|---|---|
| Metric Tons | 349,700 | 79,810 |
| % Production[1] | 51.6 | 76.7 |

(1) SLC Agrícola estimate based on the planted area and the average yield in the 2009/10 marketing year.

# Financial Analysis

## EBITDA

| (R$ thd) | 2008 | 2009 | AH | 4Q08 | 4Q09 | AH |
|---|---|---|---|---|---|---|
| **Net Revenue** | **413,660** | **596,975** | **44.3%** | **146,611** | **150,444** | **2.6%** |
| **(-) Cost of Goods Sold** | **(247,319)** | **(506,339)** | **104.7%** | **(91,208)** | **(119,268)** | **30.8%** |
| **Gross Income** | **166,341** | **90,636** | **-45.5%** | **55,403** | **31,176** | **-43.7%** |
| (-) Selling Expenses | (28,930) | (43,147) | 49.1% | (12,272) | (15,088) | 22.9% |
| (-) General and administrative expenses | (23,314) | (29,099) | 24.8% | (9,248) | (7,345) | -20.6% |
| (-) Board and directors Payment | (3,573) | (4,586) | 28.4% | (1,314) | (1,316) | 0.2% |
| (-) Other operating income | 13,195 | 2,671 | -79.8% | 365 | 1,252 | 243.0% |
| **(=) Operational Result** | **123,719** | **16,475** | **-86.7%** | **32,934** | **8,679** | **-73.6%** |
| (+) Depreciation and amortization | 31,644 | 55,308 | 74.8% | 10,042 | 12,614 | 25.6% |
| **EBITDA** | **155,363** | **71,783** | **-53.8%** | **42,976** | **21,293** | **-50.5%** |
| **EBITDA Margin** | **37.6%** | **12.0%** | **-25.6 p.p** | **29.3%** | **14.2%** | **-15.1 p.p** |

The 53.8% reduction in EBITDA in 2009 in relation to 2008 was chiefly due to the decline in gross margin from 40.2% to 15.2%. The lower margin was due to the 104.7% increase in the cost of goods sold to R$506,339 thousand, from R$247,319 thousand in 2009, with this variation surpassing the 44.3% increase in net revenue to R$596,975 thousand in 2009, from R$413,660 thousand in 2008.

The increase in cost of goods sold was due to: (i) the average increase of 41.4% in the cost of the main inputs (seeds, chemicals and fertilizers) for the 2008/09 marketing year in comparison to 2007/08, (ii) the higher volume of products invoiced due to the expansion in planted area of the main crops (cotton, soybean and corn); and (iii) the constitution of a provision for adjustment to market value of the cotton lint, cotton seed and corn inventories in the total amount of R$10,956 thousand on December 31, 2009.

The contraction in other operating revenue was due to the fact that a remaining area of the Paineira Farm in Rio Grande do Sul state was sold in 2008 for a capital gain of R$9,449 thousand. This type of transaction did not recur in 2009.

## Gross Operating Revenue

| (R$ thd) | 2008 | 2009 | AH | 4Q08 | 4Q09 | AH |
|---|---|---|---|---|---|---|
| **Gross Revenue** | **441,372** | **643,708** | **45.8%** | **156,101** | **165,616** | **6.1%** |
| Cotton lint | 151,953 | 264,085 | 73.8% | 89,197 | 103,085 | 15.6% |
| Cotton seed | 34,313 | 36,877 | 7.5% | 17,250 | 14,924 | -13.5% |
| Soybean | 140,606 | 235,291 | 67.3% | 26,432 | 10,908 | -58.7% |
| Corn | 64,350 | 65,994 | 2.6% | 16,115 | 21,046 | 30.6% |
| Coffee | 4,969 | 7,742 | 55.8% | 1,276 | 2,098 | 64.4% |
| Others | 34,050 | 39,830 | 17.0% | 9,648 | 9,640 | -0.1% |
| Hedge transactions | 11,131 | (6,111) | n.m | (3,817) | 3,915 | n.m |

| (Metric Tons) | 2008 | 2009 | AH | 4Q08 | 4Q09 | AH |
|---|---|---|---|---|---|---|
| **Volume sold** | **598,542** | **786,385** | **31.4%** | **168,476** | **182,173** | **8.1%** |
| Cotton lint | 53,193 | 95,114 | 78.8% | 29,414 | 39,405 | 34.0% |
| Cotton seed | 97,242 | 129,659 | 33.3% | 50,294 | 49,882 | -0.8% |
| Soybean | 257,903 | 332,119 | 28.8% | 37,247 | 15,444 | -58.5% |
| Corn | 172,442 | 214,916 | 24.6% | 46,923 | 74,473 | 58.7% |
| Coffee | 985 | 1,662 | 68.7% | 223 | 442 | 98.2% |
| Others | 16,777 | 12,915 | -23.0% | 4,375 | 2,527 | -42.2% |

Gross operating revenue rose by 45.8% to R$643,708 thousand in 2009, from R$441,372 thousand in 2008, mainly due to the higher revenue from cotton lint and soybean. In 2009, the cotton and soybean crops accounted for 46.7% and 36.6% of total operating gross revenue, respectively. Export sales accounted for 57.1% of total gross revenue in 2009, up from 54.9% in 2008.

| *Cotton* | | 2008 | 2009 | AH | 4Q08 | 4Q09 | AH |
|---|---|---|---|---|---|---|---|
| Cotton lint | | | | | | | |
| Volume sold | Ton | 53,193 | 95,114 | 78.8% | 29,414 | 39,405 | 34.0% |
| Gross revenue | R$ thd | 151,953 | 264,085 | 73.8% | 89,197 | 103,085 | 15.6% |
| Unit Price | R$ thd / Ton | 2.86 | 2.78 | -2.8% | 3.03 | 2.62 | -13.5% |
| Cotton seed | | | | | | | |
| Volume sold | Ton | 97,242 | 129,659 | 33.3% | 50,294 | 49,882 | -0.8% |
| Gross revenue | R$ thd | 34,313 | 36,877 | 7.5% | 17,250 | 14,924 | -13.5% |
| Unit Price | R$ thd / Ton | 0.35 | 0.28 | -20.0% | 0.34 | 0.30 | -11.8% |

Our gross revenue from cotton increased by 61.6% in 2009 over 2008, with cotton lint revenue increasing by 73.8% and cotton seed by 7.5%. Revenue from cotton lint increased mainly due to the 78.8% increase in sales volume, which in turn was due to; (i) the larger planted area in the 2008/09 marketing year compared with a year earlier; and (ii) the higher ending stocks at the end of 2008 (remainder from the 2007/08 marketing year), which were sold in the first half of 2009.

Exports accounted for 60.3% of total gross cotton revenue in 2009, compared with 53.7% in 2008.

| Soybean | | 2008 | 2009 | AH | 4Q08 | 4Q09 | AH |
|---|---|---|---|---|---|---|---|
| Volume sold | Ton | 257,903 | 332,119 | 28.8% | 37,247 | 15,444 | -58.5% |
| Gross revenue | R$ thd | 140,606 | 235,291 | 67.3% | 26,432 | 10,908 | -58.7% |
| Unit Price | R$ thd / Ton | 0.55 | 0.71 | 29.1% | 0.71 | 0.71 | 0.0% |

Gross soybean revenue in 2009 increased by 67.3% against the previous year, chiefly due to:

- the increase of 29.1% in the average unit price practiced in 2009 in comparison with 2008, due to the variation in this commodity's price and to the appreciation in the U.S. dollar against the Brazilian real in September 2009, a period in which a significant portion of soybean is sold;
- the growth of 28.8% in sales volume resulting from the expansion of 41.5% in planted area in the 2008/09 marketing year in relation to the previous marketing year, although with a 10.5% decline in yield.

Export sales represented 60.8% of total gross revenue from soybean in 2009, compared with 66.1% in 2008.

| Corn | | 2008 | 2009 | AH | 4Q08 | 4Q09 | AH |
|---|---|---|---|---|---|---|---|
| Volume sold | Ton | 172,442 | 214.916 | 24.6% | 46,923 | 74,473 | 58.7% |
| Gross revenue | R$ thd | 64,350 | 65,994 | 2.6% | 16,115 | 21,046 | 30.6% |
| Unit Price | R$ thd / Ton | 0.37 | 0.31 | -16.2% | 0.34 | 0.28 | -17.6% |

Corn gross revenue in 2009 grew by 2.6% from 2008, mainly reflecting:

- the growth of 24.6% in sales volume resulting from the expansion of 26.5% in planted area in 2008/09 in relation to the previous marketing year; and
- the reduction of 16.2% in the average unit price practiced in 2009 in relation to 2008.

Export sales represented 21.4% of total gross revenue from corn in 2009, compared with 21.0% in 2008.

***Other revenue.*** Other revenue includes revenue from other crops, such as coffee, corn seed and wheat; revenue from leasing operations (in 2008); revenue from government policies to guarantee minimum prices; and the results from FX hedge operations which have been 100% effective using the hedge accounting methodology. Gross revenue from other revenue declined by 17.3% to R$41,461 thousand in 2009, from R$50,150 thousand in 2008, due to:

- the reduction of R$17,242 thousand in the FX hedge results;
- the increase of R$5,782 thousand in credits from the federal government;
- the increase of R$2,771 thousand in revenue from other crops.

## Cost of Goods Sold

| (R$ thd) | 2008 | 2009 | AH | 4Q08 | 4Q09 | AH |
|---|---|---|---|---|---|---|
| **Cost of Goods Sold** | **(247,319)** | **(506,339)** | **104.7%** | **(91,208)** | **(119,268)** | **30.8%** |
| Cotton lint | (87,307) | (202,064) | 131.4% | (46,550) | (79,039) | 69.8% |
| Cotton Seed | (21,826) | (35,561) | 62.9% | (21,110) | (13,325) | -36.9% |
| Soybean | (98,583) | (210,889) | 113.9% | (13,675) | (8,645) | -36.8% |
| Corn | (30,064) | (44,410) | 47.7% | (7,409) | (15,075) | 103.5% |
| Coffee | (3,922) | (7,172) | 82.9% | (1,086) | (1,880) | 73.1% |
| Others | (5,617) | (6,243) | 11.1% | (1,378) | (1,304) | -5.4% |

In 2009, cost of goods sold increased by 104.7% in relation to 2008. The cotton lint and soybean crops accounted for 39.9% and 41.6% of total COGS, respectively.

***Cotton Lint.*** The cost of the cotton lint in 2009 increased 131.4% over 2008, mainly due to:

- the increase of 78.8% in cotton lint sales volume in 2009 from a year earlier, driven by the expansion of 15.1% in planted area in 2008/09 from the previous marketing year and by the maintenance of a large cotton lint inventory at the end of 2008 for sales and shipment in 2009;
- the increase of 29.3% in the unit cost of cotton lint due to higher costs of the main inputs (seeds, fertilizers and chemicals) in the 2008/09 marketing year, as well as the reduction of 3.4% in the crop's yield in 2008/09 from the previous marketing year; and
- the adjustment to market value of inventories of finished cotton lint products in the amount of R$10,656 thousand in 2009.

***Cotton Seed.*** The cost of the cotton seed in 2009 increased 62.9% over 2008, mainly due to:

- the increase of 33.3% in cotton seed sales volume in 2009 from a year earlier, driven by the expansion of 15.1% in planted area in 2008/09 from the previous marketing year;
- the increase of 22.7% in the unit cost of cotton seed due to higher costs of the main inputs (seeds, fertilizers and chemicals) in the 2008/09 marketing year, as well as the reduction of 3.4% in the crop's yield in 2008/09 from the previous marketing year; and
- the adjustment to market value of inventories of finished cotton seed products in the amount of R$156 thousand in 2009.

***Soybean.*** Soybean costs in 2009 were 113.9% higher than in 2008, chiefly due to:

- the increase of 65.8% in soybean unit costs, driven by (i) the higher input costs (seeds, fertilizers and chemicals) in 2008/09 compared with the previous marketing year, and (ii) the 10.5% decline in yield in 2008/09 from the previous marketing year; and
- the increase of 28.8% in soybean sales volume in 2009 from a year earlier, driven by the expansion in planted area in 2008/09 from the previous marketing year.

***Corn.*** Corn costs in 2009 were 47.7% higher than in 2008, mainly due to:

- the increase of 24.6% in corn sales volume, driven by the expansion of 26.5% in planted area in 2008/09 from the previous marketing year;
- the increase of 23.5% in corn unit costs, driven by (i) the higher input costs (seeds, fertilizers and chemicals) in 2008/09 from the previous marketing year, (ii) which was partly offset by the 1.3% yield improvement in 2008/09 from the previous marketing year; and
- the adjustment to market value of inventories of finished corn products in the amount of R$144 thousand in 2009.

***Others.*** COGS from other products rose by 11.1% to R$ 6,243 thousand in 2009, from R$ 5,617 thousand in 2008, primarily due to the increase in costs with corn seed.

## Production Costs

The composition of our total production costs is presented below, by marketing year:

| | Cotton[(1)] | Soybean[(1)] | Corn[(1)] | Average 2009/10 [(1)] | Average 2008/09 [(1)] | Average 2007/08 |
|---|---|---|---|---|---|---|
| **Variable Costs** | **79%** | **62%** | **73%** | **71%** | **77%** | **75%** |
| Seeds | 2% | 7% | 12% | **5%** | **4%** | **4%** |
| Fertilizer | 24% | 24% | 31% | **25%** | **29%** | **24%** |
| Chemicals | 27% | 13% | 11% | **20%** | **23%** | **26%** |
| Fuel and Lubricants | 6% | 5% | 5% | **6%** | **5%** | **6%** |
| Labor | 2% | 1% | 1% | **1%** | **2%** | **2%** |
| Processing | 10% | 2% | 4% | **6%** | **5%** | **6%** |
| Machinery and equipment maintenance | 4% | 7% | 5% | **5%** | **6%** | **5%** |
| Others | 4% | 3% | 4% | **3%** | **3%** | **2%** |
| **Fixed Costs** | **21%** | **38%** | **27%** | **29%** | **23%** | **25%** |
| Labor | 6% | 13% | 10% | **10%** | **8%** | **9%** |
| Depreciation and Amortization | 10% | 17% | 11% | **13%** | **9%** | **10%** |
| Leasing | 3% | 3% | 2% | **3%** | **3%** | **2%** |
| Others | 2% | 5% | 4% | **3%** | **3%** | **4%** |

[(1)] SLC Agrícola percentage estimates, as of September, 30th 2009 to anable advance crop assessments

## Gross Income

Gross income was R$ 90,636 thousand in 2009, down 45.5% from R$ 166,341 thousand in 2008. In 2009, gross margin was 15.2%, compared with 40.2% in 2008. The reduction in gross income is explained by the following factors:

- the higher production costs in 2008/09 compared to the previous marketing year;
- the 10.5% reduction in yield in 2008/09 from the previous marketing year;
- the adjustment to market value of cotton and corn inventories, which increased COGS in 2009 by R$10,956 thousand.

## Selling Expenses

| (R$ thd) | 2008 | 2009 | AH | 4Q08 | 4Q09 | AH |
|---|---|---|---|---|---|---|
| Freight | 21,305 | 29,395 | 38.0% | 9,418 | 11,198 | 18.9% |
| Storage | 3,851 | 5,627 | 46.1% | 861 | 1,253 | 45.5% |
| Comission | 772 | 1,849 | 139.5% | 280 | 512 | 82.9% |
| Product Classification | 6 | 1,513 | 25116.7% | 3 | 455 | 15067% |
| Others | 2,996 | 4,763 | 59.0% | 1,710 | 1,670 | -2.3% |
| **Total** | **28,930** | **43,147** | **49.1%** | **12,272** | **15,088** | **22.9%** |
| **% Net Revenue** | **7.0%** | **7.2%** | **0.2 p.p** | **8.4%** | **10.0%** | **1.7 p.p** |

Selling expenses in 2009 rose by 49.1% in relation to 2008. This increase was mainly due to the higher volume of cotton transported, which led to an increase in this item by 38%. Selling expenses as a percentage of net revenue were 7.2%, virtually unchanged from 7.0% in 2008.

## General and Administrative Expenses

| (R$ thd) | 2008 | 2009 | AH | 4Q08 | 4Q09 | AH |
|---|---|---|---|---|---|---|
| Personnel | 13,347 | 15,666 | 17.4% | 6,719 | 4,295 | -36.1% |
| Fees | 2,504 | 2,881 | 15.1% | 576 | 691 | 20.0% |
| Depreciations | 1,479 | 1,864 | 26.0% | 399 | 475 | 19.0% |
| Travel Expenses | 1,661 | 1,618 | -2.6% | 421 | 417 | -1.0% |
| Others | 4,323 | 7,070 | 63.5% | 1,133 | 1,467 | 29.5% |
| **Total** | **23,314** | **29,099** | **24.7%** | **9,248** | **7,345** | **-20.8%** |
| **% Net Revenue** | **5.6%** | **4.9%** | **-0.7%** | **6.3%** | **4.9%** | **30.6 p.p** |

General and administrative expenses increased 24.7% in 2009, mainly due to:

- the increase in personnel expenses of R$2,319 thousand, basically as a result of the higher expenses with the stock option plan recorded in 2009 of R$2,200 thousand (R$972 thousand in 2008), the installation of two new units in Bahia as of the second half of 2008 and the increase in wages; and
- the increase of R$2,747 thousand in other administrative expenses, essentially owing to the R$1,550 thousand increase in spending on information technology and to the R$479 thousand increase in expenses with communications.

General and administrative expenses declined as a percentage of net revenue to 4.9% in 2009, from 5.6% in 2008.

## Net Financial Result

| (R$ thd) | 2008 | 2009 | AH | 4Q08 | 4Q09 | AH |
|---|---|---|---|---|---|---|
| Gain (loss) with hedging instruments | (30,586) | (27,577) | -9.8% | (27,729) | (109) | -99.6% |
| Interest | (19,449) | (7,471) | -61.6% | (403) | (4,424) | 997.8% |
| Monetary Variation | 614 | (1,352) | n.m | (1,567) | 4,792 | n.m |
| FX Variation | (37,716) | 29,677 | n.m | (20,219) | 6,795 | n.m |
| Other Financial Income (expenses) | 23,870 | 1,018 | -95.7% | (3,636) | 272 | n.m% |
| **Total** | **(63,267)** | **(5,705)** | **-91.0%** | **(53,554)** | **7,326** | **-113.7%** |
| **% Net Revenue** | **-15.3%** | **-1.0%** | **14.3p.p.** | **-36.5%** | **4.9%** | **30.6p.p.** |

Our financial result in 2009 was a net financial expense of R$5,705 thousand, compared with an expense of R$63,267 thousand in 2008. The variation was chiefly impacted by:

- R$29,677 thousand in FX gains (non cash) from the restatement of the company's debt denominated in U.S. dollar;
- (R$ 27,577) thousand from the net result of FX hedge operations;
- (R$ 7.471) thousand from the net result of interest income/expenses..

## Net Income

Net income in 2009 was R$11,233 thousand, representing a decline of 74.8% from the R$44,611 thousand recorded in 2008. In 2009, net margin was 1.9%, decreasing by 8.9 percentage points from 10.8% in 2008. Net income in 2009 was mainly impacted by:

- the higher production costs in the 2008/09 marketing year;
- the lower soybean and cotton yields;
- the adjustment to market value of cotton and corn inventories of R$10,956 thousand;
- a more favorable net financial result in comparison to 2008.

## FX and Agricultural Commodity Hedging

The company's sales revenue is derived mainly from the sale of agricultural commodities, such as cotton, soybean and corn, which are quoted in U.S. dollar on the foreign exchanges Chicago Board of Trade (CBOT) and Intercontinental Exchange Futures US (ICE). Therefore, the company has exposure to foreign exchange variation and the prices of these commodities. To protect from foreign exchange variation, we use derivative instruments, with the portfolio of these instruments comprised basically of non-deliverable forwards NDFs and option contracts.

Most of the instruments used to hedge against variations in commodity prices consist of forward contracts made directly with our clients. We also use futures and option contracts traded on stock exchanges, as well as swap and option operations contracted with financial institutions.

Our positions in 4Q09 in commodity hedges (in relation to total sales volume) and foreign exchange hedges (in relation to total revenue in U.S. dollar) are shown below:

| | Cotton | | Soybean | | FX Rate | |
|---|---|---|---|---|---|---|
| | % | US¢ / lb[1] [3] | % | US$ / bushel[2] [3] | % | R$ / US$ |
| **2010** | 68% | 70.0 | 39% [4] | 10.35 | 49% | 1.92 |
| **2011** | 28% | 76.0 | 7% [4] | 11.00 | 16% | 2.04 |

[1] Reference price on ICE. [2] Reference price on CBOT

[3] Prices at our production units are influenced by location differences (port, transport, port basis and other expenses).

**[4]** 14.2% and 6.8% of soybean production from the 2009/10 and 2010/11 marketing years, respectively, correspond to the company's obligations indexed to soybean sacks involving land leases and acquisitions. These volumes, which are considered natural hedges, are not contemplated in the hedge position table above.

**NOTE: Commodities' percentage is calculated over the estimate total production and FX percentage of participation is calculated over the estimate gross revenue to the referred years**.

## Hedge Accounting

Open positions in non-deliverable forwards on December 31st, 2009 and with maturities in 2010 and 2011 (see the table below) were recognized using the Hedge Accounting methodology, in accordance with accounting notice CPC38, which was approved by CVM Resolution 566/08. This methodology results in accounting impacts from hedge operations that are identical to the economic impacts, in accordance with the accrual accounting method.

The company's hedge operations are classified in the category cash flow hedge, which are hedges to protect from exposure to variations in cash flow that are attributable to a certain risk and associated with highly probable transactions that could impact the entity's profitability.

In the cash flow hedge category, the appreciation or depreciation of the hedged item should be booked as follows: (i) for open positions, the effective gain or loss from the hedge instruments should be booked directly on the Balance Sheet in the line Adjustment To Equity Value; and (ii) the ineffective gain or loss from hedge positions should be booked in the financial revenue or expense line in the fiscal year.

## Derivative, Currency, Commodity and Interest Positions

| Description | Reference Value - Notional (US$ thd) | Fair Value (R$ thd) | Gains and losses at Shareholder's Equity (R$ thd) | Gains and losses at Financial Results (R$ thd)* |
|---|---|---|---|---|
| **FX** | | | | |
| **Open Positions** | | | | |
| **Maturing in 2010** | **174,752** | **16,007** | **15,155** | **8,751** |
| Short Position - NDF | 154,752 | 15,295 | 15,155 | 140 |
| Short Position (Calls) | 20,000 | 709 | - | 8,611 |
| **Maturing in 2011** | **58,089** | **3,109** | **3,054** | **55** |
| Short Position - NDF | 58,089 | 3,109 | 3,054 | 55 |
| ***TOTAL FX*** | **232,841** | **19,113** | **18,209** | **8,806** |
| **Commodities** | | | | |
| **Open Positions** | | | | |
| **Maturing in 2010** | **29,495** | **(1,113)** | **-** | **(1,113)** |
| Cotton – Swap with accumulator | 12,171 | (1,001) | - | (1,001) |
| Soybean – Swap with accumulator | 17,324 | (112) | - | (112) |
| **Maturing in 2011** | **1,364** | **(411)** | **-** | **(411)** |
| Soybean – Swap with accumulator | 1,364 | (411) | - | (411) |
| ***TOTAL Commodities*** | **30,859** | **(1,524)** | **-** | **(1,524)** |
| **Interest** | | | | |
| **Open Positions** | | | | |
| **Maturing from 2010** | **40,000** | **(1,356)** | **-** | **(1,356)** |
| Swap Libor x Fixed Rate | 40,000 | (1,356) | - | (1,356) |
| ***TOTAL Interest*** | **40,000** | **(1,356)** | **-** | **(1,356)** |
| **TOTAL** | **303,700** | **16,233** | **18,209** | **5,926** |

The company ended 4Q09 with a fair value of FX hedge operations of R$ 19,113 thousand, compared with (R$142,143) thousand at the close of 2008. During 2009, we advanced our FX hedge position through the sale of NDFs for fiscal years 2010 and 2011, reaching notional values of US$ 154,752 thousand and US$ 58,089 thousand, respectively.

## Inventories and Growing Crops

| Inventories (R$ thd) | 2008 | 2009 | AH |
|---|---|---|---|
| Agricultural products | 77,055 | 130,274 | 69.1% |
| Seeds, fertilizers and chemicals | 155,438 | 118,659 | -23.7% |
| Advances to suppliers | 20,926 | 3,408 | -83.7% |
| Other inventories | 5,660 | 7,146 | 26.3% |
| (-) Inventory Adjustment to Market Value | - | (10,956) | n.m |
| **Total** | **259,079** | **248,531** | **-4.1%** |

On December 31st, 2009, our inventories declined by 4.1% in comparison with a year earlier. The main changes were:

- the reduction in inventories of inputs as a result of the average reduction of 20% in prices of fertilizers and chemicals for the 2009/10 marketing year compared with the previous year;
- the reduction in the balance of advances to suppliers, due to the change in the policy for negotiating purchases of raw materials (fertilizers and chemicals);
- the booking of provisions for adjustment to market value of R$10,956 thousand, since the unit cost of agricultural products at certain production units was higher than the realization amount;
- higher inventories of finished products, due to the expansion in planted area in 2008/09 from the previous marketing year, which led to higher production;

| Growing Crops (R$ thd) | 2008 | 2009 | AH |
|---|---|---|---|
| Soybean | 110,722 | 101,074 | -8.7% |
| Cotton | 68,513 | 65,498 | -4.4% |
| Corn | 8,841 | 18,681 | 111.3% |
| Coffee | 3,972 | 3,088 | -22.3% |
| Others | 1,807 | 1,173 | -35.1% |
| | **193,855** | **189,514** | **-2.2%** |

The concept of growing crops is similar to the concept of products in manufacture used in the industrial sector. Included in this group are the costs incurred with crops in the development process that have not yet been harvested and/or processed.

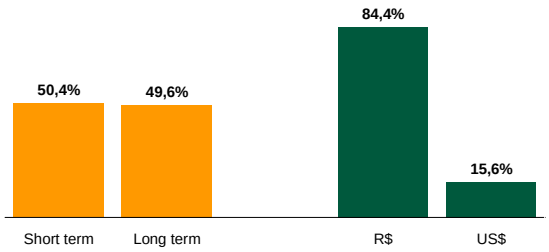
The balance of the growing crops account in 2009 contracted by 2.2% from 2008, primarily reflecting the 7.2% reduction in total cost in the 2009/10 marketing year versus the previous marketing year, which was partially offset by the 2.6% increase in the planted area.

## Fixed Assets

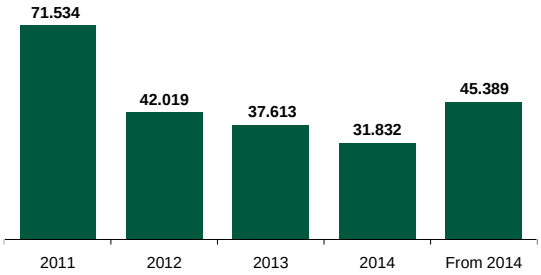
| CAPEX (R$ thd) | 2008 | 2009 | AV |
|---|---|---|---|
| Land Acquisition | 175,581 | 42,957 | -76% |
| Machinery and equipment | 93,255 | 39,795 | -57% |
| Soil Correction | 52,959 | 42,706 | -19% |
| Land Cleaning | 6,262 | 7,549 | 21% |
| Cotton Ginning | 16,000 | 7,391 | -54% |
| Construction | 7,026 | 39,268 | 459% |
| Others | 17,426 | (1,735) | -110% |
| | **368,509** | **177,931** | **-51.7%** |

Investments in fixed assets declined in 2009 from 2008, mainly due to the lower pace of land and machinery acquisitions. In contrast to 2008, investments in 2009 were characterized by the consolidation of the properties already acquired (investments in infrastructure).

**2009 Debt Profile**
**(%)**




**4Q09 Long Term Debt Schedule**
**(R$ thd)**




## Net Debt

| (R$ thd) | Currency | Interest rate % p.a. | 2008 | 2009 | AH | AV |
|---|---|---|---|---|---|---|
| Constitutional Funds[1] | R$ | 7.62% | 212,390 | 155,977 | -26.6% | 33.9% |
| Rural Credit | R$ | 6.75% | 39,372 | 126,577 | 221.5% | 27.5% |
| BNDES | R$ | 8.35% | 38,969 | 35,499 | -8.9% | 7.7% |
| Rural Savings | R$ | 7.10% | - | 23,563 | n.m | 5.1% |
| Working Capital | R$ | 11.72% | - | 47,263 | n.m | 10.3% |
| | | **7.87%** | **290,731** | **388,879** | **33.8%** | **84.4%** |
| IFC | US$ | 3.47% | 95,288 | 70,628 | -25.9% | 15.3% |
| ACC | US$ | - | 4.697 | - | n.m | - |
| BNDES | US$ | 6.77% | 1,972 | 1,144 | -42.0% | 0.3% |
| | | **3.52%** | **101,957** | **71,772** | **-29.6%** | **15.6%** |
| **Total Debt** | | | **392,688** | **460,651** | **17.3%** | **100%** |
| **(-) Cash** | | | **225,207** | **142,251** | **-36.8%** | |
| **(=) Net Debit** | | | **167,481** | **318,400** | **90.1%** | |

[1] To calculate the average cost of the Constitutional Funds. we considered a discount of 15% relative to the performance bonus applicable to these operations.

Net debt in 2009 rose by 90.1% in relation to 2008 to R$318,400 thousand, basically reflecting the reduction in cash (-36.8%) and the increase in debt (17.3%).

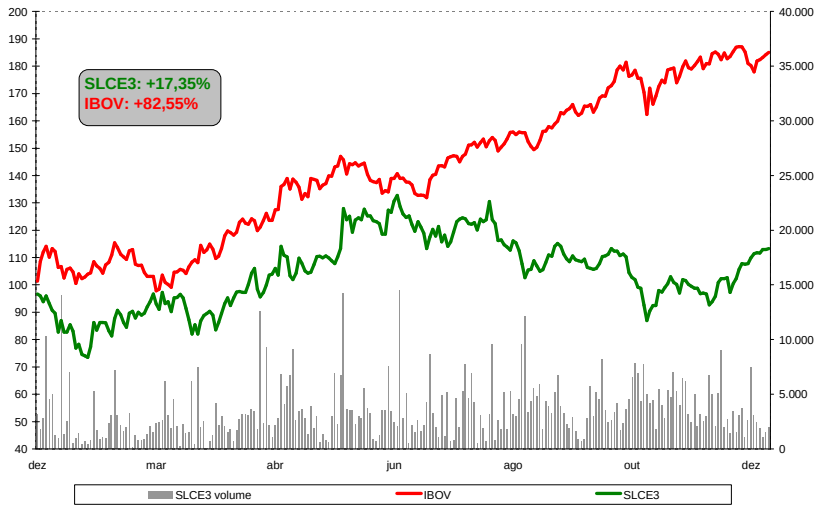
The decrease in cash was due to (i) lower EBITDA; (ii) amortization of loans; and (iii) net financial expenses from FX hedge operations.

Meanwhile, the increase in debt in 2009 was mainly due to the higher debtor balance of rural credit financing lines and rural savings. This increase was due to the higher credit made available to the company, which reduced the need for raising capital through constitutional funds, which declined by 26.6% in 2009 from 2008.

The rural credit and constitutional fund lines accounted for 61.4% of the company's total debt, costing 6.75% and 7.62%, respectively. In 2009, the debtor balance in Brazilian real of the offshore loan contracted with the IFC declined by 25.9%, impacted by the depreciation in the U.S. dollar. The principal of the contract is still USD 40,000 thousand.

## SLCE3 Performance- (December, 30th 2008 to December 30th 2009)

| **2009:** | |
|---|---|
| Last Price: | R$16.30 |
| Market Capitalization: | R$1,6 billion |
| Average Daily Trading Volume: | R$3,5 million |
| Average Trades/Day: | 334 |

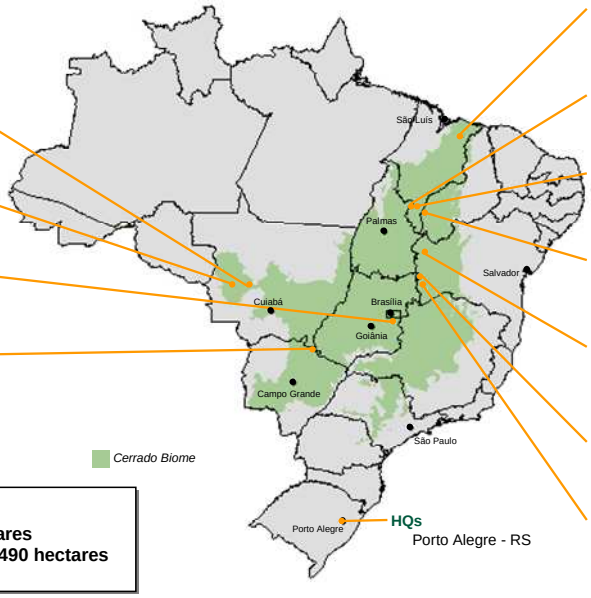



SLC Agrícola shares (SLCE3) ended 4Q09 at R$16.30, for a gain of 17% from the price at the end of 4Q08. A total of 82,319 trades were made in 2009 (versus 37,215 in 2008), with financial trading volume of R$850,500 thousand (R$1,305,237 thousand in 2008). Average daily trading volume in the quarter was R$3,457 thousand (R$5,241 thousand in 2008, impacted by the IPO), with an average of 336 trades per day (150 in 2008).

## Adherence to Arbitration Chamber

SLC AGRÍCOLA is subject to arbitration under the Arbitration Chamber of the São Paulo Stock Exchange (Bovespa), in accordance with the arbitration clause in the Company's bylaws.

# Location of Production Units




**Paiaguás Farm[1]**
- ✓Diamantino – MT
- ✓Owned Area: 34,257 ha
- ✓Planted Area: 38,328 ha

**Planorte Farm[1]**
- ✓Sapezal – MT
- ✓Owned Area: 23,793 ha
- ✓Planted Area: 34,214 ha

**Pamplona Farm**
- ✓Cristalina – GO
- ✓Owned Area: 17,094 ha
- ✓Planted Area : 17,778 ha

**Planalto Farm[1]**
- ✓Costa Rica – MS
- ✓Owned Area:17,489 ha
- ✓Planted Area: 19,960 ha

**Palmeira Farm**
- ✓Buriti – MA
- ✓Owned Area: 14,625 ha
- ✓Planted Area: 4,413 ha

**Planeste Farm[1]**
- ✓Balsas – MA
- ✓Owned Area: 18,256 ha
- ✓Planted Area: 30,412 ha

**Parnaíba Farm**
- ✓Tasso Fragoso – MA
- ✓Owned Area: 39,398 ha
- ✓Planted Area: 27,614 ha

**Parnaguá Farm**
- ✓Santa Filomena – PI
- ✓Owned Area: 26,611 ha
- ✓First crop in 2010/11

**Palmares Farm**
- ✓Barreiras – BA
- ✓Owned Area: 9,678 ha
- ✓Planted Area: 24,319 ha

**Panorama Farm**
- ✓Correntina – BA
- ✓Owned Area: 9,219 ha
- ✓Planted Area: 21,849ha

**Piratini Farm**
- ✓Jaborandi – BA
- ✓Owned Area: 25,355 ha
- ✓Planted Area: 6,873

**HQs**
Porto Alegre - RS

**11 Production Units**
**Owned Area: 235,775 hectares**
**Planted Area 2009/10: 225,490 hectares**
[1] Units with 2nd crop.

## Contacts

**Corporate Taxpayer ID (CNPJ/MF): 89.096.457/0001-55 Company Registry (NIRE) 43.300.047.521**
**Rua Bernardo Pires. n°128 - 4º andar**
**CEP: 90620-010 / Porto Alegre. RS**

***Ivo Marcon Brum***
Chief Financial and Investor Relations Officer

Frederico Logemann
Investor Relations Coordinator

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*We make forward-looking statements that are subject to risk and uncertainty. These statements are based on the beliefs and assumptions of our Management and on the information currently available to the Company. Forward-looking statements include information on our current plans. beliefs or expectations and also those of the Company's Directors and its Officers.*
*Disclaimers involving forward-looking statements include information on potential or assumed operating results as well as statements that are preceded. followed or include the words "believe". "may". "will". " continue". "expect". "project". "seek". "plan". "estimate" or similar expressions.*
*Forward-looking statements and information provide no guarantee of performance. Because they refer to future events. and as such depend on circumstances that may or may not occur. they involve risks. uncertainties and assumptions. Future results and the creation of value for shareholders may differ significantly from that expressed or suggested in the forward-looking statements. Many factors that will determine these results and values are beyond our capacity to control or predict.*

# Financial Statements

## SLC Agrícola S.A.

December 31, 2009 and 2008
with Report of Independent Auditors

**SLC Agrícola S.A.**

Financial statements

December 31, 2009 and 2008

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## Report of independent auditors

Management and Shareholders of
**SLC Agrícola S.A.**

We have audited the accompanying balance sheets (Company and consolidated) of SLC Agrícola S.A. as of December 31, 2009 and 2008, and the related statements of income, changes in shareholders' equity, cash flows and value added for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.

We conducted our audits in accordance with generally accepted auditing standards in Brazil which comprised: (a) the planning of our work, taking into consideration the materiality of balances, the volume of transactions and the accounting and internal control systems of the Company and subsidiaries, (b) the examination, on a test basis, of the documentary evidence and accounting records supporting the amounts and disclosures in the financial statements, and (c) an assessment of the accounting practices used and significant estimates made by the management of the Company and its subsidiaries, as well as an evaluation of the overall financial statement presentation.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SLC Agrícola S.A. and of SLC Agrícola S.A. and subsidiaries at December 31, 2009 and 2008, and the results of their operations, changes in their shareholders' equity, cash flows and value added for the years then ended, in accordance with accounting practices adopted in Brazil.

Porto Alegre, February 24, 2010.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP15199/O-6/F/RS

Luis Carlos de Souza
Accountant CRC-1SC021585/O-4/S/RS

## SLC Agrícola S.A.

Balance sheets
December 31, 2009 and 2008
(In thousands of reais – R$)

| | Company | | Consolidated | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents (Note 5) | **95,851** | 216,308 | **142,251** | 225,207 |
| Trade accounts receivable (Note 6) | **18,997** | 9,044 | **36,805** | 11,975 |
| Inventories (Note 7) | **168,457** | 172,323 | **248,531** | 259,079 |
| Growing crops (Note 8) | **131,302** | 130,783 | **189,514** | 193,855 |
| Advances to suppliers | **14,595** | 6,239 | **16,164** | 6,409 |
| Recoverable taxes (Note 9) | **26,469** | 22,636 | **40,380** | 37,803 |
| Deferred income and social contribution taxes (Note 15) | **15,374** | 23,295 | **20,963** | 42,387 |
| Dividends receivable | **28,353** | 2,134 | **-** | - |
| Notes and amounts receivable | **3,829** | 3,060 | **3,829** | 3,060 |
| Derivative operations (Note 20) | **12,259** | 732 | **16,570** | 732 |
| Other accounts receivable | **359** | 261 | **886** | 441 |
| Receivables from related parties (Note 12) | **1,199** | 610 | **2** | 4 |
| Prepaid expenses | **2,986** | 2,051 | **3,219** | 2,131 |
| Total current assets | **520,030** | 589,476 | **719,114** | 783,083 |
| | | | | |
| Noncurrent assets | | | | |
| Long-term receivables | | | | |
| Receivables from related parties (Note 12) | **10,177** | 56,512 | **-** | - |
| Recoverable taxes (Note 9) | **4,706** | 4,358 | **6,434** | 5,986 |
| Deferred income and social contribution taxes (Note 15) | **40,507** | 48,613 | **50,626** | 56,541 |
| Prepaid expenses | **5,809** | 5,890 | **5,809** | 5,890 |
| Notes and amounts receivable | **2,751** | 6,121 | **2,751** | 6,121 |
| Derivative operations (Note 20) | **4,187** | - | **4,192** | - |
| Other accounts receivable | **655** | 652 | **914** | 1,144 |
| | **68,792** | 122,146 | **70,726** | 75,682 |
| | | | | |
| Investments (Note 10) | **376,794** | 250,694 | **292** | 229 |
| Property, plant and equipment (Note 11) | **265,444** | 222,070 | **784,821** | 674,320 |
| Intangible assets | **10,302** | 8,526 | **10,312** | 8,539 |
| Total noncurrent assets | **721,332** | 603,436 | **866,151** | 758,770 |
| | | | | |
| Total assets | **1,241,362** | 1,192,912 | **1,585,265** | 1,541,853 |

| | Company | | Consolidated | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| Liabilities and shareholders' equity | | | | |
| Current liabilities | | | | |
| Trade accounts payable | **40,361** | 8,697 | **63,104** | 10,535 |
| Loans and financing (Note 13) | **119,974** | 118,365 | **232,263** | 180,790 |
| Advances from customers | **5,050** | 28,607 | **6,824** | 37,220 |
| Taxes, fees and sundry contributions | **1,414** | 2,203 | **3,528** | 4,751 |
| Labor legislation liabilities | **3,775** | 3,880 | **5,533** | 6,336 |
| Deferred income and social contribution taxes (Note 15) | **11,139** | 5,675 | **16,726** | 9,322 |
| Related parties (Note 12) | **6,154** | 6,485 | **-** | - |
| Notes payable (Note 16) | **-** | - | **38,769** | 43,549 |
| Derivative operations (Note 20) | **2,764** | 68,326 | **3,954** | 120,207 |
| Dividends payable (Note 17g) | **7,081** | 10,595 | **7,081** | 10,595 |
| Other payables | **10,957** | 6,917 | **18,975** | 8,758 |
| Total current liabilities | **208,669** | 259,750 | **396,757** | 432,063 |
| Noncurrent liabilities | | | | |
| Loans and financing (Note 13) | **181,283** | 172,856 | **228,388** | 211,898 |
| Deferred income and social contribution taxes (Note 15) | **35,228** | 33,787 | **63,280** | 59,220 |
| Notes payable (Note 16) | **-** | - | **58,071** | 77,263 |
| Derivative operations (Note 20) | **1,765** | 9,633 | **1,765** | 21,936 |
| Discount on investments in subsidiaries (Note 10) | **-** | - | **22,587** | 22,587 |
| Other payables | **548** | 548 | **548** | 548 |
| Total noncurrent liabilities | **218,824** | 216,824 | **374,639** | 393,452 |
| Shareholders' equity (Note 17) | | | | |
| Capital | **557,434** | 557,434 | **557,434** | 557,434 |
| Capital reserves | **182,331** | 177,887 | **182,331** | 177,887 |
| (-) Treasury shares | **(15,549)** | (13,894) | **(15,549)** | (13,894) |
| Income reserves | **77,729** | 56,486 | **77,636** | 73,484 |
| Equity adjustments | **11,924** | (61,575) | **12,017** | (78,573) |
| Total shareholders' equity | **813,869** | 716,338 | **813,869** | 716,338 |
| Total liabilities and shareholders' equity | **1,241,362** | 1,192,912 | **1,585,265** | 1,541,853 |

See accompanying notes.

## SLC Agrícola S.A.

Statements of income
Years ended December 31, 2009 and 2008
(In thousands of reais – R$, except per share information)

| | Company | | Consolidated | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| Gross operating revenue | | | | |
| Sale of products and services | **382,092** | 230,637 | **643,708** | 441,372 |
| Deductions – taxes and contributions | **(29,700)** | (15,739) | **(46,733)** | (27,712) |
| Net operating revenue | **352,392** | 214,898 | **596,975** | 413,660 |
| Cost of sales | **(341,879)** | (146,538) | **(506,339)** | (247,319) |
| Gross profit | **10,513** | 68,360 | **90,636** | 166,341 |
| Operating income (expenses) | | | | |
| Selling expenses | **(26,232)** | (13,176) | **(43,147)** | (28,930) |
| General and administrative expenses | **(21,548)** | (16,743) | **(29,099)** | (23,314) |
| Management fees (Note 12) | **(4,586)** | (3,573) | **(4,586)** | (3,573) |
| Equity pickup (Note 10) | **51,419** | 15,880 | **-** | - |
| Financial income (Note 18) | **88,780** | 44,022 | **155,677** | 86,809 |
| Financial expenses (Note 18) | **(69,101)** | (74,680) | **(161,382)** | (150,076) |
| Other operating income (expenses) (Note 23) | **(6,252)** | 11,797 | **2,671** | 13,195 |
| | **12,480** | (36,473) | **(79,866)** | (105,889) |
| Income before taxes | **22,993** | 31,887 | **10,770** | 60,452 |
| Income and social contribution taxes (Note 15) | | | | |
| Current | **-** | - | **(7,466)** | (3,997) |
| Deferred | **5,331** | (6,472) | **7,929** | (11,844) |
| Net income for the year | **28,324** | 25,415 | **11,233** | 44,611 |
| Net income per thousand shares – R$ | **290.22** | 260.10 | | |
| Number of outstanding shares (in thousands) | **97,594** | 97,712 | | |

See accompanying notes.

# SLC Agrícola S.A.

Statements of changes in shareholders' equity
Years ended December 31, 2009 and 2008
(In thousands of reais – R$)

| | | Capital reserves | | | Income reserves | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Capital | Premium on the issue of shares | Granted options recognized | Treasury shares | Legal reserve | Expansion reserve | Profit retention reserve | Equity adjustment | Retained earnings | Total |
| Balance at December 31, 2007 | **253,256** | **231,381** | **387** | **-** | **1,580** | **16,885** | **5,628** | **10,565** | **17,573** | **537,255** |
| Recognition of expansion reserve (Note 17e) | **-** | **-** | **-** | **-** | **-** | 17,573 | - | - | (17,573) | **-** |
| Capital increase | 26,592 | 231,840 | - | - | - | - | - | - | - | **258,432** |
| Public offering expenses, net of tax effects | - | (10,239) | - | - | - | - | - | - | - | **(10,239)** |
| Capitalized reserves | 277,586 | (277,586) | - | - | - | - | - | - | - | **-** |
| Acquisition of own shares (Note 17c) | - | - | - | (13,894) | - | - | - | - | - | **(13,894)** |
| Share-based payments recognized in the year (Note 22) | - | - | 2,104 | - | - | - | - | - | - | **2,104** |
| Equity adjustment | | | | | | | | | | |
| Unrealized losses on hedge instruments, net of tax effects | - | - | - | - | - | - | - | (55,826) | - | **(55,826)** |
| Unrealized losses on hedge instruments, net of tax effects in subsidiaries | - | - | - | - | - | - | - | (16,314) | - | **(16,314)** |
| Net income for the year | - | - | - | - | - | - | - | - | 25,415 | **25,415** |
| Proposed allocation: | | | | | | | | | | |
| Legal reserve (Note 17d) | - | - | - | - | 1,271 | - | - | - | (1,271) | **-** |
| Expansion reserve (Note 17e) | - | - | - | - | - | 13,549 | - | - | (13,549) | **-** |
| Dividends proposed (Note 17g) | - | - | - | - | - | - | - | - | (10,595) | **(10,595)** |
| Balance at December 31, 2008 | **557,434** | **175,396** | **2,491** | **(13,894)** | **2,851** | **48,007** | **5,628** | **(61,575)** | **-** | **716,338** |

## SLC Agrícola S.A.

Statements of changes in shareholders' equity (Continued)
Years ended December 31, 2009 and 2008
(In thousands of reais – R$)

| | | Capital reserves | | | Income reserves | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Capital | Premium on the issue of shares | Granted options recognized | Treasury shares | Legal reserve | Expansion reserve | Profit retention reserve | Equity adjustment | Retained earnings | Total |
| Balance at December 31, 2008 | **557,434** | **175,396** | **2,491** | **(13,894)** | **2,851** | **48,007** | **5,628** | **(61,575)** | **-** | **716,338** |
| Acquisition of own shares (Note 17c) | **-** | **-** | **-** | **(1,727)** | **-** | **-** | **-** | **-** | **-** | **(1,727)** |
| Share-based payments recognized in the year (Note 22) | **-** | **-** | **4,431** | **-** | **-** | **-** | **-** | **-** | **-** | **4,431** |
| Share-based payments exercised in the year (Note 17c and 22) | **-** | **13** | **-** | **72** | **-** | **-** | **-** | **-** | **-** | **85** |
| Equity adjustment | | | | | | | | | | |
| Unrealized gains on hedge instruments, net of tax effects (Note 17h) | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **54,864** | **-** | **54,864** |
| Unrealized gains on hedge instruments, net of tax effects in subsidiaries (Note 17h) | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **18,635** | **-** | **18,635** |
| Net income for the year | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **28,324** | **28,324** |
| Proposed allocation: | | | | | | | | | | |
| Legal reserve (Note 17d) | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Expansion reserve (Note 17e) | **-** | **-** | **-** | **-** | **-** | **21,243** | **-** | **-** | **(21,243)** | **-** |
| Dividends proposed (Note 17f) | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(7,081)** | **(7,081)** |
| Balance at December 31, 2009 | **557,434** | **175,409** | **6,922** | **(15,549)** | **2,851** | **69,250** | **5,628** | **11,924** | **-** | **813,869** |

See accompanying notes.

# SLC Agrícola S.A.

Statements of cash flows
Years ended December 31, 2009 and 2008
(In thousands of reais – R$)

| | Company | | Consolidated | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| Cash flow from operating activities | | | | |
| Net income for the year before IRPJ and CSSL | **22,993** | 31,887 | **10,770** | 60,452 |
| Adjustments to reconcile net income to cash provided from operating activities: | | | | |
| Depreciation and amortization | **41,013** | 24,780 | **63,365** | 43,508 |
| Permanent assets write-off | **1,701** | 1,288 | **2,229** | 3,340 |
| Goodwill write-off | **-** | (34) | **-** | - |
| Capital gains (losses) on investments | **7,668** | 790 | **-** | - |
| Equity pickup | **(51,419)** | (15,880) | **-** | - |
| Interest and monetary restatement on loans | **(808)** | 36,447 | **9,405** | 51,738 |
| Equity adjustments | **54,864** | (51,376) | **90,590** | (91,301) |
| Provision for income and social contribution taxes | **-** | - | **(7,466)** | (3,997) |
| Deferred taxes | **5,331** | (6,472) | **7,929** | (11,844) |
| | **81,343** | 21,430 | **176,822** | 51,896 |
| (Increase) decrease in assets: | | | | |
| (Increase) decrease in accounts receivable | **(9,953)** | (2,982) | **(24,830)** | 1,265 |
| (Increase) decrease in inventories and growing crops | **3,347** | (163,634) | **14,889** | (222,504) |
| (Increase) decrease in recoverable taxes | **11,846** | (54,286) | **24,314** | (77,969) |
| (Increase) decrease in operations with subsidiaries | **45,746** | (51,075) | **2** | (4) |
| (Increase) decrease in derivative operations | **(15,714)** | 14,382 | **(20,030)** | 27,918 |
| (Increase) decrease in other accounts receivable | **(32,929)** | (14,669) | **(8,376)** | (14,061) |
| | **2,343** | (272,264) | **(14,031)** | (285,355) |
| Increase (decrease) in liabilities: | | | | |
| Increase in trade accounts payable | **31,664** | 6,508 | **52,569** | 5,091 |
| Increase in tax and social security obligations | **6,116** | 14,990 | **10,241** | 15,816 |
| Increase (decrease) in liabilities to subsidiaries | **(331)** | 3,328 | **-** | (515) |
| Increase (decrease) in derivative operations | **(73,430)** | 72,538 | **(136,424)** | 132,929 |
| Increase (decrease) in notes payable | **-** | - | **(23,972)** | 87,336 |
| Increase (decrease) in other accounts payable | **(19,622)** | 30,486 | **(20,982)** | 34,738 |
| | **(55,603)** | 127,850 | **(118,568)** | 275,395 |
| Net cash provided from (used in) operating activities | **28,083** | (122,984) | **44,223** | 41,936 |
| Cash flow from investing activities | | | | |
| Investments | **(104,483)** | (96,179) | **(63)** | (47) |
| Property, plant and equipment | **(85,731)** | (134,410) | **(175,736)** | (366,190) |
| Intangible assets | **(2,132)** | (2,258) | **(2,132)** | (2,272) |
| Net cash used in investing activities | **(192,346)** | (232,847) | **(177,931)** | (368,509) |
| Cash flow from financing activities | | | | |
| Payment of capital | **-** | 258,432 | **-** | 258,432 |
| Repurchase of shares | **(1,642)** | (13,894) | **(1,642)** | (13,894) |
| Public offering expenses | **-** | (10,239) | **-** | (10,239) |
| Stock option plans | **4,431** | 2,104 | **4,431** | 2,104 |
| Payment of dividends | **(10,595)** | (7,504) | **(10,595)** | (7,504) |
| Dividends received from subsidiaries | **40,768** | 22,156 | **-** | - |
| Loans and financing obtained | **180,242** | 253,803 | **309,822** | 351,365 |
| Payment of loans and financing | **(169,398)** | (78,967) | **(251,264)** | (195,623) |
| Net cash provided from financing activities | **43,806** | 425,891 | **50,752** | 384,641 |
| Increase (decrease) in cash and cash equivalents | **(120,457)** | 70,060 | **(82,956)** | 58,068 |
| Increase (decrease) in cash and cash equivalents | | | | |
| Cash and cash equivalents – at beginning of year | **216,308** | 146,248 | **225,207** | 167,139 |
| Cash and cash equivalents – at end of year | **95,851** | 216,308 | **142,251** | 225,207 |
| Increase (decrease) in cash and cash equivalents | **(120,457)** | 70,060 | **(82,956)** | 58,068 |

See accompanying notes.

# SLC Agrícola S.A.

Statements of value added
Years ended December 31, 2009 and 2008
(In thousands of reais – R$)

| | Company | | | | Consolidated | | | |
|---|---|---|---|---|---|---|---|---|
| | **2009** | | **2008** | | **2009** | | **2008** | |
| Revenue | | | | | | | | |
| Sales of products and services | **386,438** | | 229,800 | | **649,819** | | 430,241 | |
| Other operating income* | **(5,947)** | | 11,860 | | **3,075** | | 13,262 | |
| Revenues from construction of own assets | **31,076** | | 69,270 | | **57,786** | | 86,960 | |
| | **411,567** | | 310,930 | | **710,680** | | 530,463 | |
| Bought-in materials and services | | | | | | | | |
| Raw materials | **(159,724)** | | (59,015) | | **(259,388)** | | (120,729) | |
| Cost of sale of products and services | **(435)** | | (469) | | **(720)** | | (479) | |
| Materials, electric energy, outsourced services and others | **(148,915)** | | (112,303) | | **(247,038)** | | (177,278) | |
| Impairment/recovery of assets | **(10,005)** | | 49 | | **(10,956)** | | 49 | |
| | **(319,079)** | | (171,738) | | **(518,102)** | | (298,437) | |
| Gross value added | **92,488** | | 139,192 | | **192,578** | | 232,026 | |
| Retentions | | | | | | | | |
| Depreciation and amortization | **(34,499)** | | (15,485) | | **(55,308)** | | (31,644) | |
| Net value added produced | **57,989** | | 123,707 | | **137,270** | | 200,382 | |
| Value added received in transfer | | | | | | | | |
| Equity pickup | **51,419** | | 15,880 | | **-** | | - | |
| Financial income | **88,780** | | 44,859 | | **156,758** | | 100,110 | |
| Other | **126** | | 97 | | **194** | | 159 | |
| | **140,325** | | 60,836 | | **156,952** | | 100,269 | |
| Total value added for distribution (wealth generated by the Company) | **198,314** | | 184,543 | | **294,222** | | 300,651 | |
| Distribution of value added | **198,314** | **100%** | 184,543 | 100% | **294,222** | **100%** | 300,651 | 100% |
| Taxes, charges and contributions | **7,241** | 4% | 33,531 | 18% | **24,056** | 8% | 50,136 | 16% |
| Federal | **(729)** | | 20,588 | | **11,135** | | 33,597 | |
| State | **7,963** | | 12,943 | | **12,900** | | 16,539 | |
| Local | **7** | | - | | **21** | | - | |
| Personnel | **55,152** | 28% | 33,988 | 18% | **77,029** | 26% | 50,624 | 17% |
| Direct compensation | **36,516** | | 27,953 | | **51,552** | | 40,469 | |
| Benefits | **16,206** | | 4,535 | | **21,903** | | 7,822 | |
| FGTS | **2,430** | | 1,500 | | **3,574** | | 2,333 | |
| Return on borrowed capital | **107,597** | 54% | 91,609 | 50% | **181,904** | 62% | 155,280 | 52% |
| Interest | **73,134** | | 74,080 | | **167,113** | | 151,021 | |
| Rental | **34,463** | | 17,529 | | **14,791** | | 4,259 | |
| Return on own capital | **28,324** | 14% | 25,415 | 14% | **11,233** | 4% | 44,611 | 15% |
| Dividends | **7,081** | | 10,595 | | **7,081** | | 10,595 | |
| Retained earnings | **21,243** | | 14,820 | | **4,152** | | 34,016 | |

* Amount substantially represented by capital loss on investment in subsidiary SLC Empreendimentos e Agricultura Ltda. This amount is eliminated for consolidation purposes.

See accompanying notes.

## 1. Operations

The corporate objective of SLC Agrícola S.A., founded in 1977 (hereinafter referred to as "parent company", "SLC", or the "Company") and its subsidiaries involves agriculture and livestock activities; the production and sale of seeds and seedlings; the processing and sale of their products, also importing and exporting goods for their own use; the supply of primary agricultural and livestock commodities and products in general; the provision of services involving handling, cleaning, drying and storing third party's cereal grains; the supply of services involving agricultural machinery and tools to third parties; the sale, import and export of agricultural products; agribusiness activities involving the processing of sugar cane, ethanol and its by-products; equity interest in other companies.

During the 2008/2009 crop, which started on September 1, 2008, the Company operated ten production units extending over a total planted area of 220 thousand hectares (29% greater than 2007/2008 crop years), among own and leased areas located in five Brazilian states. 116.7 thousand hectares of soybean, 63.5 thousand hectares of cotton and 36.4 hectares of corn were cultivated.

On September 1, 2009, the Company started growing its 2009/2010 harvest, operating ten production units over a total planted area of 225.5 thousand hectares, among its own and leased areas located in five Brazilian states: Mato Grosso, Mato Grosso do Sul, Goiás, Bahia and Maranhão. Among the main crops, the Company is cultivating 122.4 thousand hectares of soybean, 63.8 thousand hectares of cotton and 36.4 thousand hectares of corn.

## 2. Basis of preparation and presentation of the financial statements

Authorization to complete the preparation of these financial statements was given in the board meeting held on February 24, 2010.

These financial statements were prepared in conformity with the accounting practices adopted in Brazil and the standards of the Brazilian Securities Commission (CVM), in light of accounting guidelines contained in the Brazilian Corporation Law (Law No. 6404/76), with new provisions introduced, amended and repealed by Law No. 11638, of December 28, 2007, and Provisional Executive Act (MP) No. 449, of December 3, 2008, passed into Law No. 11941, of May 27, 2009.

Some cash flow amounts relating to December 31, 2008 were reclassified in connection with the related transactions for 2009.

## 3. Consolidated financial statements

The consolidated financial statements include the operations of the Company and the following subsidiaries, whose ownership structure at the balance sheet date is summarized below:

| Companies | Direct subsidiary - % | Indirect subsidiary -% | Core business activity | Location |
|---|---|---|---|---|
| Fazenda Planorte S.A. | **100** | **-** | Cultivation of cotton, soybean and corn crops | Mato Grosso – MT |
| Fazenda Paiaguás S.A. | **100** | **-** | Cultivation of cotton, soybean and corn crops | Mato Grosso – MT |
| Fazenda Parnaíba S.A. | **100** | **-** | Cultivation of cotton, soybean and corn crops | Maranhão – MA |
| SLC Empreendimentos e Agricultura Ltda. | **85.81** | **14.19** | Lease of arable land | Rio Grande do Sul – RS |

The fiscal years of subsidiaries included in consolidation are the same as those of the Company, also accounting policies were consistently applied by the consolidated companies and are consistent with those used in prior year.

The main consolidation procedures are:

- Elimination of the balances of intercompany assets and liabilities;
- Elimination of equity interest, reserves and retained earnings of consolidated companies;
- Elimination of the balances of revenues, expenses and unrealized profits resulting from intercompany transactions;
- Determination of taxes on unrealized profits, presented as deferred taxes in the consolidated balance sheet.

Reconciliation between the Company's and the Consolidated net income for the year is summarized below:

| | 2009 | 2008 |
|---|---|---|
| Net income for the year – Company | 28,324 | 25,415 |
| Unrealized gains (losses) on hedge instruments, net of tax effects | (17,091) | 19,196 |
| Net income for the year - Consolidated | 11,233 | 44,611 |

## 3. Consolidated financial statements (Continued)

Transactions that generate differences between Net income - Company and Net income - Consolidated refer to unrealized gains or losses on hedging instruments contracted by the parent company or subsidiaries through non deliverable forwards (NDFs), qualified as "*Cash Flow Hedge"* for consolidated hedge of futures sales. These operations are contracted based on future consolidated sales forecasts, with hedge effectiveness assessed between 80% – 125%, and were recorded under the heading "Equity adjustments" in consolidated shareholders' equity.

## 4. Summary of principal accounting practices

a) Determination of profit or loss and revenue recognition

Revenues are determined on the accrual basis of accounting. Revenues from the sale of goods are recognized in the statement of income when all risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there are significant uncertainties regarding its realization.

b) Foreign currency transactions

Monetary assets and liabilities denominated in foreign currency are translated into the functional currency (reais), at the rate of exchange in effect at the respective balance sheet closing date. Gains and losses arising from restatement of these assets and liabilities between the rate of exchange in effect at the transition date and the fiscal year closing dates are recognized as financial income or financial expenses in the statement of income.

c) Financial instruments

Financial instruments are only recognized when the Company becomes a party to the contractual provisions of said instruments. They are initially recognized at fair value plus transaction costs directly attributable to their acquisition or issue, except for financial assets and liabilities classified at fair value through profit or loss, when such costs are directly charged to the net income for the year. Their subsequent measurement is determined by their classification as financial assets and liabilities at each balance sheet date.

## 4. Summary of principal accounting practices (Continued)

c) Financial instruments (Continued)

c1) *Financial assets:* These are classified in the categories below according to the purpose for which they have been purchased or issued:

c1.1) *Financial assets measured at fair value through profit or loss* (FVTPL)

These include financial instruments held for trading and assets initially recognized at FVTPL. They are classified as held for trading if originated for the purpose of sale or repurchase in the short term. Derivatives are also classified as for trading, excepting those designated as hedge. These are measured at fair value at each balance sheet date. Interest, monetary variation and foreign exchange gains/losses and fluctuations arising from measurement at fair value are recognized in profit or loss, as incurred, under "Financial income" or "Financial expenses".

c1.2) *Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Company's management has the intention and ability to hold to maturity. After their initial recognition, they are measured at amortized cost using the effective interest rate method. This method uses a discount rate that when applied to estimated future receivables, over the expected life of the financial instrument, results in the net book value thereof. Interest, monetary variation and foreign exchange gains/losses, less impairment, if any, are recognized in profit or loss, as incurred, under "Financial income" or "Financial expenses".

c1.3) *Lending and receivables*

Non-derivative financial assets with fixed or determinable payments which, however, are not traded in an active market. After their initial recognition, they are measured at amortized cost using the effective interest rate method. Interest, monetary variation and foreign exchange gains/losses, less impairment, if any, are recognized in profit or loss, as incurred, under "Financial income" or "Financial expenses".

## 4. Summary of principal accounting practices (Continued)

c) Financial instruments (Continued)

c1.4) *Available for sale*

Financial assets that do not fit into categories c1.1 to c1.3 above, and are measured at fair value at each balance sheet date. Interest, monetary variation and foreign exchange gains/losses, if any, are recognized in profit or loss, as incurred, and differences arising between the investment value restated in accordance with relevant contract conditions and related fair value measurement are recognized in shareholders' equity, under "Equity adjustments" while the asset is not realized. Once the asset is realized, they are transferred to the net income (loss), net of taxes.

The main financial assets recognized by the Company are: cash and cash equivalents, short-term investments, unrealized gain on derivative transactions and trade accounts receivable.

c2) *Financial liabilities:* These are classified in the categories below according to the nature of financial instruments contracted or issued.

c2.1) *Financial liabilities measured at fair value through profit or loss*

These include financial liabilities usually traded before maturity, liabilities stated upon initial recognition at fair value through profit and loss and derivatives, excepting those classified as hedging instruments. These are measured at fair value at each balance sheet date. Interest, monetary variation, foreign exchange gains/losses and fluctuations arising from measurement at fair value, as applicable, are recognized in the profit or loss, as incurred.

c2.2) *Financial liabilities not measured at fair value*

Non derivative financial liabilities not usually traded before maturity. They are initially measured at amortized cost using the effective interest rate method. Interest, monetary variation and foreign exchange gains/loss, when applicable, are recognized in profit or loss, as incurred.

The main financial liabilities recognized by the Company are: trade accounts payable, unrealized losses on derivative transactions and loans and financing.

## 4. Summary of principal accounting practices (Continued)

c) Financial instruments (Continued)

c3) *Market value*: The market value of financial instruments traded in an active market such as a recognized stock exchange is determined based on the amounts quoted in the market at the balance sheet date. If an active market does not exist, the market value is determined through valuation techniques. These techniques include use of recent market transactions between independent parties, discounted cash flow analysis or other valuation methods.

c4) *Hedging instruments:* derivative financial instruments used to hedge risk exposures or change the characteristics of underlying financial assets and liabilities, firm commitments not recognized, highly probable transactions, or net investments in foreign transactions, and that: (i) have high correlation with the changes in their market value in relation to the market value of the hedged item, both at inception and over the life of the contract (effectiveness between 80% and 125%); (ii) have documentary identification of the transaction, of the hedged risk, of the risk management process, and of the hedge effectiveness methodology used; and, (iii) are considered effective at reducing risk associated with the exposure being hedged, are classified and accounted for as hedging instruments according to their nature:

- *Fair value hedge* – These are derivative financial instruments used to offset risks arising from exposure to changes in the fair value of the hedged item. The hedged items and underlying derivative financial instruments are recorded against the relevant income or expense account, in the statement of income for the period;
- *Cash flow hedge* – These are derivative financial instruments used to offset change in the entity's estimated future cash flow. The hedged items and underlying derivative financial instruments are accounted for as follows: (i) the effective portion of gain or loss on the hedging instrument is recognized under the heading "Equity adjustments" in shareholders' equity; and (ii) the non-effective portion of gain or loss on the hedging instrument is directly charged to the net income for the period; and

## 4. Summary of principal accounting practices (Continued)

c) Financial instruments (Continued)

- *Foreign investment* – These are derivative financial instruments used to offset the effects of foreign exchange rate changes upon currency translation of financial statements regarding foreign investments. The hedged items and underlying derivative financial instruments are accounted for as follows: (i) the effective portion of gain or loss on the hedging instrument is recognized under the heading "Equity adjustments" in shareholders' equity; and (ii) the non-effective portion of gain or loss on the hedging instrument is directly charged to the net income for the period.

For the years ended December 31, 2009 and 2008, the Company and its subsidiaries had only cash flow hedge transactions.

d) Allowance for doubtful accounts

The Company and its subsidiaries do not present amounts requiring setting up of allowance for doubtful accounts once there are no expected losses on accounts receivable.

e) Inventories

Agricultural products were valued at the production cost.

Inventories of seeds, manure, fertilizers, pesticides, fuel, lubricants, stored and sundry materials were valued at their average acquisition cost.

Provisions for slow-moving or obsolete inventories are set up when deemed necessary by management.

A provision for market value adjustment of inventories of agricultural products is recognized when production costs exceed the related realization value. The realization value is the estimated selling price in the normal course of business less the estimated costs to sell.

f) Growing crops

These are stated at cost incurred through the balance sheet date, and represent crop formation in the related fiscal years. A provision for market value adjustment of inventories is set up when the costs incurred exceed the related realization value.

## 4. Summary of principal accounting practices (Continued)

g) Investments

Investments in subsidiaries are valued at the equity accounting method. Other investments are stated at acquisition cost and adjusted to market value, as applicable.

h) Property, plant and equipment

Property, plant and equipment are stated at acquisition, buildup or construction cost. Depreciation is calculated on the straight-line basis at the rates mentioned in Note 11 and takes into consideration the estimated useful life of the assets.

i) Intangible assets

Intangible assets basically comprise licenses for use of software acquired from third parties, in the phase of implementation, and are initially measured at cost of acquisition, subsequently deducting accumulated amortization. Amortization is calculated by the straight line method based on estimated useful life. Book value of intangible assets is submitted to impairment testing when events or changes in circumstances indicate that the book value may not be recovered.

j) Liabilities

Liabilities are recognized in the balance sheet when the Company has a legal or constructive obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits. Due to uncertainty with respect to the timing and amount of the outflow of economic benefits required for settlement, certain liabilities are estimated as incurred and recorded as a provision. Provisions are recorded reflecting the best estimates of the risk involved.

k) Taxation

Sales revenues are subject to the following taxes and mandatory contributions, at the following statutory tax rates:

| | Rate |
|---|---|
| State VAT (ICMS) | 0% to 17.00% |
| Social Contribution Tax on Gross Revenue for Social Security Financing (COFINS) | 7.60% |
| Social Contribution Tax on Gross Revenue for Social Integration Program (PIS) | 1.65% |
| Rural Workers' Assistance Fund Tax (Funrural) | 2.85% |

These expenses are stated as sales deductions in the statement of income. Credits deriving from non-cumulative PIS/COFINS are recorded as a deduction from the cost of sales in the statement of income.

## 4. Summary of principal accounting practices (Continued)

k) Taxation (Continued)

Income taxes comprise both income and social contribution taxes. Income tax is calculated at a rate of 15%, plus a surtax of 10% on taxable profit exceeding R$ 240 over 12 months, whereas social contribution tax is computed at a rate of 9% on taxable profit, both recognized on an accrual basis; therefore additions to book income deriving from temporarily non-deductible expenses or exclusions from temporarily non-taxable income upon determination of current taxable profit generate deferred tax assets or liabilities.

l) Government grants and assistance

The Governments of Mato Grosso do Sul and Mato Grosso states, through Decrees No. 9542/99 and No. 1261/00, respectively, granted incentives allowing deferral of ICMS debits through inclusion of Fazenda Planalto under the Fundersul Program (Fund for the Development of the Road System of Mato Grosso do Sul state) and the inclusion of Fazenda Planorte and Fazenda Paiaguás under the FETHAB Program (Fund for Transportation and Housing).

The Governments of Mato Grosso do Sul, Mato Grosso and Goiás states, through Decree No. 9716/99, Decree No 1589/97 and state Law No. 13506/99, granted ICMS matching credits for cotton-feather operations, with reduction of ICMS payable by 50% to 75% through inclusion of Fazenda Planalto under the PDAGRO Program (Mato Grosso do Sul), of Fazenda Planorte and Fazenda Paiaguás under the PROALMAT Program (Mato Grosso) and Fazenda Pamplona under the PROALGO Program (Goiás). ICMS matching credits are recorded in the statement of income in the deductions-taxes and mandatory contributions account as a contra entry to recoverable taxes.

The Amazon Development Department – SUDAM (current Amazon Development Agency – ADA), through Declaratory Statute DCI/DAI/SUDAM No. 025/2000, granted IRPJ tax incentive to Parnaíba and Planorte farms, involving IRPJ and non-refundable surtax reduction by 75% on profit from tax incentive operations with cotton and whole cottonseed, up to the production limit provided for by the Declaratory Statute. The tax incentive amounts arrived at are recorded in IRPJ payable, the contra entry being to taxes payable – current in the statement of operations.

## 4. Summary of principal accounting practices (Continued)

m) Share-based payment

The Company has a stock option plan for Company's directors and managers, administered by a steering committee set up by the Board of Directors. For the years ended December 31, 2009 and 2008, the Company measured and recognized these benefits as expenses, in accordance with CPC 10.

n) Accounting estimates

These are used in the measurement and recognition of certain assets and liabilities in the financial statements of the Company and its subsidiaries. These estimates take into consideration experience from past and current events, assumptions in respect of future events, and other objective and subjective factors. Significant items subject to such estimates include selection of useful lives of property, plant and equipment and intangible assets; allowance for doubtful accounts; provision for inventory losses; analysis of recoverability of property, plant and equipment and intangible assets; deferred income and social contribution taxes; provision for contingencies; fair value measurement of share-based payments and financial instruments; and recognition considerations. Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to the uncertainties inherent in the estimate process. The Company reviews its estimates and assumptions at least on a quarterly basis.

## 5. Cash and cash equivalents

| | | Company | | Consolidated | |
|---|---|---|---|---|---|
| Type | Yield | **2009** | **2008** | **2009** | **2008** |
| Cash | - | **258** | 2,609 | **427** | 2,800 |
| Securities for negotiation: | | | | | |
| Bank Deposit Certificates – Interbank Deposits (CDB-DI) | 100.10% of CDI* | **33,437** | 109,435 | **68,672** | 110,827 |
| Repurchase and resale agreements | 102.01% of CDI* | **61,910** | 104,033 | **72,790** | 111,240 |
| Other investments | - | **246** | 231 | **362** | 340 |
| | | **95,593** | 213,699 | **141,824** | 222,407 |
| | | **95,851** | 216,308 | **142,251** | 225,207 |

* Average yield as of December 31, 2009.

Short-term investments are represented by Bank Deposit Certificates (CDB) and repurchase and resale agreements (debentures) at market prices and rates, restated at interest earned through to December 31, 2009, not exceeding the trading value.

The Company considers that cash and cash equivalents include cash in hands and in bank deposits, short-term investments redeemable within up to 90 days from balance sheet date, which may be immediately converted into a known cash amount and that are subject to low risk of change in value.

## 6. Trade accounts receivable

| | Company | | Consolidated | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| Domestic market | **12,033** | 2,862 | **23,859** | 3,189 |
| Foreign market | **6,964** | 6,182 | **12,946** | 8,786 |
| Total | **18,997** | 9,044 | **36,805** | 11,975 |

At December 31, 2009 and 2008, the Company and its subsidiaries had no overdue notes receivable.

## 7. Inventories

| | Company | | Consolidated | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| Agricultural products | **93,309** | 57,693 | **130,274** | 77,055 |
| Seeds, manure, fertilizers and pesticides | **77,334** | 97,564 | **118,659** | 155,438 |
| Advances to suppliers | **2,638** | 13,025 | **3,408** | 20,926 |
| Other inventories | **5,181** | 4,041 | **7,146** | 5,660 |
| Provision for market value adjustment | **(10,005)** | - | **(10,956)** | - |
| | **168,457** | 172,323 | **248,531** | 259,079 |

## 8. Growing crops

| | Company | | Consolidated | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| Soybean | **62,102** | 62,052 | **101,074** | 110,722 |
| Cotton | **50,024** | 56,919 | **65,498** | 68,513 |
| Corn | **14,915** | 5,852 | **18,681** | 8,841 |
| Corn-seed | **390** | 1,579 | **390** | 1,534 |
| Coffee | **3,088** | 4,059 | **3,088** | 3,972 |
| Other crops | **783** | 322 | **783** | 273 |
| | **131,302** | 130,783 | **189,514** | 193,855 |

Growing crops are substantially represented by costs incurred with crop formation, such as: seeds, fertilizers, pesticides, depreciation and labor used in the crops.

Crops of soybean, corn and cotton are usually as follows:

| | | Crops | | |
|---|---|---|---|---|
| **Farm/Unit** | **Location** | **Soybean** | **Cotton** | **Corn** |
| Fazenda Planalto | Costa Rica-MS | Oct 1 a March 20 | Dec 5 to Aug 15 | Jan 25 to Jul 10 |
| Fazenda Paiaguás | Diamantino-MT | Sep 20 to Mar 15 | Dec 10 to Aug 15 | Jan 25 to Jul 10 |
| Fazenda Planorte | Sapezal-MT | Sep 20 to Mar 10 | Dec 15 to Aug 15 | Jan 25 to Jul 10 |
| Fazenda Pamplona | Cristalina-GO | Oct 25 to Apr 15 | Nov 5 to Aug 15 | Oct 20 to Apr 30 |
| Fazenda Parnaíba | Tasso Fragoso-MA | Oct 25 to Apr 05 | Dec 15 to Aug 10 | Dec 1 to May 15 |
| Fazenda Planeste | Balsas-MA | Oct 15 to Mar 30 | Dec 20 to Aug 15 | Dec 10 to Jul 10 |
| Fazenda Palmeira | Buriti-MA | Jan 20 to Jun 5 | N/A | Jan 20 to Jun 10 |
| Fazenda Panorana | Correntina-BA | Nov 1 to Apr 25 | Nov 20 to Aug 10 | Nov 1 to Apr 1 |
| Fazenda Piratini | Jaborandi-BA | Nov 1 to Apr 25 | N/A | N/A |
| Fazenda Palmares | Barreiras-BA | Nov 1 to Apr 25 | Nov 20 to Aug 10 | N/A |

## 9. Recoverable taxes

| | Company | | Consolidated | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| Income tax | **7,082** | 2,660 | **8,819** | 4,681 |
| Social contribution tax | **52** | 636 | **700** | 2,239 |
| ICMS | **14,853** | 15,291 | **19,758** | 19,931 |
| COFINS | **3,968** | 3,437 | **9,896** | 9,985 |
| PIS | **704** | 738 | **2,331** | 2,358 |
| Withholding Income Tax (IRRF) | **4,467** | 4,185 | **5,250** | 4,537 |
| Other | **49** | 47 | **60** | 58 |
| | **31,175** | 26,994 | **46,814** | 43,789 |
| (-) Current assets | **(26,469)** | (22,636) | **(40,380)** | (37,803) |
| Noncurrent assets | **4,706** | 4,358 | **6,434** | 5,986 |

Income and social contribution taxes

These refer to income and social contribution tax prepayments that are realized through offset against federal taxes and contributions due.

ICMS, PIS and Cofins to be offset / recovered

These refer to credits generated in the normal course of operations of the Company and its subsidiaries, which may be offset against taxes of the same nature. The Company's management expects that the balances as of December 31, 2009 will be realized in their normal course of business with no significant losses.

Recoverable IRRF

This refers to withholding income tax on short-term investments. These credits are realizable through offset against federal taxes and mandatory contributions due.

## 10. Investments

| | Company | | Consolidated | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| Investments in subsidiaries | **376,695** | 250,595 | **-** | - |
| Other investments | **99** | 99 | **292** | 229 |
| | **376,794** | 250,694 | **292** | 229 |

## 10. **Investments** (Continued)

Significant investments in subsidiaries, valued by the equity accounting method, are shown in the table below:

| | **Fazenda Parnaíba S.A.** | **Fazenda Planorte S.A.** | **Fazenda Paiaguás S.A.** | **SLC Empreendimentos e Agricultura Ltda.** (1) and (4) | **2009** | **2008** |
|---|---|---|---|---|---|---|
| Capital | 45,650 | 57,050 | 40,010 | 215,474 | | |
| Shareholders' equity | 54,613 | 85,354 | 71,190 | 203,600 | | |
| Net income for the year | 962 | 6,784 | 23,793 | 23,166 | | |
| Number of shares/units of interest | | | | | | |
| Common shares (thousand) | 5,353 | 11,506 | 44,517 | - | | |
| Units of interest | - | - | - | 1 | | |
| Equity interest percentage (%) | 100% | 100% | 100% | 85,81% | | |
| Opening balances | 20,322 | 66,733 | 35,474 | 137,242 | **259,771** | 189,842 |
| Payment of capital | 25,000 | 10,650 | 10,000 | 58,833 | **104,483** | 96,179 |
| Realized losses on hedge instruments | - | - | - | - | **-** | (4,450) |
| Unrealized losses on hedge instruments | - | - | - | - | **-** | (16,314) |
| Unrealized gains on hedge instruments | 8,329 | 2,731 | 7,575 | - | **18,635** | - |
| Gain (loss) on investment capital (5) | - | - | - | (7,669) | **(7,669)** | 790 |
| Equity pickup | 962 | 6,784 | 23,793 | 19,880 | **51,419** | 15,880 |
| Dividends received | - | (1,544) | (5,652) | (33,572) | **(40,768)** | (22,156) |
| Equity value – ending balances | 54,613 | 85,354 | 71,190 | 174,714 | **385,871** | 259,771 |
| Goodwill (2) | - | - | 12,980 | - | **12,980** | 12,980 |
| Discount (3) | (22,156) | - | - | - | **(22,156)** | (22,156) |
| Ending balances | 32,457 | 85,354 | 84,170 | 174,714 | **376,695** | 250,595 |

(1) Shareholders' equity was adjusted by R$11,889 and R$12,419 and net income was adjusted by R$530 (negative) and R$3,479, for the years 2009 and 2008, respectively, referring to intercompany unearned income, net of tax effects.

(2) Corresponds to goodwill on the acquisition of Fazenda Paiaguás on July 20, 2000 based on plantation land appreciation. It will be amortized only upon write-off/disposal or impairment.

(3) Corresponds to discount on the purchase from third parties of shares of subsidiary Fazenda Parnaíba S.A, in 2007 and 2008. This is shown as noncurrent liabilities for consolidation purposes.

(4) The Company has 100% interest in SLC Empreendimentos e Agricultura Ltda. through subsidiary Fazenda Paiaguás S.A.

(5) Capital loss refers to capital increase in subsidiary SLC Empreendimentos e Agricultura Ltda., being paid up by subsidiary SLC Agrícola S.A. for an amount in excess of that of subsidiary Fazenda Paiaguás S.A. In the consolidated statement of operations this loss is offset by the gain recorded by Fazenda Paiaguás S.A.

## 11. Property, plant and equipment

| Company | | | | | |
|---|---|---|---|---|---|
| | Average annual depreciation rate | 2009 | | | 2008 |
| | | Cost | Accumulated depreciation | Net | Net |
| Arable land | - | 186 | - | **186** | 186 |
| Soil development | 20% | 118,782 | 41,755 | **77,027** | 63,370 |
| Buildings and improvements | 4% | 45,007 | 4,107 | **40,900** | 18,327 |
| Furniture and fixtures | 10% | 2,669 | 755 | **1,914** | 876 |
| Office equipment and facilities | 20% | 2,638 | 1,424 | **1,214** | 1,130 |
| Agricultural equipment and industrial facilities | 13% | 170,228 | 61,610 | **108,618** | 104,459 |
| Vehicles | 26% | 10,123 | 5,412 | **4,711** | 4,772 |
| Permanent crops | 9% | 6,340 | 1,517 | **4,823** | 3,779 |
| Advances to suppliers | - | 1,513 | - | **1,513** | 9,063 |
| Work and refurbishments in progress | - | 24,538 | - | **24,538** | 16,108 |
| | | 382,024 | 116,580 | **265,444** | 222,070 |

| Consolidated | | | | | |
|---|---|---|---|---|---|
| | Average annual depreciation rate | 2009 | | | 2008 |
| | | Cost | Accumulated depreciation | Net | Net |
| Arable land | - | 355,931 | - | **355,931** | 312,974 |
| Goodwill – Land appreciation | - | 12,980 | - | **12,980** | 12,980 |
| Soil development | 20% | 183,550 | 74,331 | **109,219** | 87,075 |
| Plots | - | 42 | - | **42** | 42 |
| Buildings and improvements | 4% | 97,075 | 20,347 | **76,728** | 52,484 |
| Furniture and fixtures | 10% | 3,656 | 1,229 | **2,427** | 1,388 |
| Office equipment and facilities | 20% | 3,664 | 2,055 | **1,609** | 1,498 |
| Agricultural equipment and industrial facilities | 13% | 296,947 | 115,799 | **181,148** | 166,746 |
| Vehicles | 26% | 14,855 | 8,576 | **6,279** | 6,391 |
| Permanent crops | 8% | 10,616 | 3,761 | **6,855** | 6,238 |
| Advances to suppliers | - | 1,987 | - | **1,987** | 9,292 |
| Work and refurbishments in progress | - | 29,616 | - | **29,616** | 17,212 |
| | | 1,010,919 | 226,098 | **784,821** | 674,320 |

At December 31, 2009, work and refurbishments in progress, amounting to R$29,616 (consolidated), mainly represented the construction and renovation of the warehouse unit in the amount of R$17,198 in Fazenda Pamplona, Fazenda Palmares and Fazenda Planorte; construction of a pesticide warehouse, in the amount of R$609; infrastructure work (electric grid, road construction, hydrant system etc.), in the amount of R$2,788; irrigation system renovation (collection pond and pivots), in the amount of R$3,234; and improvements (bale yard landfill), in the amount of R$832. All of these efforts are expected to be completed within the next 12 months.

## 12. Balances and transactions with related parties

a) Balances of transactions with related parties

| | Fazenda Planorte S.A. | Fazenda Parnaíba S.A. | Fazenda Paiaguás S.A. | SLC Empreendimentos e Agricultura Ltda. | Ferramentas Gerais Com. Imp. S.A. | Total | |
|---|---|---|---|---|---|---|---|
| | | | | | | 2009 | 2008 |
| **ASSETS:** | | | | | | | |
| **Current assets:** | | | | | | | |
| Receivables from subsidiaries | 695 | 194 | 250 | 58 | 2 | **1,199** | 610 |
| **Noncurrent assets:** | | | | | | | |
| Receivables from subsidiaries | - | 1,002 | 8,288 | - | - | **9,290** | 38,286 |
| Advances to future capital increase | - | - | - | 887 | - | **887** | 18,226 |
| | | | | | | **10,177** | 56,512 |
| **LIABILITIES:** | | | | | | | |
| **Current liabilities:** | | | | | | | |
| Payables to subsidiaries (intercompany) | 2 | - | - | - | | **2** | - |
| Lease transaction payable | - | - | - | 6,152 | - | **6,152** | 6,485 |
| | | | | | | **6,154** | 6,485 |
| **INCOME/EXPENSES** | | | | | | | |
| **SALES:** | | | | | | | |
| Goods | 18 | 605 | 137 | - | - | **760** | 1,535 |
| **COST OF PRODUCTS:** | | | | | | | |
| Lease transactions | - | - | - | 20,245 | - | **20,245** | 14,941 |
| **PURCHASES:** | | | | | | | |
| Goods | - | 541 | 54 | - | - | **595** | 1,070 |
| **FINANCIAL INCOME** | | | | | | | |
| Interest | 772 | 275 | 1,749 | - | - | **2,796** | 444 |
| **FINANCIAL EXPENSES** | | | | | | | |
| Interest | - | 137 | - | - | - | **137** | 4 |

The Company and its subsidiaries have loan agreements represented by current accounts, indexed to 99% of the CDI-OVER rate nominal variation, maturing in indeterminate periods.

b) Lease agreement

The Company has a rural lease agreement entered into on January 1, 2007, with subsidiary SLC Empreendimentos e Agricultura Ltda., effective for a period of 10 years maturing on December 31, 2016, which may be reviewed at any time in the event market changes take place that render it unfeasible to achieve balance and encumber excessively any of the parties thereto.

## 12. Balances and transactions with related parties (Continued)

b) Lease agreement (Continued)

This agreement provides for the delivery of land, facilities and other assets by the lessor that allows the lessee to perform its agricultural activities by planting cotton, soybean, corn, sorghum, coffee and pea, in consideration for an amount in the form of lease payments. At December 31, 2009 the lease amount is as follows:

| | Total hectares leased | Annual leasing amount (a) | Soybean sack quotation in the region (b) | R$ |
|---|---|---|---|---|
| Fazenda Planalto | 13,157.78 | 11.0 | 41.00 | **5,934** |
| Fazenda Pamplona | 12,619.85 | 10.5 | 41.00 | **5,433** |
| Fazenda Planeste | 12,831.30 | 7.0 | 39.00 | **3,503** |
| Fazenda Palmeira | 4,515.00 | 5.0 | 42.00 | **948** |
| Fazenda Panorama | 6,570.00 | 8.0 | 39.00 | **2,050** |
| Fazenda Paiaguás | 24,247.79 | 8.5 | 34.00 | **7,008** |
| Fazenda Piratini (c) | 3,000.00 | - | - | **-** |
| Fazenda Palmares | 3,290.72 | 9.0 | 39.00 | **1,155** |
| | | | | **26,031** |

(a) Equivalent in soybean sacks per arable hectare per crop year.

(b) Average price per soybean sack prevailing in the region of each farm, obtained as of December 31, 2009, in Reais.

(c) As contractually provided for, leasing costs will be incurred as from crop year 2011/2012.

The leasing price will be paid annually based on the over-the-counter (OTC) price of the soybean sack for each region on the payment date, to be established by the lessor at least 15 days before maturity, with no provision for agreement resetting.

c) Management fees

The Company considers that senior management comprises non-remunerated board members, remunerated independent board members and executive board members (whether statutory or non-statutory).

Management members receive compensation in the form of fees and salaries through payroll. Total management compensation, including bonus and other benefits, is stated in a specific statement of operations account, and summarized as follows:

| | Company and Consolidated | |
|---|---|---|
| | **2009** | **2008** |
| Fees | **1,520** | 1,215 |
| Bonus | **835** | 1,227 |
| Stock option plan | **2,231** | 1,131 |
| | **4,586** | 3,573 |

The Company does not offer post-employment, labor contract termination or other long-term benefits to its management.

## 13. Loans and financing

| | Index | Average annual interest rates (%) 2009 | 2008 | Company 2009 | 2008 | Consolidated 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| Used in property, plant and equipment | | | | | | | |
| Finame – BNDES | Prefixed and TJLP* | 7.39% | 9.23% | **23,313** | 27,935 | **36,643** | 40,941 |
| Constitutional Funds** | - | 7.62% | 7.39% | **75,932** | 49,597 | **119,159** | 85,858 |
| Used in working capital | | | | | | | |
| Advance on export contracts | US$ | - | 10% | **-** | 4,698 | **-** | 4,697 |
| Rural credit | - | 6.75% | 6.75% | **51,831** | 13,636 | **126,577** | 39,372 |
| Constitutional Funds** | - | 8.34% | 7.38% | **32,290** | 100,067 | **36,818** | 126,532 |
| Rural savings | - | 7.10% | - | **-** | - | **23,563** | - |
| Working capital - NCE | | 11.72% | - | **47,263** | - | **47,263** | - |
| Foreign loans | US$, Libor + Prefixed | 3.47% | 5.12% | **70,628** | 95,288 | **70,628** | 95,288 |
| | | | | **301.257** | 291,221 | **460,651** | 392,688 |
| (-)Current liabilities | | | | **(119.974)** | (118,365) | **(232,263)** | (180,790) |
| Noncurrent liabilities | | | | **181,283** | 172,856 | **228,388** | 211,898 |

* Long-Term Interest Rate (TJLP)
** Calculation of Constitutional Funds average cost considers a 15% discount relating to non-default bonus applied to these operations.

Finame – BNDES – Guaranteed by a statutory lien and pledges on financed assets by the Company or SLC Participações S.A. Amounts are amortized on a monthly, quarterly, semiannual or annual basis, with maturity dates between January 15, 2010 and October 15, 2015.

Constitutional Funds – Guaranteed by sureties by the Company or SLC Participações S.A. and, in some operations, by pledge and mortgage on land. Amounts are amortized annually or semiannually, with maturities between March 29, 2010 and July 9, 2011.

Rural Savings – Guaranteed by sureties by the Company and/or SLC Participações S.A. Maturity is expected to be September 28, 2010.

Rural Credit – Guaranteed by sureties by the Company or SLC Participações S.A., and, in some transactions, by pledge on the crops. Amortization takes place on a monthly basis, with maturities between June 10, 2010 and September 27, 2010.

Foreign Loans – Funds obtained from IFC – International Finance Corporation, with final maturity on January 15, 2018, guaranteed by sureties by subsidiaries and mortgage on Fazenda Paiaguás S.A. This agreement provides for performance of certain covenants regarding current ratio, DEBT-EBITDA/Equity ratio and annual debt amortization in relation to operating cash generation. At December 31, 2009, the Company failed to comply with the debt-to-Ebitda ratio, but obtained a statement from the financial institution exempting it from paying any consideration defined in the contract for failure to comply with this long-term ratio.

## 13. Loans and financing (Continued)

Working Capital – NCE – Funds taken out through Export Credit Bill (NCE) to finance 2009/10 crop trading, with a 24- and 12-month grace period. These are collaterally signed by the Company or SLC Participações S.A. They are amortized on a monthly basis, maturing between August 11, 2010 and July 7, 2011.

The aging list of long-term loans and financing is as follows:

| | Company | | Consolidated | |
|---|---|---|---|---|
| **Maturity** | **2009** | **2008** | **2009** | **2008** |
| 2010 | **-** | 32,057 | **-** | 44,684 |
| 2011 | **56,499** | 26,650 | **71,534** | 37,281 |
| 2012 | **30,807** | 24,116 | **42,019** | 30,903 |
| 2013 | **27,285** | 21,270 | **37,613** | 27,131 |
| 2014 | **24,319** | 18,896 | **31,832** | 22,033 |
| After 2014 | **42,373** | 49,867 | **45,390** | 49,866 |
| | **181,283** | 172,856 | **228,388** | 211,898 |

## 14. Provision for contingencies

At December 31, 2009, the Company recorded a provision for labor contingencies in the amount of R$593 (R$1,082 - consolidated), referring to legal claims filed by former employees, with respect to which an unfavorable outcome has been assessed as probable by Company's legal advisors. The provision for contingencies is recorded as other payables under current liabilities. The Company recorded the amount of R$2,719 (R$3,316 - consolidated) relating to labor claims whose likelihood of an unfavorable outcome was rated as possible by its legal advisors and, as a result, no provision was recorded for such claims.

At December 31, 2009, the Company set up a tax contingency in the amount of R$160 (Company and consolidated), for burden of defeat purposes, relating to proceedings against the Federal Government requesting the right to consider the Tax National Treasury Bill (BTNF) adjusted in accordance with the Consumer Price Index (CPI) variation throughout 1990, for purposes of monetary restatement of its financial statements as of 1990, whose likelihood of an unfavorable outcome was rated as probable by its legal advisors. The tax amount is judicially deposited.

The Company also identifies environmental claims whose likelihood of an unfavorable outcome was rated as possible by its legal advisors in the amount of R$514. Such proceedings relate to claims filed by The Brazilian Institute of the Environment and Natural Renewable Resources (IBAMA) and by Environment Military Police, Cassilândia City, Mato Grosso do Sul State (MS).

## 14. Provision for contingencies

The Company respects and seeks to comply with all environmental matters, whether statutory or not, and makes respect for the environment, employees and other stakeholders one of the key commitments to the Company's work, combining the use of cutting-edge agricultural techniques with the adoption of sustainability-oriented practices. The proportion of such actions is greater than simply complying with legislation, and reinforced by the current implementation process of an Integrated Management System (SGI), pursuant to standards ISO 14001:2004 (Environmental Management), OHSAS 18001:2007 (Occupational Safety and Health Management) and NBR 16001:2004 (Social Responsibility Management).

In accordance with applicable legislation in Brazil, the federal, state and local taxes as well as social security contributions are subject to review by tax authorities for periods varying from 5 to 30 years.

## 15. Deferred income and social contribution taxes

Deferred income and social contribution taxes were recognized as follows:

| | Company | | | |
|---|---|---|---|---|
| | 2009 | | | 2008 |
| Description | Income Tax | Social Contribution Tax | Total | Total |
| Assets: | | | | |
| Temporary differences: | | | | |
| Taxes on activities not entitled to tax benefits | 138 | - | **138** | 138 |
| Provision for market value adjustment of inventories | 2,501 | 900 | **3,401** | - |
| Derivative operations | 4,848 | 1,745 | **6,593** | 26,421 |
| Other | 252 | 91 | **343** | 149 |
| Income and social contribution tax losses | 33,370 | 12,036 | **45,406** | 45,200 |
| | 41,109 | 14,772 | **55,881** | 71,908 |
| (-) Total current assets | | | **(15,374)** | (23,295) |
| Noncurrent assets | | | **40,507** | 48,613 |
| Liabilities: | | | | |
| Incentive depreciation for rural activities* | 29,265 | 10,536 | **39,801** | 37,188 |
| Deferred capital gain | 1,614 | - | **1,614** | 2,025 |
| Derivative operations | 3,641 | 1,311 | **4,952** | 249 |
| | 34,520 | 11,847 | **46,367** | 39,462 |
| (-) Total current liabilities | | | **(11,139)** | (5,675) |
| Noncurrent liabilities | | | **35,228** | 33,787 |

## 15. Deferred income and social contribution taxes (Continued)

| | Consolidated | | | |
|---|---|---|---|---|
| | 2009 | | | 2008 |
| Description | Income Tax | Social Contribution Tax | Total | Total |
| Assets: | | | | |
| Temporary differences: | | | | |
| Taxes on activities not entitled to tax benefits | 138 | - | **138** | 138 |
| Provision for market value adjustment of inventories | 2,739 | 986 | **3,725** | - |
| Derivative operations | 12,227 | 4,402 | **16,629** | 48,199 |
| Other | 1,934 | 173 | **2,107** | 1,984 |
| Income and social contribution tax losses | 36,005 | 12,985 | **48,990** | 48,607 |
| | 53,043 | 18,546 | **71,589** | 98,928 |
| (-) Total current assets | | | **(20,963)** | (42,387) |
| Noncurrent assets | | | **50,626** | 56,541 |
| Liabilities: | | | | |
| Incentive depreciation for rural activities* | 52,905 | 18,883 | **71,788** | 66,267 |
| Deferred capital gain | 1,614 | - | **1,614** | 2,025 |
| Deferred foreign exchange fluctuation | 135 | 48 | **183** | - |
| Derivative operations | 4,721 | 1,700 | **6,421** | 250 |
| | 59,375 | 20,631 | **80,006** | 68,542 |
| (-) Total current liabilities | | | **(16,726)** | (9,322) |
| Noncurrent liabilities | | | **63,280** | 59,220 |

* Companies engaged in rural activities are entitled to the accelerated depreciation tax benefit on assets acquired to be used in core activities.

Under CVM Rule No. 371/02, the Company and its subsidiaries, based on expected generation of future taxable profits, determined in a technical study approved by management, recognized tax credits on income and social contribution tax losses and temporary differences, which may be carried indefinitely. The book value of deferred tax assets is reviewed annually by the Company and the resulting adjustments have not been significant in relation to the initial management forecast. The technical study takes into consideration investments and the 75% income tax reduction incentive on profit from tax incentive operations of the farms located in regions benefitting from the incentives.

Based on expected generation of future taxable income, Company estimates recover tax credits as follows:

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| 2009 | **-** | 23,295 | **-** | 42,387 |
| 2010 | **15,374** | 23,298 | **20,963** | 31,226 |
| 2011 | **39,992** | 25,315 | **50,111** | 25,315 |
| 2012 | **515** | - | **515** | - |
| | **55,881** | 71,908 | **71,589** | 98,928 |

## 15. Deferred income and social contribution taxes (Continued)

Tax credit recovery estimates were based on projected taxable profits taking into consideration several financial and business assumptions at the end of 2009 and 2008. Consequently, these estimates may not materialize in the future due to uncertainty involved in these forecasts.

Reconciliation of tax expenses at official rates

Income tax (IR) and social contribution tax (CS) calculated at their nominal rates are reconciled to the amount recorded as income and social contribution tax expenses, as follows:

| | Company | | | |
|---|---|---|---|---|
| | 2009 | | 2008 | |
| | IR | CS | IR | CS |
| Income before taxes | **22,993** | **22,993** | 31,887 | 31,887 |
| Income and social contribution taxes at nominal rate of 25% and 9%, respectively | **(5,748)** | **(2,069)** | (7,972) | (2,870) |
| Adjustments to derive the effective rate | | | | |
| Equity pickup and loss on investments (Note 23) | **10,937** | **3,937** | 3,970 | 1,429 |
| Permanent additions | **(1,269)** | **(457)** | (758) | (272) |
| Other | **-** | **-** | 1 | - |
| Amount posted to P&L | **3,920** | **1,411** | (4,759) | (1,713) |
| Total income and social contribution taxes | **5,331** | | (6,472) | |
| Income and social contribution taxes – deferred | **5,331** | | (6,472) | |
| Effective rate | **(23)%** | | 20% | |

| | Consolidated | | | |
|---|---|---|---|---|
| | 2009 | | 2008 | |
| | IR | CS | IR | CS |
| Income before taxes | **10,770** | **10,770** | 60,452 | 60,452 |
| Income and social contribution taxes at nominal rate of 25% and 9%, respectively | **(2,692)** | **(969)** | (15,113) | (5,441) |
| Adjustments to derive the effective rate | | | | |
| Permanent exclusions | **3,991** | **1,387** | 1,871 | 674 |
| Permanent additions | **(1,371)** | **(494)** | (793) | (287) |
| Subsidiaries' tax incentives | **501** | **-** | 1,737 | - |
| Other | **91** | **19** | 1,174 | 337 |
| Amount posted to P&L | **520** | **(57)** | (11,124) | (4,717) |
| Total income and social contribution taxes | **463** | | (15,841) | |
| Income and social contribution taxes – current | **(7,466)** | | (3,997) | |
| Income and social contribution taxes – deferred | **7,929** | | (11,844) | |
| Effective rate | **(4%)** | | 26% | |

## 15. Deferred income and social contribution taxes (Continued)

Reconciliation of changes in deferred income and social contribution taxes

Income and social contribution taxes recorded in the consolidated financial statements as assets and liabilities are reconciled as follows:

| | 2008 | 2009 | Variance |
|---|---|---|---|
| Deferred tax assets | 98,928 | 71,589 | (27,339) |
| Deferred tax liabilities | (68,542) | (80,006) | (11,464) |
| | | | (38,803) |
| Fair value of gains recorded under shareholders' equity (Note 17h) | | | 36,083 |
| Reversal of taxes recorded under shareholders' equity (Note 17h) | | | 10,586 |
| Unrealized income – inventories | | | 63 |
| Deferred taxes posted to net income for the year | | | 7,929 |

## 16. Notes payable - Consolidated

| | 2009 | 2008 |
|---|---|---|
| Agropecuária Vale do Juruena Ltda. and Others (a) | **56,216** | 66,508 |
| Agropecuária Veloso de Araujo Ltda. and Others (b) | **12,687** | 13,759 |
| Solo Sagrado Colonizadora e Negócios Ltda.(c) | **10,502** | 22,716 |
| Espolio de Francisco Veloso de Araujo (d) | **4,952** | 5,148 |
| Jaques Valori Lima (e) | **3,744** | 5,854 |
| Agroparaná S.A and others | **-** | 3,154 |
| Fausto de Guimarães Garcia | **-** | 3,673 |
| Other | **8,739** | - |
| | **96,840** | 120,812 |
| (-) Current portion | **(38,769)** | (43,549) |
| Noncurrent portion | **58,071** | 77,263 |

Breakdown of balances at December 31, 2009:

(a) Corresponds to purchase of 10,635 hectares of arable land in the city of Campos de Julio, Mato Grosso State, adjoining the arable land of subsidiary Fazenda Planorte S.A., for the amount of R$82,950, equivalent to 2,370 thousand soybean sacks. The balance at December 31, 2009 refers to 5 remaining installments of R$59,216, equivalent to 1,650 thousand soybean sacks, restated by soybean sack price variation, with the next installments maturing annually from May 2010 to May 2014.

(b) Corresponds to purchase of 3,406.62 hectares of arable land in the city of Tasso Fragoso, Maranhão State, adjoining the arable land of subsidiary Fazenda Parnaíba S.A., for R$14,000, equivalent to 350 thousand soybean sacks. The balance at December 31, 2009, in the amount of R$12,687, refers to 15 remaining annual installments, maturing from May 2009 to May 2022, the first equivalent to 56,064 soybean sacks, was postponed at creditor's discretion and the other installments equivalent to 20 thousand soybean sacks each, totaling 328,564 soybean sacks.

(c) Corresponds to purchase of 26,598 hectares of arable land in the city of Santa Filomena, Piauí State, named Fazenda Parnaguá, by subsidiary SLC Empreendimentos e Agricultura Ltda., for R$34,969. The balance at December 31, 2009, in the amount of R$10,502, refers to R$6,951 payable upon deed transfer to the Company and R$3,551, equivalent to 101,539 soybean sacks, payable in May 2010.

## 16. Notes payable – Consolidated (Continued)

(d) Corresponds to purchase of 1,237.74 hectares of arable land in the city of Tasso Fragoso, Maranhão State, adjoining the arable land of subsidiary Fazenda Parnaíba S.A., for R$4,800, equivalent to 137,142 soybean sacks. The balance at December 31, 2009, in the amount of R$4,952, refers to: R$2,650 payable upon deed transfer to the Company; and 4 remaining annual installments, maturing from May 2010 to May 2013, equivalent to 12 thousand soybean sacks each, totaling 60 thousand soybean sacks.

(e) Corresponds to purchase of 2,718 hectares of arable land in the city of Correntina, Bahia State, denominated Fazenda Panorama, by subsidiary SLC Empreendimentos e Agricultura Ltda., in the amount of R$8,857, equivalent to US$4,447. The balance of R$3,744 at December 31, 2009, equivalent to US$2,150, restated by reference to US dollar variation, will be paid in 3 annual installments maturing as from May 31, 2010.

## 17. Shareholders' equity

a) Capital

At December 31, 2009, subscribed capital, in the amount of R$557,434, comprises 98,897,500 registered common shares with no par value, held as follows:

| | Number of shares | |
|---|---|---|
| **Shareholder** | **2009** | **2008** |
| SLC Participações S.A. | **28,948,586** | 28,948,586 |
| Evaux Participações S.A. | **21,520,787** | 21,520,787 |
| Board of Directors | **1,003** | 3 |
| Treasury shares | **1,304,000** | 1,185,600 |
| Other | **47,123,124** | 47,242,524 |
| Total paid-up shares | **98,897,500** | 98,897,500 |
| (-) Treasury shares | **(1,304,000)** | (1,185,600) |
| Total shares outstanding | **97,593,500** | 97,711,900 |

b) Capital reserve – premium on the issue of shares

The balance at December 31, 2009, in the amount of R$175,409, corresponds to premium received in public share offerings in June 2007 and June 2008, as well as premium on sale of treasury shares in June 2009 (R$13), less share issue costs (commissions, fees and other expenses), net of tax effects, in conformity with CPC 10, in the amount of R$24,604. On August 11, 2008, R$277,586 from the reserve was allocated to increase capital.

c) Treasury shares

The Company purchased shares of its own issue to be maintained in treasury and later used in the Stock Options Plan (Note 22), according to the Board of Directors' resolution in the meeting of October 29, 2008.

## 17. Shareholders' equity (Continued)

c) Treasury shares

Shares repurchase occurred in November and December 2008 and in January 2009, totaling 1,310,000 shares, in the amount of R$15,621, including the transaction costs.

On June 22, 2009, 6,000 shares were sold for R$14.00 in connection with the exercise of share options in the context of the first share option grant ("2007 Program"), as approved by the Board Meeting held on October 31, 2007. The sale of these shares reduced the balance of treasury shares by R$72.

The balance of treasury shares at December 31, 2009, totaling R$15,549, comprises 1,304,000 shares (R$13,894, comprising 1,185,600 shares at December 31, 2008).

d) Legal reserve

The legal reserve is set based on 5% of net income for the year up to 20% of share capital. According to article 35, line a, of the Company's articles of incorporation, when the amount derived from sum of the legal reserve plus capital reserves, as defined in paragraph 1, article 182, of Brazil's Corporation Law (Law No. 6404/76), exceeds share capital by 30% (thirty per cent), no part of the net income for the year must be allocated to the legal reserve. Accordingly, no legal reserve was recognized in 2009.

e) Expansion reserve

In accordance with the provisions of article 194 of Law No. 6404/76 and of article 35 of the Company's articles of incorporation, an expansion reserve will be set up based on the remaining net income for the year after the deductions set forth by relevant legal requirements and articles of incorporation. This reserve is intended to be used for investments in operating assets, and cannot exceed share capital.

At December 31, 2009, the amount of R$21,243 was allocated to the expansion reserve (at December 31, 2008 R$13,549 for the year ended 2008 and R$17,573 for the year ended 2007).

f) Profit retention reserve

The remaining balance of accumulated earnings for year 2007, amounting to R$5,628, has been retained and recorded under profit retention reserve, to be applied for new investments established in capital budget, according to article 196 of Brazil's Corporation Law.

## 17. **Shareholders' equity** (Continued)

g) Dividends

The General Shareholders' Meeting held on April 6, 2009 approved dividends distribution in the total amount of R$10,595 (R$7,504 in 2008), equivalent to 43.88% of adjusted net income, corresponding to R$0.1086 per common share, considering total number of shares (98,897,500), less treasury shares (1,310,000), paid on April 15, 2009.

According to the Company's articles of incorporation, mandatory dividends are established based on 25% of remaining net income for the year, after recognition of statutory reserves.

Of profits earned in the year ended December 31, 2009, and based on the Company's ability to generate operating cash, management proposed, to be approved at the Shareholders' General Meeting, the distribution of dividends, as follows:

| | 2009 | 2008 |
|---|---|---|
| Net income for the year | **28,324** | 25,415 |
| Appropriation of legal reserve | **-** | (1,271) |
| Calculation base of dividends proposed | **28,324** | 24,144 |
| Dividends proposed | **7,081** | 10,595 |
| Base % | **25%** | 43.88% |

h) Equity adjustments

Represents the effective portion of variation in the fair value of derivatives classified as cash flow hedge. The gain or loss related to the ineffective portion is immediately recognized in the statement of income as financial income or expense.

At December 31, 2009, changes are as follows:

| | Company | Consolidated |
|---|---|---|
| **Balance at December 31, 2008** | **(61,575)** | **(78,573)** |
| Unrealized fair value gains in the period | 66,031 | 106,125 |
| Income and social contribution taxes on fair value | (22,449) | (36,083) |
| Transfers to P&L | 17,095 | 31,134 |
| Income and social contribution taxes on transfers to P&L | (5,813) | (10,586) |
| Equity adjustment of subsidiary | 18,635 | - |
| **Balance at December 31, 2009** | **11,924** | **12,017** |

## 18. Financial income (expenses)

| | Company | | Consolidated | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| Financial expenses: | | | | |
| Interest payable | **22,150** | 11,250 | **31,712** | 19,449 |
| Foreign exchange variation | **9,360** | 33,026 | **11,964** | 51,692 |
| Monetary restatement | **2,102** | 2,465 | **26,839** | 28,496 |
| Loss on derivative transactions | **35,003** | 26,957 | **89,068** | 48,639 |
| Contribution Tax on Financial Transactions (CPMF) | **-** | 138 | **-** | 209 |
| Other | **486** | 844 | **1,799** | 1,591 |
| | **69,101** | 74,680 | **161,382** | 150,076 |
| Financial income: | | | | |
| Short-term investment income | **19,938** | 21,050 | **24,241** | 24,383 |
| Foreign exchange variation | **37,350** | 6,482 | **41,641** | 13,976 |
| Monetary restatement | **1,595** | 2,820 | **25,487** | 29,110 |
| Gain on derivative transactions | **24,569** | 12,241 | **61,491** | 18,054 |
| Other | **5,328** | 1,429 | **2,817** | 1,286 |
| | **88,780** | 44,022 | **155,677** | 86,809 |
| Financial income (expenses) | **19,679** | (30,658) | **(5,705)** | (63,267) |

## 19. Commitments

### 19.1. Sale contracts for future delivery

The Company and its subsidiaries have entered into sale contracts for future delivery with some customers, as follows:

| | Company | | | | |
|---|---|---|---|---|---|
| **Commodity** | **Delivery date** | **Volume** | **No. of Contracts** | **Unit** | **Unit price - US$** |
| **2008/2009 harvest** | | | | | |
| Cotton lint | January to April 2010 | 13,952 | 18 | Ton | $1,529.77 |
| Cotton lint | January to April 2010 | 4,146 | 4 | Ton | To be defined |
| Irrigated wheat | January to February 2010 | 17,669 | 2 | Sack | $18.57 |
| Coffee | January 2010 | 135 | 1 | Sack | $132.15 |
| Whole cottonseed | January to February 2010 | 4,155 | 12 | Ton | $182.38 |
| Corn | January to March 2010 | 60,166 | 10 | Sack | $14.38 |
| **2009/2010 harvest** | | | | | |
| Cotton lint | August 2010 to April 2011 | 29,400 | 7 | Ton | $1,539.69 |
| Cotton lint | August 2010 to March 2011 | 5,600 | 1 | Ton | To be defined |
| Soybean | February to April 2010 | 915,545 | 9 | Sack | $19.88 |
| Soybean | February to April 2010 | 634,334 | 5 | Sack | To be defined |
| **2010/2011 harvest** | | | | | |
| Cotton lint | August to December 2011 | 17,250 | 4 | Ton | $1,719.15 |

# 19. Commitments (Continued)

## 19.1. Non-deliverable forward contracts (Continued)

| | | Consolidated | | | |
|---|---|---|---|---|---|
| **Commodity** | **Delivery date** | **Volume** | **No. of Contracts** | **Unit** | **Unit price - US$** |
| **2008/2009 harvest** | | | | | |
| Cotton lint | January to April 2010 | 21,679 | 18 | Ton | $1,529.77 |
| Cotton lint | January to April 2010 | 6,441 | 4 | Ton | To be defined |
| Coffee | January 2010 | 135 | 1 | Sack | $132.15 |
| Corn | January to March 2010 | 60,734 | 12 | Sack | $14.32 |
| Irrigated wheat | January to February 2010 | 17,669 | 2 | Sack | $18.57 |
| Whole cottonseed | January to February 2010 | 4,155 | 15 | Ton | $178.41 |
| **2009/2010 harvest** | | | | | |
| Cotton lint | August 2010 to April 2011 | 41,920 | 7 | Ton | $1,539.69 |
| Cotton lint | August 2010 to March 2011 | 8,080 | 1 | Ton | To be defined |
| Soybean | February to April 2010 | 2,297,758 | 21 | Sack | $18.66 |
| Soybean | March to May 2010 | 1,000,001 | 7 | Sack | To be defined |
| **2010/2011 harvest** | | | | | |
| Cotton lint | August to December 2011 | 23,000 | 4 | Ton | $1,719.15 |

## 19.2. Leased land agreements

At December 31, 2009, the Company and its subsidiaries have 70,685 hectares of leased land, distributed as follows:

| **Farm/Unit** | **Location** | **Total hectares leased** | **Maturity** | **Amounts (in soybean sacks/ hectare/year)** | **Type of Lease** |
|---|---|---|---|---|---|
| Pamplona | Cristalina-GO | 4,080 | 2011 to 2013 | 3 to 12 | Operating |
| Planalto | Costa Rica-MS | 1,657 | 2010 * | 11 | Operating |
| Planeste | Balsas-MA | 10,878 | 2010 to 2023 | 1 to 8.3 | Operating |
| Panorama | Correntina-BA | 14,404 | 2015 | 8 | Operating |
| Piratini | Jaborandi-BA | 5,000 | 2021 | - ** | Operating |
| Palmares | Barreiras-BA | 18,930 | 2015 | 9 | Operating |
| Parnaíba | Tasso Fragoso-MA | 10,174 | 2023 | 1 | Operating |
| Planorte | Sapezal-MT | 3,848 | 2013 to 2018 | 5.5 to 8.3 | Operating |
| Paiaguás | Diamantino-MT | 1,714 | 2010 | 6 to 8.5 | Operating |
| **Total** | | 70,685 | | | |

* Renewed annually. This area has been leased by the Company since 1999.
** Leasing costs will be incurred beginning 2011/2012 crop year.

Future commitments under these lease agreements are set based on the average price per soybean sack prevailing in the region of each farm, as of their respective payment date.

## 19. Commitments (Continued)

### 19.2. Leased land agreements (Continued)

In addition to plantation land leasing, the Company has operating leasing of cotton processing unit in Fazenda Palmares, in Barreiras-Bahia State, for R$1,500 per year, until 2015.

Minimum future payments of the Company's operating lease are as under:

| | Company | Consolidated |
|---|---|---|
| Payments within 1 year | **7,118** | **8,531** |
| Payments from 1 to 5 years | **60,769** | **64,518** |
| Payments over 5 years | **32,444** | **34,712** |
| Total minimum future lease payments | **100,331** | **107,761** |

The Company's lease agreements with third parties are indexed by soybean sack prices in the region of each production unit. For this reason, minimum future amounts will be usually estimated considering the quantity of soybean sacks, translated into Reais using the soybean price of each region, at the balance sheet date. The above minimum payments are subject to significant variation until the moment of payment due to changes in soybean market value.

As for lease agreements with third parties it should also be noted that: (i) they do not contain contingent payment clauses; (ii) they do not have renewal or purchase option terms, except the agreement involving 1,657ha in Fazenda Planalto, which has annual renewal; (iii) our agreements are indexed to soybean sack variation, as referred to above, and there are no other escalation clauses; (iv) there are no restrictions imposed, such as those related to dividends and interest on equity capital, additional debt or any other requiring additional disclosure.

## 20. Risk management and financial instruments

Revenue from sales of the Company and its subsidiaries is mainly generated by sale of agricultural commodities such as cotton, soybean and corn, and by sale of products that are quoted in US dollars on the Chicago Board of Trade (CBOT) and the Intercontinental Exchange Futures US (ICE). As such, volatility in international commodity price and exchange rates are market risks to which the Company and its subsidiaries are exposed.

In addition, the Company and its subsidiaries contract financing operations in the financial market at fixed or variable interest rates. Therefore, the Company is subject to the risk of variation in interest rates on interest bearing loans at variable rates.

a) Utilization policy, purposes and strategies

The objective of the Company and its subsidiaries in using derivative financial instruments is to provide operating margin (EBITDA) hedge. The Company created an Executive Risk Management Committee in July 2008 and approved the Risk Management Policy in the Board of Directors' Meeting held on October 29, 2008. The Executive Risk Management Committee is the body linking the Company's Board of Directors and Executive Board. Its mission involves providing support for routine Executive Board decisions, monitoring compliance with risk limits established, and the preliminary analysis and evaluation of proposed adjustments or review of risk policies or limits for subsequently submitting it to the Board of Directors.

Derivative operations are carried out with highly rated financial institutions (national institutions assigned a de minimis rating "A" by at least one of the three major international rating agencies, to wit Moody's, S&P and/or Fitch), observing limits and exposures to the exchange rate, commodities and interest rate risks of counterparties on a regular basis.

b) Gains (losses) on derivative financial instruments in the shareholders' equity of company and consolidated

Non-deliverable forward operations (NDFs) are carried out to provide hedge against exposure of future sales in US dollars. These operations are documented for registration purposes through hedge accounting method, in accordance with CPC 38, approved by CVM Resolution No. 604/09. The Company records in a specific shareholders' equity account the unrealized effects from these instruments, which entered into for the purpose of hedging its own operations or, on a consolidated basis, to hedge future sales.

Commodity operations, although also hedge instruments, are not recorded as hedge accounting, therefore their effects are recorded in the statement of operations as financial income (expenses).

## 20. Risk management and financial instruments (Continued)

c) Foreign exchange risk

Contracting these derivative financial instruments has the objective of hedging the sales revenues of Company and its subsidiaries subject to currency volatility. The portfolio of these instruments is represented, basically, by currency futures contracts, through non deliverable forwards (NDFs), and option contracts.

These over-the-counter (OTC) transactions are carried out directly with financial institutions, there being no need for margin calls. The impact on the cash flow of Company and its subsidiaries occurs at the contract settlement date. Yet, the settlement of these financial transactions is associated with receipt of sales, which are likewise associated with currency fluctuation, therefore offsetting gains or losses, if any, on the hedging derivative instruments due to foreign exchange rate fluctuations.

To analyze the currency risk exposure, the Business Plan is constantly updated, considering the following assumptions: (i) planted area forecast; (ii) expected productivity; (iii) commodity prices, quoted in dollar, considering the volume-weighted average of prices for the sales made, and the market prices of the volume to be sold; and, (iv) the sales distribution over the periods under analysis. After the Business Plan definition and measurement of the items previously mentioned, one arrives at a total currency exposure of USD328,936 thousand in 2010 and USD371,517 thousand in 2011. Based on the cost already built up with anticipated purchase of main inputs (fertilizers, agrochemicals and seeds) and the fixed cost estimate, the expected operating margin is arrived at. Thus, the risk management committee will apply the parameters specified in the Risk Management Policy, with a view to reducing the standard deviation from the target operating margin.

## 20. Risk management and financial instruments (Continued)

c) Foreign exchange risk (Continued)

The table below sets out the positions of Company and its subsidiaries, at nominal and fair values of each instrument contracted as of December 31, 2009, namely:

| | Notional value | | | Fair value | | | Accumulated effect (current period) | | |
|---|---|---|---|---|---|---|---|---|---|
| Description | Currency | 2009 | 2008 | Currency | 2009 | 2008 | Currency | Amount receivable / (received) | Amount payable / (paid) |
| **Maturing in 2009** | | | | | | | | | |
| **Forward contracts (NDF):** | | | | | | | | | |
| Short position | | | | | | | | | |
| Foreign currency | **USD** | **-** | 203,500 | **R$** | **-** | (106,271) | **R$** | **-** | **-** |
| **Option contracts:** | | | | | | | | | |
| Call position | | | | | | | | | |
| Foreign currency | **USD** | **-** | 30,000 | **R$** | **-** | (13,936) | **R$** | **-** | **-** |
| Subtotal – Maturing in 2009 | **USD** | **-** | 233,500 | **R$** | **-** | (120,207) | **R$** | **-** | **-** |
| **Maturing in 2010** | | | | | | | | | |
| **Forward contracts (NDF):** | | | | | | | | | |
| Short position | | | | | | | | | |
| Foreign currency | **USD** | **154,752** | 20,000 | **R$** | **15,295** | (12,844) | **R$** | **16,542** | **(2)** |
| **Option contracts:** | | | | | | | | | |
| Call position | | | | | | | | | |
| Foreign currency | **USD** | **20,000** | 20,000 | **R$** | **709** | (9,092) | **R$** | **1,190** | **-** |
| Subtotal – Maturing in 2010 | **USD** | **174,752** | 40,000 | **R$** | **16,004** | (21,936) | **R$** | **17,732** | **(2)** |
| **Maturing in 2011** | | | | | | | | | |
| **Forward contracts (NDF):** | | | | | | | | | |
| Short position | | | | | | | | | |
| Foreign currency | **USD** | **58,089** | **-** | **R$** | **3,109** | **-** | **R$** | **5,368** | **(22)** |
| Subtotal – Maturing in 2011 | **USD** | **58,089** | - | **R$** | **3,109** | - | **R$** | **5,368** | **(22)** |
| **TOTAL** | **USD** | **232,841** | **273,500** | **R$** | **19,113** | **(142,143)** | **R$** | **23,100** | **(24)** |

The table below sets out the breakdown of currency derivatives per counterparty (of Company and its subsidiaries):

| | Notional amount | | | Fair value | | |
|---|---|---|---|---|---|---|
| **Description** | **Currency** | **2009** | **2008** | **Moeda** | **2009** | **2008** |
| Citibank | **USD** | **84,863** | 35,000 | **R$** | **9,198** | (20,820) |
| Deutsche Bank | **USD** | **58,988** | 20,000 | **R$** | **4,634** | (9,011) |
| Banco Itaú BBA | **USD** | **33,048** | 20,000 | **R$** | **2,265** | (9,727) |
| HSBC Bank | **USD** | **24,550** | - | **R$** | **357** | - |
| Merrill Lynch de Investimentos | **USD** | **20,000** | 65,000 | **R$** | **709** | (34,083) |
| Santander Brasil | **USD** | **6,792** | 20,000 | **R$** | **1,956** | (11,756) |
| Banco Bradesco | **USD** | **4,600** | 5,000 | **R$** | **(6)** | (2,593) |
| Banco Alfa Investimentos | **USD** | **-** | 55,000 | **R$** | **-** | (25,727) |
| Unibanco | **USD** | **-** | 35,000 | **R$** | **-** | (19,560) |
| Banco ABN AMRO Real | **USD** | **-** | 3,500 | **R$** | **-** | (502) |
| Banco Votorantim | **USD** | **-** | 15,000 | **R$** | **-** | (8,364) |
| **Total** | **USD** | **232,841** | 273,500 | **R$** | **19,113** | (142,143) |

## 20. Risk management and financial instruments (Continued)

c) Foreign exchange risk (Continued)

The following criteria were used to determine the fair value of these operations:

- Non deliverable forwards (NDF) – the future dollar curve published by the Brazilian Mercantile and Futures Exchange (BM&F) www.bmf.com.br at each year end was taken into consideration. Based on this information, the forecast adjustment at the maturity of each transaction is discounted at the interest curve between Ptax at year end and future quote at the maturity of the derivative published by the BM&F.

- Options contracts – the fair value of transactions for issuing call options on dollar is equivalent to the market value of reversal of such transactions confirmed by the financial institutions with which the Company has entered into these transactions.

d) Price risk

Commodity price volatility is mostly hedged through advance sales made directly with our customers (forward contracts). In addition, there is also use of futures and option contracts, traded on exchanges, and financial transactions under swap and option contracts, with financial institutions. These transactions are negotiated based on the commodity prices on the futures market. All transactions are related to the net exposure of the production of Company and its subsidiaries, so that every transaction is backed by a physical commodity. Exchange-traded transactions require available initial margin funds and daily adjustments are made according to changes in notional prices. In turn, initial margin funds are not required for transactions performed with financial institutions, for these transactions are backed by a credit limit previously approved by the financial institutions.

## 20. Risk management and financial instruments (Continued)

d) Price risk

At December 31, 2009, the Company and its subsidiaries had engaged into the following derivative transactions to hedge against commodities price volatility, at the following maturities:

| | Notional value | | | Fair value | | | Accumulated effect (current period) | | |
|---|---|---|---|---|---|---|---|---|---|
| Description | Currency | 2009 | 2008 | Currency | 2009 | 2008 | Currency | Amount receivable / (received) | Amount payable / (paid) |
| **Maturing in 2009** | | | | | | | | | |
| **Swap contracts with accumulators** | | | | | | | | | |
| Commodities – Cotton | **USD** | **-** | **8,712** | **R$** | **-** | 732 | **R$** | **-** | **-** |
| **Subtotal – Maturing in 2009** | **USD** | **-** | **8,712** | **R$** | **-** | 732 | **R$** | **-** | **-** |
| **Maturing in 2010** | | | | | | | | | |
| **Swap contracts with accumulators** | | | | | | | | | |
| Commodities – Cotton | **USD** | **12,171** | - | **R$** | **(1,001)** | - | **R$** | **-** | **(1,001)** |
| Commodities – Soybean | **USD** | **17,324** | - | **R$** | **(112)** | - | **R$** | **567** | **(679)** |
| **Subtotal – Maturing in 2010** | **USD** | **29,495** | - | **R$** | **(1,113)** | - | **R$** | **567** | **(1,680)** |
| **Maturing in 2011** | | | | | | | | | |
| **Swap contracts with accumulators** | | | | | | | | | |
| Commodities - Soybean | **USD** | **1,364** | - | **R$** | **(411)** | - | **R$** | **54** | **(465)** |
| **Subtotal – Maturing in 2011** | **USD** | **1,364** | - | **R$** | **(411)** | - | **R$** | **54** | **(465)** |
| **Grand total** | **USD** | **30,859** | **8,712** | **R$** | **(1,524)** | **732** | **R$** | **621** | **(2,145)** |

All operations with agricultural commodities were traded in the OTC market and the counterparties are Morgan Stanley Capital Group Inc., Cargill Financial Service International Inc., and Macquarie Group Limited. The fair value of these operations was provided by the financial institution.

e) Interest rate risk

A portion of the Company's debt is subject to variable interest rates. Such variable interest rates are the TJLP (Long-Term Interest Rate) on BNDES financing and Libor (London Interbank Offered Rate) on international loans.

In order to provide hedge against variation in such interest rates, the Company carries out interest rate swap operations with highly rate financial institutions. These operations involve swap of variable interest rates for fixed interest rates, in which the Company holds the asset end under variable interest rate (TJLP or Libor), and concurrently the liability end under fixed interest rate. The notional value of principal and maturities of the swap operation are identical to the hedged debt flow. Thus, the risk of fluctuation of variable interest rate on the debt is eliminated.

## 20. Risk management and financial instruments (Continued)

Information on the swap operation (interest rate x Libor indexed debt) is set out below:

| | | | Swap balance (Curve Sketching) | | Swap balance (MTM) | | Adjustment |
|---|---|---|---|---|---|---|---|
| **Counterparty** | **Hedge Instrument** | **Hedged Item** | **Asset end** | **Liability end** | **Asset end** | **Liability end** | **Financial income/ expenses** |
| Santander | Swap contract of USD40,000 (Asset- Libor 6 months +2%p.a. / Liability 4.68%pa.) | Debt of USD40,000 - Libor 6 months + 2%pa. | 90,876 | (90,876) | 71,865 | 73,221 | (1,356) |
| **Total** | | | **90,876** | **(90,876)** | **71,865** | **73,221** | **(1,356)** |

We set out below the Company's consolidated derivative instruments and that are presented in balance sheet accounts:

| | Notional value | | | Fair value recorded in assets | | | Fair value recorded in liabilities | |
|---|---|---|---|---|---|---|---|---|
| **Description** | **Currency** | **2009** | **2008** | **Currency** | **2009** | **2008** | **2009** | **2008** |
| **Foreign exchange hedge operations** | | | | | | | | |
| NDF (Non Deliverable Forwards) contracts | **USD** | **212,841** | 223,500 | **R$** | **18,521** | - | **117** | 119,115 |
| Option contracts | **USD** | **20,000** | 50,000 | **R$** | **709** | - | **1,190** | 23,028 |
| **Subtotal** | **USD** | **232,841** | 273,500 | **R$** | **19,230** | - | **1,307** | 142,143 |
| **Commodity hedge operations** | | | | | | | | |
| Accumulator cotton swap | **USD** | **12,171** | 8,712 | **R$** | **-** | 732 | **1,001** | - |
| Accumulator soybean swap | **USD** | **18,688** | - | **R$** | **621** | - | **1,144** | - |
| **Subtotal** | **USD** | **30,859** | 8,712 | **R$** | **621** | 732 | **2,145** | - |
| **Interest rate hedge operations** | | | | | | | | |
| Swap Libor vs. Pre | **USD** | **40,000** | - | **R$** | **911** | - | **2,267** | - |
| **Subtotal** | **USD** | **40,000** | - | **R$** | **911** | - | **2,267** | - |
| **Total** | **USD** | **303,700** | 282,212 | **R$** | **20,762** | 732 | **5,719** | 142,143 |
| **(-) current portion** | | | | **R$** | **(16,570)** | (732) | **(3,954)** | (120,207) |
| **Noncurrent portion** | | | | **R$** | **4,192** | - | **1,765** | 21,936 |

We set out below the fair value of consolidated gains or losses for the period ended December 31, 2009 and 2008, segregated by the main risk categories:

| | | Gains and losses recorded in P&L | | | | Gains and losses recorded in shareholders' equity* | |
|---|---|---|---|---|---|---|---|
| | | Allocated to Gross Revenue at | | Allocated to Financial Result at | | | |
| **Description** | **Currency** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** |
| **Foreign exchange rate hedge operations** | | | | | | | |
| NDF (Non Deliverable Forwards) contracts | **R$** | **(6,111)** | 11,131 | **(47,184)** | (11,934) | **18,209** | (119,051) |
| Option contracts | **R$** | - | - | **22,547** | (14,832) | - | - |
| **Subtotal** | **R$** | **(6,111)** | 11,131 | **(24,637)** | (26,766) | **18,209** | (119,051) |
| **Commodity hedge operations** | | | | | | | |
| Cotton | | | | | | | |
| Accumulator swap | **R$** | - | - | **(1,001)** | - | - | - |
| Soybean | | | | | | | |
| Accumulator swap | **R$** | - | - | **(583)** | 732 | - | - |
| Option contracts | **R$** | - | - | - | (4,551) | - | - |
| **Subtotal** | **R$** | - | - | **(1,584)** | (3,819) | - | - |
| **Interest rate hedge operations** | | | | | | | |
| Swap Libor vs. Pré | **R$** | - | - | **(1,356)** | - | - | - |
| **Subtotal** | **R$** | - | - | **(1,356)** | - | **-** | **-** |
| **TOTAL** | **R$** | **(6,111)** | 11,131 | **(27,577)** | (30,585) | **18,209** | (119,051) |

* Represented by the amounts of R$12,017 and (R$78,573) in the consolidated shareholders' equity, respectively, net of tax effects.

## 20. Risk management and financial instruments (Continued)

The effect of operations not qualifying for hedge accounting methodology on the net income for the year amounted to R$20,574(expense), due to the reduction of the forecast of future revenues in US dollars and the decreased productivity of soybean crops in the 2008/2009 harvest.

f) Credit risk

A significant portion of sales made by the Company and its subsidiaries is made to a selected group of highly qualified clients, i.e. trading companies, weaving companies etc., which usually acquire large volumes that guarantee local and international deals. Credit risk is managed through specific rules of client acceptance, credit rating and setting of limits for customer exposure. The Company and its subsidiaries historically do not record material losses on trade accounts receivable.

g) Market values

At December 31, 2009, the market values of cash, financial investments, accounts receivable and payable, as well as loans and financing approximate the respective carrying amounts due to their short-term nature, or also because they are subject to variable interest rates.

h) Sensitivity analysis

The Company carries out operations with derivative instruments solely for providing hedge against fluctuation in foreign exchange rates and commodities sale price, which is linked to US dollar rate, as well as in soybean and cotton price in the international market.

We prepared a sensitivity analysis for derivative instruments according to Resolution No. 550, dated October 17, 2008 and Technical Pronouncement CPC 14, segregating them based on the risk factor; to wit: exchange variation, commodities price and interest rate variation (CDI, TJLP, Libor).

If any of the scenarios projected by the Company's management comes to materialize, resulting in gain or loss, these will be fully offset by an opposite effect on the realization of Company sales revenue.

## 20. Risk management and financial instruments (Continued)

h) Sensitivity analysis (Continued)

The estimated fair value of derivative financial instruments contracted by the Company and its subsidiaries was determined based on information available in the market and specific valuation methodologies. However, significant professional judgment was required in the interpretation of market data in order to estimate fair value of each operation. Consequently, the estimates below do not necessarily indicate the amounts that will effectively be realized upon financial settlement of the operations.

Foreign exchange risk

The Company projected the impact of foreign exchange hedge operations and of its USD debt in the following 5 scenarios for the years 2010 and 2011:

- Probable Scenario: Based on the FOCUS report (Bacen) of December 31, 2009, we defined this scenario considering average exchange rate to US dollar of R$ 1.74.
- A 25% fall in the currency rate: in this scenario the transactions would be settled considering exchange rate to US dollar of R$ 1.3050, the equivalent to a 25% fall in relation to the Probable Scenario.
- A 50% fall in the currency rate: in this scenario the transactions would be settled considering exchange rate to US dollar of R$ 0.8700, the equivalent to 50% fall in relation to the Probable Scenario.
- A 25% rise in the currency rate: in this scenario the transactions would be settled considering exchange rate to US dollar of R$ 2.1750, the equivalent to a 25% rise in relation to the Probable Scenario.
- A 50% rise in the currency rate: in this scenario the transactions would be settled considering exchange rate to US dollar of R$ 2.6100, the equivalent to a 50% rise in relation to the Probable Scenario.

## 20. Risk management and financial instruments (Continued)

h) Sensitivity analysis (Continued)

The summary below sets out the projected impacts on each scenario:

| Description | Risk | Remote Scenario *Quote R$ 0.8700* | Possible Scenario *Quote R$ 1.3050* | Probable Scenario *Quote R$ 1.7400* | Possible Scenario *Quote R$ 2.1750* | Remote Scenario *Quote R$ 2.6100* |
|---|---|---|---|---|---|---|
| **Year 2010** | | | | | | |
| Revenues from sales (underlying item)* | USD rate change | (315,695) | (172,608) | (29,521) | 106,366 | 249,453 |
| Non deliverable forwards (NDF) | USD rate change | 162,965 | 95,648 | 28,331 | (38,986) | (106,303) |
| Option contracts | USD rate change | 1,190 | 1,190 | 1,190 | (310) | (9,010) |
| **Subtotal** | | **(151,540)** | **(75,770)** | **-** | **67,070** | **134,140** |
| **Year 2011** | | | | | | |
| Revenues from sales (underlying item)* | USD rate change | (340,718) | (179,109) | (17,499) | 144,111 | 305,721 |
| Non deliverable forwards (NDF) | USD rate change | 68,036 | 42,768 | 17,499 | (7,770) | (33,039) |
| Option contracts | USD rate change | - | - | - | - | - |
| **Subtotal** | | **(272,682)** | **(136,341)** | **-** | **136,341** | **272,682** |
| **USD debt** | | | | | | |
| **Subtotal** | USD rate change | **70,759** | **35,428** | **97** | **(35,233)** | **(70,564)** |
| **Total** | | **(353,463)** | **(176,683)** | **97** | **168,178** | **336,258** |

**(*)Future revenue forecast**

Commodity price risks

The Company projected the impact of commodity price hedging operations in the following 3 scenarios for the year 2010 and 2011:

- Probable Scenario: In this scenario, the cotton price was considered to be USD/GBP 0.7621 and the soybean price was considered to be USD/Bushel 10.54 and USD/Bushel 10.24 for years 2010 and 2011 respectively, equivalent to the closing price at December 31, 2009, of the cotton lint contract with maturity in December 2010 and of the soybean in grains contract maturing in May 2010 and May 2011, both on ICE (Ice Futures US).
- Possible Scenario: In this scenario, the cotton and soybean prices would rise by 25%, i.e. to USD/GBP 0.9526 and USD/Bushel 13.17 and USD/Bushel 12.79, respectively, in relation to the Probable Scenario.
- Remote Scenario: In this scenario, the cotton and soybean price would rise by 50%, i.e. to USD/GBP 1.1432 and USD/Bushel 15.81 and USD/Bushel 15.35 respectively, in relation to the Probable Scenario.

The summary below sets out the projected impacts on each scenario:

| Description | Risk | Probable Scenario *Cotton USD/GBP 0.7621 Soybean 2010 USD/Bu 10.54 Soybean 2011 USD/Bu 10.24* | Possible Scenario *Cotton USD/GBP 0.9526 Soybean 2010 USD/Bu 13.17 Soybean 2011 USD/Bu 12.79* | Remote Scenario *Cotton USD/GBP 1.1432 Soybean 2010 USD/Bu 15.81 Soybean 2011 USD/Bu 15.35* |
|---|---|---|---|---|
| **Year 2010** | | | | |
| Cotton - Swap with accumulators | Rise in price | (1,001) | (7,603) | (15,021) |
| Soybean - Swap with accumulators | Rise in price | (112) | (7,446) | (15,918) |
| **Subtotal** | | **(1,113)** | **(15,049)** | **(30,939)** |
| **Year 2011** | | | | |
| Soybean - Swap with accumulators | Rise in price | (411) | (6,565) | (17,328) |
| **Subtotal** | | **(411)** | **(6,565)** | **(17,328)** |
| **Total** | | **(1,524)** | **(21,614)** | **(48,267)** |

## 20. Risk management and financial instruments (Continued)

h) Sensitivity analysis (Continued)

Interest rate risks

With a view to analyzing interest rate sensitivity on the Company's debts and short-term investments, as of December 31, 2009, 5 different scenarios were defined. Based on the FOCUS report (Bacen) of December 31, 2009, we defined the index rates for Interbank Deposit Certificates (CDI) and FOREX; concerning Libor, we considered the BM&F future curve as of December 31, 2009, and for the Long-term Interest Rate (TJLP), we considered the rate valid on the year-closing date. Based on this information, we defined the Probable Scenario to be analyzed, and arrived at a variation between 25% and 50% therefrom.

Gross financial income or expenses were considered in analyzing each scenario, not including taxes or debt maturity terms and redemption of short-term investments scheduled for 2010. The portfolio base date was December 31, 2009, and the interest rates were projected over a one-year period, their sensitivity being analyzed in each one of the 5 scenarios.

Following is a summary of the 12-month impacts on each scenario:

| | Interest rate* | Balance at 2009 | 50% Fall | 25% Fall | Probable Scenario | 25% Rise | 50% Rise |
|---|---|---|---|---|---|---|---|
| **Debts in reais – Fixed rate** | | | | | | | |
| Rural Credit | 6.75% | 126,577 | N/A | N/A | N/A | N/A | N/A |
| Constitutional Funds | 7.62% | 155,977 | N/A | N/A | N/A | N/A | N/A |
| BNDES | 7.21% | 8,240 | N/A | N/A | N/A | N/A | N/A |
| NCE | 11.72% | 47,263 | N/A | N/A | N/A | N/A | N/A |
| **Debts in reais - Floating rate** | | | | | | | |
| BNDES | TJLP + 2.70% | 27,259 | (1,554) | (1,963) | (2,372) | (2,780) | (3,189) |
| Rural savings | TR + 6.50% | 23,562 | (1,602) | (1,638) | (1,673) | (1,708) | (1,744) |
| **USD debts** | | | | | | | |
| Libor | Libor 6M + 2% | 70,628 | (1,581) | (1,665) | (1,749) | (1,833) | (1,917) |
| Swap Libor vs. Pre** | Asset: Libor 6M+2% Liability: 4.68% | 69,648 | (1,641) | (1,569) | (1,498) | (1,426) | (1,355) |
| BNDES | Currency basket +2.52% | 1,144 | (53) | (65) | (77) | (89) | (102) |
| **Short-term investments** | | | | | | | |
| CDB and Debentures | 101.06% of CDI | 141,824 | 6,192 | 9,288 | 12,383 | 15,479 | 18,575 |

* Average annual rates
** R$69,648 refers to the translation of USD40,000 (loan amount whose Libor fluctuation is hedged) at the USD rate as of December 31, 2009 – R$1.7412.

## 21. Employees' profit sharing

Under the Collective Labor Agreements executed with their employees' professional categories, the Company and its subsidiaries have established a profit sharing scheme, covering all its employees, based on adjusted operating income computed each calendar year up to 2007.

Beginning 2008, the amounts payable in the form of profit sharing started to be computed on consolidated net income of the Company. This amount is, in part, freely distributed to the beneficiaries and, in part, based on goals predefined by each production unit.

Profit sharing is determined by applying 9% on consolidated net income. Amounts payable to the beneficiaries of all the production units are calculated by applying 60% thereon, and the remaining 40% will depend on the fulfillment of goals set by each production unit. The amount corresponding to goals achieved is limited to 2 (two) nominal salaries per beneficiary employee.

In 2009, the amount of R$1,665 (R$2,225 - consolidated) was recorded as profit sharing, with R$831 (R$1,205 - consolidated) being advanced to employees in July 2009, and the remaining R$834 (R$1,020 - consolidated) being paid in January 2010.

## 22. Stock option plan

At the Extraordinary Shareholders' Meeting held on May 23, 2007, the Company's shareholders approved the stock option plan, effective as from June 15, 2007, designed for the Company's officers and managers. The Plan is managed by a Managing Committee, created by the Board of Directors on the same date.

The Stock Option Plan is limited to a maximum number of options resulting in dilution by 3% of the Company's capital on the date each Annual Plan is created. The dilution corresponds to the percentage represented by the number of shares considered for the options in relation to the total number of shares issued by the Company.

Stock Option Plan beneficiaries shall exercise their options within 5 years from the respective grant date. Vesting period shall be up to 3 years, with releases corresponding to 20% as from the first anniversary, 40% as from the second anniversary and 100% as from the third anniversary. The Company may issue the shares within a 30-day period as from the date of delivery of the Stock Option Exercise Instrument.

## 22. Stock option plan (Continued)

The 2007, 2008 and 2009 Annual Programs, granting 640,000, 720,000 and 488,000 call options, were approved in the Board of Directors' meetings held on October 31, 2007, December 16, 2008 and November 11, 2009, respectively. Changes in shares granted in the 2007, 2008 and 2009 Annual Programs and their corresponding vesting periods are stated as follows:

| | Number of shares |
|---|---|
| Outstanding at December 31, 2008 | 1,310,000 |
| Granted in 2009 | 488,000 |
| Cancelled in 2009 | (40,000) |
| Exercised in 2009 | (6,000) |
| Outstanding at December 31, 2009 | 1,752,000 |
| Exercisable at December 31, 2009 | 362,000 |

| Vesting periods after option grant | % of options released for the year | Maximum number of shares |
|---|---|---|
| As of – December 31, 2009 | 21% | 362,000 |
| As of – October 31, 2010 | 40% | 704,000 |
| As of – November 11, 2010 | 46% | 801,600 |
| As of – December 16, 2010 | 54% | 941,600 |
| As of – November 11, 2011 | 59% | 1,039,200 |
| As of – December 16, 2011 | 83% | 1,459,200 |
| As of – November 12, 2012 | 100% | 1,752,000 |

The exercise price under the 2007 annual program was established at R$ 14.00 (fourteen reais) per share, equivalent to the distribution price per share established in the initial public offering, without monetary restatement.

The exercise price of the 2008 annual program was established at R$ 14.80 (fourteen reais and eighty cents) per share, corresponding to the average of 90 closing quotations of the Company's share on the São Paulo State Stock Exchange (Bovespa), prior to plan approval, with discount of 19.97%.

The exercise price of the 2009 annual program was established at R$ 15.00 (fifteen reais) per share, corresponding to the average of 90 closing quotations of the Company's share on the São Paulo State Stock Exchange (Bovespa), prior to plan approval, with discount of 7.98%.

The weighted average fair value of share options was R$21.2528 as of the 2007 annual plan option granting date, R$23.8985 as of the 2008 annual plan option granting date, and R$21.3870 as of the 2009 annual plan option granting date considering premium of R$7.2528, R$9.0985, and R$6.3870 respectively. The amounts were calculated using the Black-Scholes option pricing method, assuming 32.03% volatility for the 2007 annual program, 76.05% for the 2008 annual program, and 67.59% for the 2009 annual program.

## 22. Stock option plan (Continued)

Abiding by CPC 10, taking into consideration the grace periods above, the amount of R$4,431 was recognized as share option plan expense due to elapsing of vesting period, the contra entry being to a specific capital reserve account in shareholders' equity as of December 31, 2009 (R$2,104 as of December 31, 2008).

## 23. Other operating income (expenses)

At December 31, 2009, the balance substantially comprised capital loss, in the amount of R$7,669 (expense), on investment in subsidiary SLC Empreendimentos e Agricultura Ltda. This amount is eliminated for consolidation purposes.

## 24. Government grants and assistance

a) ICMS deferral and deemed matching credit

The Company has incentives allowing deferral of ICMS on soybean, corn and whole cottonseed operations through participation of Fazenda Planalto in the Fundersul (Fund for Development of Highway System of Mato Grosso do Sul State) program and Fazenda Planorte and Fazenda Paiaguás in the FETHAB (Transportation and Housing Fund) program. To use the ICMS deferral incentive, the Company has to file an application with the relevant state authorities, waive ICMS credits on entries to which it would be entitled and pay Fundersul charge to Mato do Grosso do Sul state and FETHAB charge to Mato Grosso state.

The state government of Mato Grosso do Sul, Mato Grosso and Goiás, granted deemed matching ICMS credits on operations with cotton lint, with ICMS reduction by 50% to 75% through participation of Fazenda Planalto in the PDAGRO program (Mato Grosso do Sul), of Fazenda Planorte e Fazenda Paiaguás in the PROALMAT program (Mato Grosso) and Fazenda Pamplona in the PROALGO program (Goiás).

In order to participate in these programs the Company must file an application with the relevant state authorities, waive ICMS credits to which it would be entitled upon entries, provide accessory information about this tax waiver and pay Facual and IMA/MT charges to Mato Grosso state, PDAgro charge to Mato Grosso do Sul state and Fialgo charge to Goiás state.

The deemed matching credits are credited to sales taxes account in the statement of operations, the contra entry being to taxes payable. In 2009, deemed matching ICMS credits were recognized in the amount of R$1,991 – Company and R$2,966 – consolidated.

## 24. Government grants and assistance (Continued)

b) IRPJ reduction incentive

The Company enjoys IRPJ reduction incentive in subsidiaries Fazendas Parnaíba S.A. and Fazenda Planorte S.A., located in Maranhão state and Mato Grosso state, respectively, granted by SUDAM. This incentive involves 75% reduction of IRPJ and non-refundable surtax.

Fazenda Planorte enjoys this benefit until the production and sale limit of 13,478 tons of cotton lint and 18,533 tons of whole cottonseed per year. This incentive expires in 2015. Fazenda Parnaíba enjoys this benefit until the production and sale limit of 5,528 tons of cotton lint and 8,292 tons of whole cottonseed per year. This incentive expires in 2013.

The amount of IRPJ reduction incentive is debited to IRPJ payable account, in current liabilities, and credited to current taxes in the statement of operations for the year. The IRPJ reduction incentive amount may not be distributed to shareholders as dividends, reason why the annual incentive amount is transferred from retained earnings to capital reserve, in shareholders' equity. This reserve may only be used to increase capital or absorb losses.

The gains from IRPJ reduction incentive in 2009 were R$230 in subsidiary Fazenda Parnaíba S.A. and R$271 in subsidiary Fazenda Planorte S.A.

## 25. Insurance

At December 31, 2009, the Company and its subsidiaries had retained business insurance to cover any losses considering the nature of their activities and risks involved in their operations. Insurance coverage was taken out at amounts considered sufficient by management to mitigate risks identified.

## 25. Insurance

Insurance coverage taken out is detailed below:

| Policy No. | Nature | Period covered | Coverage |
|---|---|---|---|
| 03.31.2187773 | Vehicles of SLC Agrícola | 9/10/09 to 9/10/10 | 100% Fipe* price list |
| 03.31.2185888 | Vehicles of Fazenda Parnaíba | 9/10/09 to 9/10/10 | 100% Fipe price list |
| 03.31.2188327 | Vehicles of Fazenda Planorte | 9/10/09 to 9/10/10 | 100% Fipe price list |
| 03.31.2185740 | Vehicles of Fazenda Paiaguás | 9/10/09 to 9/10/10 | 100% Fipe price list |
| 03.18.0358200 | Master business insurance, fire, lightning, explosion of any kind, theft and robbery, windstorm, smoke and vehicle impact, farm products, manure, inputs and pesticides. | 9/10/09 to 9/10/10 | R$25,000 |
| 30.704.10780000006030 | Basic coverage for movable property | 9/15/09 to 9/15/10 | Market value of insured item |

The scope of our auditor's work does not include expressing an opinion on the sufficiency of the insurance coverage, whose adequacy was determined and assessed by the Company's management.

## 26. Recent accounting pronouncements

The Brazilian FASB (CPC), based on the common agenda of the Brazilian Securities Commission (CVM) and the CPC, has issued several pronouncements with a view to converging the Brazilian accounting practices to the international accounting standards. These pronouncements have been approved by the Brazilian Securities Commission (CVM) and by the National Association of State Boards of Accountancy (CFC), being effective for fiscal years beginning as of January 1, 2010 with retrospective application for comparison purposes.

The technical pronouncements, guidance and interpretations that have been issued by the CPC and that might impact the preparation or disclosure of the financial statements for the year ending December 31, 2010 are listed below:

- **CPC 15 –** Business Combinations, as approved by CVM Rule No. 580, of July 31, 2009;
- **CPC 16** – Inventories**,** as approved by CVM Rule No. 575, of June 5, 2009;
- **CPC 18** – Investment in Affiliates and Subsidiaries, as approved by CVM Rule No. 605, of November 26, 2009;
- **CPC 20** – Financing Costs, as approved by CVM Rule No. 577, of June 5, 2009;

## 26. Recent accounting pronouncements (Continued)

- **CPC 22** - Segments Information, as approved by CVM Rule No. 582, of July 31, 2009;
- **CPC 23** - Accounting Policies, Changes in Accounting Estimates and Errors, as approved by CVM Rule No. 592, of September 15, 2009;
- **CPC 24** - Subsequent Events, as approved by CVM Rule No. 593, of September 15, 2009;
- **CPC 25** - Provisions, Contingent Liabilities and Contingent Assets, as approved by CVM Rule No. 594, of September 15, 2009;
- **CPC 26** - Presentation of Financial Statements, as approved by CVM Rule No. 595, of September 15, 2009;
- **CPC 27** - Property, Plant and Equipment, as approved by CVM Rule No. 583, of July 31, 2009;
- **CPC 30** - Revenue, as approved by CVM Rule No. 597, of September 15, 2009;
- **CPC 32** - Income Taxes, as approved by CVM Rule No. 599, of September 15, 2009;
- **CPC 33** - Employee Benefits, as approved by CVM Rule No. 600 , of October 7, 2009;
- **CPC 36** – Consolidated Financial Statements, as approved by CVM Rule No. 608, of November 26, 2009;
- **CPC 37** – First-time Adoption of IFRS, as approved by CVM Rule No. 609 , of December 22, 2009;
- **CPC 38** – Financial instruments: Recognition and Measurement, as approved by CVM Rule No. 604, of November 19, 2009;
- **CPC 39** – Financial instruments: Presentation, as approved by CVM Rule No. 604, of November 19, 2009;
- **CPC 40** – Financial instruments: Disclosures, as approved by CVM Rule No. 604, of November 19, 2009;
- **CPC 43** – First-time Adoption of Technical Pronouncements CPC 15 to 40, as approved by CVM Rule No. 610, of December 22, 2009;
- **OCPC 03** – Financial instruments: Recognition, Measurement and Disclosure;
- **ICPC 09** – Individual, Consolidated and Separate Financial Statements and Adoption of the Equity Method, as approved by CVM Rule No. 618, of December 22, 2009;

## 26. Recent accounting pronouncements (Continued)

- **ICPC 10** – Interpretation of First-time Adoption of Technical Pronouncements CPCs 27, 28, 37 and 43 for Property, Plant and Equipment and Investment Property, as approved by CVM Rule No. 619, of December 22, 2009.

The Company could have opted to early adopt, for the year ended December 31, 2009, the pronouncements mandatorily required for fiscal years beginning as of January 1, 2010, provided they were fully adopted. The Company decided not to exercise this option for its 2009 financial statements.

The impact of the new standards and interpretations is still being assessed by the Company. The Company conducted a preliminary review of the new pronouncements and interpretations, and considers that its current accounting practices converge to those required by the newly issued standards, except for:

CPC 21 – Interim Financial Statements: The Company's management expects this standard to produce material changes in the volume of information to be disclosed in its Quarterly Financial Information (ITR), given that such ITR will be prepared on a summary basis and will include all the information that is significant, necessary and sufficient to provide its users with an adequate and complete set of accounting and financial indicators.

CPC 26 - Presentation of Financial Statements: The Company believes that this Technical Pronouncement will impact the presentation of its financial statements because it defines extensive disclosure requirements for accounting policies and introduces the statement of comprehensive income, which should be adopted by the Company in the financial statements to be prepared for 2010 (including the comparative financial statements).

CPC 27 - Property, Plant and Equipment: The Company expects this standard to impact its financial statements especially because it starts to require the estimated residual value of property, plant and equipment to be deducted for purposes of calculating the related depreciation. The Company currently depreciates its assets considering their full build-up costs, with no deduction of estimated residual values; accordingly, the depreciation expenses relating to assets existing as of December 31, 2009 will decrease in the next financial statements.

CPC 29 - Biological Assets and Agricultural Produce: The Company expects this standard to significantly impact its financial statements because its accounting practices regarding biological assets and agricultural produce considerably differ from the accounting practices established in this CPC.

## 26. Recent accounting pronouncements (Continued)

ICPC 10 - Interpretation of First-time Adoption for Property, Plant and Equipment:
Considering the change in accounting practices adopted in Brazil for full compliance with the process of convergence to the international accounting practices, upon first-time adoption of Technical Pronouncements CPC 27 and CPC 28, an entity may adjust its initial balances in line with the option provided by the international accounting practices using the deemed cost concept, as defined in Technical Pronouncements CPC 37 and CPC 43. The Company intends to adopt this Technical Interpretation.

Considering that the CPC intends to issue various accounting pronouncements in 2010, the assessment of impacts on the financial statements of the Company and of its subsidiaries should be supplemented as new accounting pronouncements are issued or the Company should reassess the impacts to the extent these new pronouncements or new interpretations may contain any modification that requires any change to the previous analyses.