

**Vanguardia Agro S.A.**  
**Quarterly Financial Information - ITR at**  
**June 30, 2012 and Report on**  
**Review of Quarterly Information**

Vanguarda Agro S.A.  
Balance Sheets  
In thousands of reais

| Asset                            | Controller       |                     | Consolidated     |                     | Liabilities and Equity                  | Controller       |                     | Consolidated     |                     |
|----------------------------------|------------------|---------------------|------------------|---------------------|---|------------------|---------------------|------------------|---------------------|
|                                  | 30 of June 2012  | 31 of December 2011 | 30 of June 2012  | 31 of December 2011 |   | 30 of June 2012  | 31 of December 2011 | 30 of June 2012  | 31 of December 2011 |
| <b>Current</b>                   |                  |                     |                  |                     | <b>Current</b>                          |                  |                     |                  |                     |
| Cash and cash equivalents        | 46               | 20,841              | 8,047            | 31,755              | Wages and social contributions          | 3,168            | 3,283               | 21,894           | 17,829              |
| Bonds and securities             | 2,034            | 40,936              | 3,474            | 41,173              | Trade accounts payable                  | 2,509            | 12,752              | 206,724          | 253,601             |
| Accounts receivable from clients | 8,104            | 46,133              | 39,697           | 78,448              | Taxes payable                           | 3,428            | 2,633               | 40,493           | 38,546              |
| Deeds receivable                 | 9,015            | 9,578               | 65,753           | 65,968              | Loans and financing                     | 14,616           | 50,942              | 220,364          | 506,948             |
| Inventory                        | 40,024           | 83,766              | 230,538          | 383,521             | Related parties                         |                  | 9                   | 4,955            | 11,850              |
| Biological Assets                |                  |                     | 262,567          | 254,961             | Advances from customers                 |                  | 29,991              | 52,931           | 98,441              |
| Recoverable Taxes                | 10,442           | 11,959              | 28,714           | 33,341              | Taxes in installments                   | 4,129            | 5,286               | 21,371           | 12,724              |
| Prepaid expenses                 | 344              | 380                 | 5,755            | 1,266               | Derivative financial instruments        |                  |                     | 19,829           | 12,991              |
| Other assets                     | 3,860            | 3,024               | 5,349            | 25,430              | Onerous agreements                      |                  |                     | 322              | 13,617              |
|                                  | 73,869           | 216,617             | 649,894          | 915,863             | Leases and services to pay              |                  |                     |                  | 21,249              |
| Non-current assets held for sale | 7,282            | 95,839              | 7,850            | 96,407              | Union debt - PESA                       |                  |                     | 1,702            | 428                 |
|                                  | 81,151           | 312,456             | 657,744          | 1,012,270           | Deeds payable                           |                  |                     | 5,185            | 5,272               |
|                                  |                  |                     |                  |                     | Other liabilities                       | 6                | 134                 | 26,648           | 33,269              |
|                                  |                  |                     |                  |                     |   | 27,856           | 105,030             | 622,418          | 1,026,765           |
| <b>Noncurrent</b>                |                  |                     |                  |                     | <b>Noncurrent</b>                       |                  |                     |                  |                     |
| Long-term payable assets         |                  |                     |                  |                     | Trade accounts payable                  |                  |                     | 14,444           | 21,486              |
| Bonds and securities             |                  |                     |                  | 634                 | Loans and financing                     | 9,842            | 30,809              | 226,408          | 95,859              |
| Inventory                        | 932              | 932                 | 932              | 4,232               | Related parties                         |                  | 4,423               | 86               | 6,294               |
| Deeds receivable                 | 11,042           | 15,411              | 64,445           | 69,418              | Taxes in installments                   | 10,695           | 11,943              | 64,270           | 63,379              |
| Deferred Taxes                   |                  |                     |                  | 9,011               | Tax incentives (ICMS)                   | 3,111            | 2,983               | 3,111            | 2,983               |
| Related parties                  | 8,943            | 41,513              | 188              | 4,017               | Advances from customers                 |                  |                     |                  | 2,000               |
| Recoverable taxes                | 30,189           | 28,690              | 71,862           | 69,804              | Union debts _ PESA                      |                  |                     | 13,490           | 11,888              |
| Legal deposits                   | 1,231            | 1,229               | 5,736            | 4,800               | Deferred taxes                          |                  |                     | 93,758           | 129,474             |
| Other assets                     |                  |                     | 4,247            | 8,477               | Provision for contingencies             | 2,918            | 1,928               | 33,974           | 57,438              |
|                                  | 52,337           | 87,775              | 147,410          | 170,393             | Provision for losses with investments   | 984              |                     |                  |                     |
| Investments                      | 1,105,368        | 991,855             |                  |                     | Other liabilities                       | 1,581            | 1,581               | 17,155           | 20,325              |
| Biological assets                |                  |                     | 14               | 20                  |   | 29,131           | 53,667              | 466,696          | 411,126             |
| Fixed                            | 53,536           | 55,365              | 1,194,658        | 1,209,421           | <b>Total Liabilities</b>                |                  |                     |                  |                     |
| Intangible                       | 312              | 372                 | 325,004          | 334,913             | <b>Net Equity</b>                       |                  |                     |                  |                     |
|                                  | 1,211,553        | 1,135,367           | 1,667,086        | 1,714,747           | Capital                                 | 2,207,503        | 2,207,503           | 2,207,502        | 2,207,503           |
|                                  |                  |                     |                  |                     | Capital reserves                        | 2,490            | 3,765               | 2,490            | 3,765               |
|                                  |                  |                     |                  |                     | Accumulated losses                      | (974,276)        | (922,142)           | (974,276)        | (922,142)           |
|                                  |                  |                     |                  |                     |   | 1,235,717        | 1,289,126           | 1,235,716        | 1,289,126           |
| <b>Total assets</b>              | <b>1,292,704</b> | <b>1,447,823</b>    | <b>2,324,830</b> | <b>2,727,017</b>    | <b>Total liabilities and net equity</b> | <b>1,292,704</b> | <b>1,447,823</b>    | <b>2,324,830</b> | <b>2,727,017</b>    |

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

**Vanguarda Agro S.A.**  
**Statements of Income of the period ended**  
**In thousands of reais**

|  | <b>Controller</b>      |                 |                        |                  |
|--|------------------------|-----------------|------------------------|------------------|
|  | <b>30 of june 2012</b> |                 | <b>30 of june 2011</b> |                  |
|  | <b>Quarter</b>         | <b>Semester</b> | <b>Quarter</b>         | <b>Semester</b>  |
| Revenues   | 4,482                  | 94,131          | 124,873                | 269,513          |
| Variation in the fair value of biological assets and agricultural products |                        |                 | 930                    | 1,017            |
| Cost of Goods Sold   | <u>(11,132)</u>        | <u>(89,846)</u> | <u>(129,466)</u>       | <u>(264,437)</u> |
| <b>Gross (Loss) profit</b>   | <u>(6,650)</u>         | <u>4,285</u>    | <u>(3,663)</u>         | <u>6,093</u>     |
| <b>Operational Expenses (Income)</b>                                       |                        |                 |                        |                  |
| Sale expenses  |                        |                 |                        |                  |
| General and administrative expenses  | (19,977)               | (34,115)        | (17,217)               | (30,493)         |
| Result of equity equivalence   | (14,937)               | 5,491           | 23,997                 | 26,794           |
| Other income (expenses), net   | <u>(26,083)</u>        | <u>(25,988)</u> | <u>(3)</u>             | <u>(19)</u>      |
|  | <u>(60,997)</u>        | <u>(54,612)</u> | <u>6,777</u>           | <u>(3,718)</u>   |
| <b>Operational Losses (Profit)</b>   | <u>(67,647)</u>        | <u>(50,327)</u> | <u>3,114</u>           | <u>2,375</u>     |
| <b>Financial Results</b>   |                        |                 |                        |                  |
| Financial Income   | 1,449                  | 4,677           | 1,865                  | 4,511            |
| Financial Expenses   | (2,773)                | (6,484)         | (2,116)                | (4,888)          |
| Exchange rate changes, net   |                        |                 | (4)                    | (4)              |
|  | <u>(1,324)</u>         | <u>(1,807)</u>  | <u>(255)</u>           | <u>(381)</u>     |
| <b>Net Income (Losses) before income tax and social contribution</b>       | (68,971)               | (52,134)        | 2,859                  | 1,994            |
| <b>Net Income (Losses)</b>   | <u>(68,971)</u>        | <u>(52,134)</u> | <u>2,859</u>           | <u>1,994</u>     |
| <b>Basic and diluted earnings (losses) per share</b>                       | <u>(0.0297)</u>        | <u>(0.0225)</u> | <u>0.0026</u>          | <u>0.0018</u>    |

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Vanguarda Agro S.A.  
 Statements of Income of period ended  
 In thousands of reais

|  | <b>Consolidated</b>    |                 |                        |                 |
|--|------------------------|-----------------|------------------------|-----------------|
|  | <b>30 of june 2012</b> |                 | <b>30 of june 2011</b> |                 |
|  | <b>Quarter</b>         | <b>Semester</b> | <b>Quarter</b>         | <b>Semester</b> |
| Revenues   | 189,733                | 520,762         | 199,692                | 404,696         |
| Variation in the fair value of biological assets and agricultural products | 26,019                 | 59,758          | 8,897                  | 22,113          |
| Cost of Goods Sold   | (192,008)              | (495,909)       | (207,896)              | (403,559)       |
| <b>Gross Profit</b>  | <b>23,744</b>          | <b>84,611</b>   | <b>693</b>             | <b>23,250</b>   |
| <b>Operational Expenses (Income)</b>                                       |                        |                 |                        |                 |
| Sales Expenses   |                        |                 |                        |                 |
| General and administrative expenses  | (35,793)               | (66,632)        | (23,956)               | (43,747)        |
| Result of equity equivalence   |                        |                 |                        |                 |
| Other income (expenses), net   | (8,379)                | (3,222)         | 6,830                  | 8,306           |
|  | (44,172)               | (69,854)        | (17,126)               | (35,441)        |
| <b>Operational Income (Loss)</b>   | <b>(20,428)</b>        | <b>14,757</b>   | <b>(16,433)</b>        | <b>(12,191)</b> |
| <b>Financial Results</b>   |                        |                 |                        |                 |
| Financial income   | 5,760                  | 16,966          | 24,143                 | 39,310          |
| Financial expenses   | (17,517)               | (59,057)        | (17,834)               | (34,979)        |
| Exchange variations, net   | (56,404)               | (51,625)        | 10,704                 | 13,945          |
|  | (68,161)               | (93,716)        | 17,013                 | 18,276          |
| <b>Profit (Loss) before income tax and social contribution</b>             | <b>(88,589)</b>        | <b>(78,959)</b> | <b>580</b>             | <b>6,085</b>    |
| Income tax and social contribution   |                        |                 |                        |                 |
| Of the fiscal year   | (312)                  | (1,673)         | (2,650)                | (5,478)         |
| Deferred   | 19,930                 | 28,498          | 4,928                  | 1,385           |
| <b>Net Profit (Loss) for the period</b>                                    | <b>(68,971)</b>        | <b>(52,134)</b> | <b>2,858</b>           | <b>1,992</b>    |
| <b>Attributable to</b>   |                        |                 |                        |                 |
| Company shareholders   |                        |                 | 2,859                  | 1,994           |
| Participation of non-controller  |                        |                 | (1)                    | (2)             |
|  |                        |                 | <b>2,858</b>           | <b>1,992</b>    |

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

Vanguarda Agro S.A.  
Cash Flow statement  
In thousands of reais

|   | Controller            |                       | Consolidated          |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 30 of<br>June<br>2012 | 30 of<br>June<br>2011 | 30 of<br>June<br>2012 | 30 of<br>June<br>2011 |
| <b>Cash flow of operational activities</b>  |                       |                       |                       |                       |
| <b>Profit (Loss) for the period</b>   | (52,134)              | 1,994                 | (52,134)              | 1,992                 |
| Adjustments to reconcile net profit (loss) to cash provided by operational activities |                       |                       |                       |                       |
| Provision for adjustment of market value of inventories                               |                       |                       | (10,056)              | 1,599                 |
| Provisions for doubtful accounts  |                       |                       | (85)                  |                       |
| Result of equity equivalence  | (5,491)               | (26,794)              |                       |                       |
| Amortization of intangible assets   | 17,732                | 3,026                 | 17,732                | 3,026                 |
| Depreciation and Amortization   | 1,570                 | 5,574                 | 11,790                | 13,155                |
| Residual value of fixed assets and intangible downgraded                              | (353)                 | 2                     | 5,346                 | 1,532                 |
| Inventory losses  | 28,113                | 656                   | 28,113                | 656                   |
| Financial charges and exchange variation  | 5,074                 | 3,728                 | 55,631                | (18,175)              |
| Provision for losses on ICMS  |                       |                       | 8,790                 |                       |
| Provision for tax, civil and labor risks  | 990                   | 55                    | (17,776)              | 2,071                 |
| Deferred ICMS installment payable   | 788                   | 1                     | 788                   | 1                     |
| Variation in the fair value of biological assets                                      |                       | (1,017)               | (54,921)              | (22,113)              |
| Provision for onerous agreements  |                       |                       | (13,295)              |                       |
| Stock option plan   | (1,931)               | 5,005                 | (2,415)               | 5,910                 |
| Other provisions for losses and the present value adjustments                         | 547                   |                       | (2,091)               | 4,085                 |
| Deferred income tax and social contribution   |                       |                       | (27,460)              |                       |
| Provision for investment losses   |                       |                       | (507)                 |                       |
| <b>(Increase) Decrease in operational losses:</b>                                     |                       |                       |                       |                       |
| Account receivable form clients   | 38,029                |                       | 51,256                | (29,322)              |
| Deeds receivable  | 4,385                 | (23,740)              | 6,023                 | (5,187)               |
| Interest received   |                       | (342)                 |                       |                       |
| Inventory   | 15,629                | 7,625                 | 114,131               | (7,885)               |
| Taxes recoverable   | 18                    | (1,486)               | (1,547)               | (740)                 |
| Advance payment suppliers   |                       |                       | 13,443                |                       |
| Legal deposits  |                       | (351)                 | 2,560                 | (460)                 |
| Prepaid expenses  | 36                    | (233)                 | 4,919                 | (1,278)               |
| Assets held for sale  |                       |                       |                       | 272                   |
| Biological asset  |                       | (115)                 | 46,624                | 14,032                |
| Other credits   | (836)                 | (267)                 | 2,015                 | (680)                 |
| <b>Increase (decrease) in operations liabilities:</b>                                 |                       |                       |                       |                       |
| Trade accounts payable  | (10,243)              | 2,649                 | (70,423)              | (24,306)              |
| Advance form customers  | (29,991)              | (13,007)              | (42,624)              | (6,700)               |
| Deeds payable   |                       |                       | (30)                  | 1,015                 |
| Social obligations  | (115)                 | 777                   | 7,669                 | 1,922                 |
| Tax obligations   | 795                   | 374                   | 3,058                 | 4,596                 |
| Taxes in installments   | (1,248)               | (1,351)               | (3,373)               | (5,254)               |
| Deferred income tax and social contribution   |                       |                       |                       | (1,385)               |
| Provision for tax, civil and labor risks  |                       |                       |                       | (1,420)               |
| Leases and services to pay  |                       |                       | 6,138                 |                       |
| Other accounts payable  | (127)                 | (500)                 | 19,196                | 266                   |
| Taxes paid  |                       |                       | (22,012)              |                       |
| Interest paid in the period   | (1,980)               | (3,340)               | (1,980)               | (20,224)              |
| <b>Cash(generated) applied to operational activities</b>                              | <b>9,257</b>          | <b>(41,077)</b>       | <b>82,493</b>         | <b>(88,999)</b>       |
| <b>Cash flow of investments related to continued operations</b>                       |                       |                       |                       |                       |
| Financial application   | 38,902                | (255)                 | 38,885                | 423                   |
| Capital increase in subsidiaries  | (123,000)             |                       | (179,003)             |                       |
| Acquisitions of fixed assets  | (34)                  | (4,282)               | (23,028)              | (8,769)               |
| Related companies - AFAC's  | 131                   | (2,812)               | 131                   | (1,909)               |
| Effect of change of ownership   |                       |                       | 16                    |                       |
| Cash from the sale of assets held for sale  | 88,557                |                       | 88,557                |                       |
| Acquisition of investments  | (148)                 |                       | (148)                 |                       |
| Legal deposit   | (2)                   |                       | (2)                   |                       |
| <b>Cash applied to investment activities</b>  | <b>4,406</b>          | <b>(7,349)</b>        | <b>(74,592)</b>       | <b>(10,255)</b>       |
| <b>Cash flow of financing activities related to continued operations</b>              |                       |                       |                       |                       |
| Capture of financings - third parties   | 18,352                |                       | 88,430                | 118,939               |
| Captation with related parties  | (4,432)               |                       | 194,559               | 21,025                |
| Payment to related parties  | 33,423                |                       | (75,390)              | (20,021)              |
| Payment of financing  | (81,141)              | (8,479)               | (250,034)             | (90,565)              |
| <b>Cash generated by financing activities</b>   | <b>(33,798)</b>       | <b>(8,479)</b>        | <b>(42,435)</b>       | <b>29,378</b>         |
| <b>Increase (decrease) of availability balance</b>                                    | <b>(20,135)</b>       | <b>(56,905)</b>       | <b>(34,535)</b>       | <b>(69,876)</b>       |
| <b>Availabilities</b>   |                       |                       |                       |                       |
| Initial Balance   | 20,181                | 107,932               | 42,578                | 126,653               |
| Final Balance   | 46                    | 51,027                | 8,044                 | 56,777                |
|   | <b>(20,135)</b>       | <b>(56,905)</b>       | <b>(34,534)</b>       | <b>(69,876)</b>       |

The management explanatory notes are an integral part of these interim financial statements

**Vanguarda Agro S.A.**  
**Statement of added value**  
**In thousands of reais**

|  | <b>Controller</b>              |                                | <b>Consolidated</b>            |                                |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|  | <b>30 of<br/>June<br/>2012</b> | <b>30 of<br/>June<br/>2011</b> | <b>30 of<br/>June<br/>2012</b> | <b>30 of<br/>June<br/>2011</b> |
| <b>Revenues</b>  |                                |                                |                                |                                |
| Sales of goods products                                      | 112,316                        | 308,345                        | 552,828                        | 448,825                        |
| Other revenues   | 104,335                        | 13                             | 121,007                        | 8,095                          |
| Sales returns  | (995)                          | (2,652)                        | (4,148)                        | (2,919)                        |
| Provision for credits of doubtful payment                    |                                |                                | (256)                          | 550                            |
| Fair value of biological assets                              |                                | 1,017                          | 59,757                         | 22,113                         |
| <b>Inputs Purchased from Third Parties</b>                   |                                |                                |                                |                                |
| Raw materials consumed                                       |                                | (222,032)                      |                                | (231,186)                      |
| Goods sold   | (89,845)                       | (19,253)                       | (188,752)                      | (69,575)                       |
| Cost of idle assets  | (3,018)                        | (8,634)                        | (4,090)                        | (12,850)                       |
| Materials, energy and services from third parties and others | 0                              | (17,061)                       | (27,927)                       | (83,988)                       |
| Provision for tax, civil and labor risks                     | (990)                          | (55)                           | (1,508)                        | (2,071)                        |
| Provision for inventory losses                               | (28,116)                       |                                | (28,155)                       | 2,149                          |
| Provision for losses on assets                               |                                |                                | 31                             |                                |
| Reversal of REFIS reducing<br>Low provision of ICMS          |                                |                                |                                |                                |
| Other expenses   | (108,499)                      |                                | (284,919)                      | (3,181)                        |
| Surcharge discharge  | (17,863)                       | (3,026)                        | (17,862)                       | (3,026)                        |
| <b>Gross Added Value</b>                                     | (32,675)                       | 36,662                         | 176,006                        | 72,936                         |
| Depreciation and Amortization                                | (57)                           | (5,574)                        | (19,243)                       | (13,155)                       |
| <b>Net added value used by the company</b>                   | (32,732)                       | 31,088                         | 156,763                        | 59,781                         |
| <b>Added value received in transfer</b>                      |                                |                                |                                |                                |
| Result of capital equivalence                                | 5,491                          | 26,794                         |                                |                                |
| Financial income   | 4,677                          | 4,511                          | 18,123                         | 39,310                         |
|  | 10,168                         | 31,305                         | 18,123                         | 39,310                         |
| <b>Added value to transfer</b>                               | (22,564)                       | 62,393                         | 174,886                        | 99,091                         |
| <b>Distribution of value added</b>                           |                                |                                |                                |                                |
| Personal:  |                                |                                |                                |                                |
| Direct compensation  | 2,348                          | 15,077                         | 65,154                         | 21,122                         |
| Benefits   | 2,167                          | 1,435                          | 3,144                          | 3,043                          |
| FGTS   | 161                            | 614                            | 3,534                          | 1,045                          |
| Taxes, fees and contribution                                 |                                |                                |                                |                                |
| Federal  | 7,287                          | 20,131                         | 24,912                         | 23,077                         |
| State  | 10,548                         | 17,715                         | 14,390                         | 22,484                         |
| Municipal  | 33                             | 74                             | 123                            | 142                            |
| Remuneration of capital from third parties                   |                                |                                |                                |                                |
| Interest and exchange rate changes                           | 5,945                          | 4,851                          | 113,075                        | 21,071                         |
| Fines  | 798                            | 73                             | 2,246                          | 486                            |
| Rentals  | 285                            | 429                            | 444                            | 4,629                          |
| Remuneration of own capital                                  |                                |                                |                                |                                |
| Profit in the period   | (52,136)                       | 1,994                          | (52,136)                       | 1,992                          |

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Vanguarda Agro S.A.  
 Demonstration of Changes of Net Income / DMPL  
 In thousands of reais

|                                  | Attributable to controller shareholders |                  |   |                    |                  | Participation of non-controller | Total Net Equity |
|----------------------------------|---|------------------|---|--------------------|------------------|---------------------------------|------------------|
|                                  | Note                                    | Capital          | Capital reserves; Options Granted and Treasury shares | Accumulated Losses | Total            |                                 |                  |
| <b>On January 1, 2011</b>        |   | 1,128,354        | (14,892)  | (426,989)          | 686,473          | (7)                             | 686,466          |
| Stock option plan - Company      |   |                  | 5,005   |                    | 5,005            |                                 | 5,005            |
| Stock option plan - Subsidiaries |   |                  | 905   |                    | 905              |                                 | 905              |
| Net income in the period         |   |                  |   | 1,994              | 1,994            | (2)                             | 1,992            |
| <b>On June 30, 2011</b>          |   | <u>1,128,354</u> | <u>(8,982)</u>  | <u>(424,995)</u>   | <u>694,377</u>   | <u>(9)</u>                      | <u>694,368</u>   |
| <b>On Januaruy 1, 2012</b>       |   | 2,207,503        | 3,765   | (922,142)          | 1,289,126        | 0                               | 1,289,126        |
| Stock option plan - Company      |   |                  | (1,595)   |                    | (1,595)          |                                 | (1,595)          |
| Stock option plan - Subsidiaries |   |                  | 320   |                    | 320              |                                 | 320              |
| Net income in the period         |   |                  |   | (52,134)           | (52,134)         |                                 | (52,134)         |
| <b>On June 30, 2012</b>          |   | <u>2,207,503</u> | <u>2,490</u>  | <u>(974,276)</u>   | <u>1,235,717</u> | <u>0</u>                        | <u>1,235,717</u> |

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**Vanguarda Agro S.A.**  
**Explanatory notes of the management for the**  
**quarterly financial information on June 30, 2012**  
**In thousands of reais, except where indicated otherwise**

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**1 General Information**

Vanguarda Agro S.A. ("Company" or "Vanguarda Agro") was incorporated on July 18, 2003, under the name of Brasil Biodiesel Comércio e Indústria de Óleos Vegetais Ltda., as a private company with limited liability. On October 10, 2011 its name was changed to Vanguarda Agro S.A.

The company, which currently has its headquarters in Sao Paulo, State of Sao Paulo, from 2006 became a publicly traded corporation.

The issuance of these quarterly financial statements were authorized by the Board of Directors of the Company on August 8, 2012.

The Company's activities are the industrialization and trade of biofuels, vegetable oils and their derivatives and similar products, including byproducts of oil and biodiesel, in the domestic market.

The Controlled Vanguarda Participações S.A. ("VANPAR") and Maeda S.A. Agroindustrial ("Maeda") have similar activities, which consist essentially of:

- Cultivation of agricultural products;
- Commercialization of agricultural inputs;
- Enrichment of cotton, owned by it or by others;
- Provision of storage service for agricultural inputs and products, and
- Provision of soil preparation and harvesting service with agricultural machinery.

The exploitation of activities in agriculture, soybeans, cotton, corn and rice are made on land owned and leased by third parties and other related parties, such as Fazenda Mãe Margarida S.A., Fazenda Terra Santa S.A. e Fazenda Ribeiro do Céu S.A.

The ratio of direct and indirect subsidiaries are described in Note 2.7.

**Financial position of the controlled companies and plans for its management**

In 2011, after completion of incorporation operations of Maeda Companies, incorporated in December 2010 and VANPAR in September 2011, the Company has directed its focus to farming, becoming one of the largest open capital companies in the sector of grain and fiber. The integration of the companies allowed the purchase of inputs to be made centrally, improving trading conditions.

In order to improve its capital structure, the Company performed the process of demobilization of assets that are not tied to its core activity - planting and marketing of grain and fiber. In this sense, there were made sales of various assets:

- Unit of crushing of cottonseed located in Itumbiara, of the subsidiary Maeda; According to relevant fact released on September 30, 2011.
- The stake in Tropical, also owned by the subsidiary Maeda, according to the relevant fact released on September 14, 2011.

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- Sale of the biodiesel production plant located in Rosario do Sul, owned by the Company, according to the relevant fact released on October 24, 2011.
- Sale of the soybean crushing unit located in São Luiz Gonzaga, owned by the Company; According to the relevant fact released on October 24, 2011.
- Signature sale of biodiesel production units Iraquara-BA and Porto Nacional - TO, according to the relevant fact published on April 8, 2012

The proceeds from the sale of these assets were used for repayment of bank debt and for funding the inputs necessary for the expansion of planted area.

## **2 Presentation of individual financial statements and main accounting practices adopted**

### **2.1 Preparation basis of financial statements**

The interim financial information in this financial information were prepared in accordance with the technical pronouncement CPC 21 - Interim Financial Reporting and with the international accountancy standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - EASB, and presented in a manner consistent with the standards issued by the Securities Commission - CVM, applicable to the preparation of the Quarterly Financial Information - ITR.

Accounting practices in these interim financial statements are the same adopted in the preparation of the last annual financial statements.

The individual Quarterly Financial Information for the period ending on June 30, 2012 ("Controlled") have been prepared in accordance with accounting practices adopted in Brazil and these practices differ from those presented in the consolidated information in accordance with IAS 34 only when the evaluation of investments in subsidiaries by the equity method, instead of cost or fair value.

#### **2.1.1 Restatement of comparative figures**

Correction of error

In 2012, there were identified adjustments in the prior financial years, related to:

- (i) Deeds and securities with use restrictions, classified under "cash and cash equivalents" in the amount of R\$ 20,755 in the individual and consolidated financial statements of December 31, 2011;
- (ii) income tax and social contribution in the amount of R\$ 97,811, not presented net among the noncurrent assets and liabilities in the consolidated financial statements of December 31, 2011, by entity;
- (iii) presentation of taxes in installments in noncurrent liabilities in the amount of R\$ 24,559 under the item "tax obligations" in the consolidated financial statements of December 31, 2011.

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The individual and consolidated financial statements of December 31, 2011, presented for comparison purposes, were adjusted in relation to error correction mentioned above, and are being restated. The effects of this restatement are as follows:

|                                  | <b>December 31, 2011</b> |                   |                  |                     |                   |                  |
|----------------------------------|--------------------------|-------------------|------------------|---------------------|-------------------|------------------|
|                                  | <b>Controller</b>        |                   |                  | <b>Consolidated</b> |                   |                  |
|                                  | <b>Original</b>          | <b>Adjustment</b> | <b>Adjusted</b>  | <b>Original</b>     | <b>Adjustment</b> | <b>Adjusted</b>  |
| Asset                            |                          |                   |                  |                     |                   |                  |
| Noncurrent                       | <u>1,135,367</u>         |                   | <u>1,135,367</u> | <u>1,812,558</u>    | <u>(97,811)</u>   | <u>1,714,747</u> |
| Total assets                     | <u>1,447,823</u>         |                   | <u>1,447,823</u> | <u>2,842,828</u>    | <u>(97,811)</u>   | <u>2,727,017</u> |
| Liabilities and Equity           |                          |                   |                  |                     |                   |                  |
| Noncurrent                       | <u>53,667</u>            |                   | <u>53,667</u>    | <u>508,937</u>      | <u>(97,811)</u>   | <u>411,126</u>   |
| Total liabilities and net equity | <u>1,447,823</u>         |                   | <u>1,447,823</u> | <u>2,842,828</u>    | <u>(97,811)</u>   | <u>2,727,017</u> |

**2.2 Basis of preparation of quarterly financial information**

The Quarterly Information used for the period ended on June 30, 2012 were prepared based on historical cost, except for financial assets and liabilities (including derivative financial instruments), agricultural products and biological assets, which are measured at fair value.

**2.3 Functional currency and presentation way**

Items included in the financial statements of the Company and subsidiaries included in the consolidated financial statements are measured using the currency of the primary economic environment in which the company operate ("functional currency"). The individual and consolidated financial statements are presented in reais, which is the functional currency of the Company and its subsidiaries.

**2.4 Financial instruments**

**2.4.1 Financial assets**

Financial assets held by the Company and its subsidiaries, where applicable, are classified under the following categories: (a) financial assets at fair value through profit and loss, (b) financial assets held until maturity, (c) financial assets available for sale, and (d) loans and receivables. The classification depends on the purpose for which the assets and liabilities were acquired or contracted.

**a) Financial assets at fair value through result**

Financial assets at fair value through profit and loss are assets held for trading if acquired for this purpose, especially in the short term. Derivative financial instruments are also classified in this category, unless they have been designated as hedging instruments (protection) in a hedge accounting.

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**b) Financial assets held until maturity**

Include investments in certain financial assets classified at the time of initial hiring, to be held until the maturity date, which are measured at cost, plus income earned in accordance with the terms and conditions of contracts, less any loss for recoverable value, if applicable.

**c) Financial assets available for sale**

Where applicable, nonderivative financial assets are included in this category, such as bonds and/or shares quoted in an active market or not quoted in an active market, but that may have reasonably estimated fair values.

**d) Loans and financing**

Included in this classification are the nonderivative financial assets with fixed or determinable receipts that are not quoted in an active market. Loans and receivables are measured at the value of amortized cost using the effective interest method, less any impairment loss of recoverable value. The interest income is recognized by applying the effective interest rate, except for short term loans when the recognition of interest is immaterial.

In the case of the Company and its subsidiaries, it includes:

- Cash and cash equivalents

Are represented by cash, funds in bank accounts with free movement and investments whose balances do not differ significantly from market values, with redemption of up to 90 days from the date of the application convertible into known amounts of cash and subject to an insignificant risk of changes in value, which are recorded at cost plus income accrued to the balance sheet dates, which do not exceed its market value or realization.

- Accounts receivable from clients and deeds receivable

Are stated at net realizable value, adjusted for provision for loss made based on the Management's assessment as to possible losses on accounts receivable.

Amounts receivable are recorded based on nominal values and are not adjusted to the present value by presenting a short term maturity date and for not having a material effect on financial statements.

For balances of notes receivable from the sale of property and equipment the treatment is similar, applying also the present value adjustment for the long term installments.

**2.4.2 Reduction in the recoverable value of financial assets**

Financial assets, except those designated at fair value through profit or loss, are assessed at each balance sheet date to identify possible reduction in the recoverable value of assets (impairment). They are considered damaged if there is evidence that one or more events occurred after the initial recognition of financial assets which have impacted the estimated future cash flows of the investment.

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**2.4.3 Financial liabilities**

Financial liabilities of the Company and its subsidiaries are mainly represented by suppliers and loans and financing.

They are stated at contract values plus the contracted charges, including interest and monetary update or foreign exchange incurred and subsequently measured at amortized cost using the effective interest rate.

The method of effective interest rate is used for calculating the amortized cost of a financial liability and allocate its interest expense for the period.

**2.5 Derivative financial instruments**

The Company and its subsidiaries do not use derivative financial instruments, except Maeda S.A. Agroindustrial and Vanguarda Participações S.A.

As mentioned in Note 26, the controlled Maeda S.A. Agroindustrial S.A. and Vanguarda Participações S.A. contract derivative financial instruments in order to protect their operations against the risk of fluctuation in the exchange rate and prices of commodities, and are not used for speculative purposes.

**2.6 Inventory**

The cost of inventories is based on the principle of average cost and includes expenditure incurred in acquiring, transportation and warehousing the inventory.

Agricultural products, harvested from biological assets and represented by commodities, are valued at fair value, less selling expenses. The stocks of finished goods and inventories of work in progress, including part of general manufacturing costs, determined based on normal operating capacity, are evaluated by the average manufacture cost.

Other inventories are valued at average cost of acquisition, which does not exceed the net realizable value.

The Company and its controlled companies recognizes a provision for reduction to net realizable value of inventory when necessary.

**2.7 Basis of consolidation and investments in subsidiaries**

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Control is achieved where the Company has the power to control financial and operating policies of an entity to obtain benefits from its activities.

In the individual financial statements of the Company the financial information of subsidiaries are recognized through the equity method.

The financial statements of subsidiaries are prepared for the same reporting period as of the Controller, using accounting policies consistent with those adopted by the controller. All transactions, balances, income and expenditure between companies of the group are fully eliminated in the consolidated financial statements.

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The Company has investments in the following subsidiaries, which were included in the consolidated financial statements:

|  | <b>Percentage of interest</b>   |                          |
|--|---------------------------------|--------------------------|
|  | <b>Total and voting capital</b> |                          |
|  | <b><u>30/06/2012</u></b>        | <b><u>31/12/2011</u></b> |
| <b><u>Direct subsidiaries:</u></b>                       |                                 |                          |
| Buriti Agrícola Ltda,                                    | 100,00                          | 100,00                   |
| Crateús Algodoeira S,A,                                  | 99,48                           | 99,48                    |
| Ecotrans Transp,, Serviços e Loc, de Equip, e Máq, Ltda, | 99,98                           | 99,98                    |
| Mocuri Agrícola Ltda,                                    | 99,94                           | 99,94                    |
| Maeda S,A, Agroindustrial                                | 100,00                          | 100,00                   |
| Vanguarda Participações S,A,                             | 100,00                          | 100,00                   |
| <b><u>Indirect subsidiaries:</u></b>                     |                                 |                          |
| Maeda - Armazéns Gerais S,A                              | 100,00                          | 100,00                   |
| Maeda International S,A                                  | 100,00                          | 100,00                   |
| Salegli Participações Ltda                               | 100,00                          | 100,00                   |
| Vanguarda do Brasil S,A,                                 | 100,00                          | 100,00                   |
| Fazenda Mãe Margarida S,A,                               | 100,00                          | 100,00                   |
| Fazenda Terra Santa S,A,                                 | 100,00                          | 100,00                   |
| Fazenda Ribeiro do Céu S,A,                              | 100,00                          | 100,00                   |
| T,M,V,S,P,E Empreendimentos e Participações S,A,         | 100,00                          | 100,00                   |

## **2.8 Combined business**

In consolidated financial statements, business acquisitions are accounted for by the method of acquisition. The consideration transferred in a business combination is measured at the fair value calculated by summing the fair values of assets transferred by the Company, liabilities incurred by the Company at the acquisition date for former shareholders of the acquired company and equity issued by the Company in exchange for control of the acquired company. Costs related to the acquisition are generally recognized in income when incurred.

On the acquisition date, the identifiable assets acquired and liabilities assumed are recognized at fair value at the acquisition date, except for:

- Assets or deferred tax liabilities and assets and liabilities related to benefit agreements with employees that are recognized and measured in accordance with IAS 12 - Income Taxes and IAS 19 - Employee Benefits (equivalent to CPC 32 and CPC 33), respectively;
- Liabilities or equity instruments related to payment arrangements based on shares acquired or payment arrangements based on shares of the Company entered into agreements in lieu of payment based on shares of the acquired company are measured in accordance with IFRS 2 - Payment Based on Shares (equivalent to CPC 10) at the acquisition date, and
- Assets classified as held for sale according to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations (equivalent to CPC 31) are measured according to the standard.

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## **Individual Financial statements**

In the individual financial statements, the Company applies the requirements of Technical Interpretation ICPC - 09, which requires that any amount exceeding the cost of acquisition over the Company's participation in the net fair value of assets, liabilities and contingent liabilities at the date of acquisition is recognized as surcharge. The surcharge is added to the accounting value of the investment. Any amount of the Company's interest in the net fair value of assets, liabilities and contingent liabilities that exceed the cost of acquisition, after reassessment, is recognized immediately in earnings. Any amounts transferred, as well as the net fair value of assets and liabilities, are measured using the same criteria as the consolidated financial statements described above.

### **2.9 Goodwill**

The surcharge resulting from a business combination is stated as cost at the date of business combination, net of accumulated loss in recoverable amount, if any. For the purposes of reduction test in the recoverable amount, the surcharge is allocated to each cash generating unit that will benefit from the synergies of the combination.

The surcharge is submitted annually to test of reduction in the recoverable amount, or more frequently when there is indication that it may present a reduction in its recoverable amount. Any loss for reduction in the recoverable surcharge value is recognized directly in the results of the financial year. The loss by reduction in the recoverable amount is not reversed in subsequent periods.

At the date of sale of the relevant cash generating unit, the attributable surcharge value is included in the calculation of profit or loss of sale.

### **2.10 Fixed**

The fixed assets of the Company and its subsidiaries are stated at acquisition cost, less accumulated depreciation and amortization and provision for discharge due to the recovery test (impairment). They are recorded as part of the cost of construction in progress and professional fees and, in case of qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Such fixed assets are classified into appropriate categories of fixed assets when completed and ready for the intended use. The depreciation of these assets begins when they are ready for the intended use on the same basis as other fixed assets.

Depreciation is recognized based on the estimated useful life of each asset by the linear method (Note 14), so that the value of cost less its residual value after its useful life is fully discharged (except for land and buildings in progress). The estimated useful life, residual values and depreciation methods are reviewed annually at year end and the effect of any changes in estimates are accounted for prospectively.

Where applicable, occurring losses from situations in which the asset's accounting value exceeds its recoverable amount, any gains or losses on the discharge of an item of fixed assets are determined by the difference between the values received in the sale and the asset's accounting value, and are recognized in result.

### **2.11 Intangible assets**

Intangible assets, with definite useful life, are recorded at cost, less amortization and losses for accumulated impairment. Amortization is recognized linearly based on the useful lives of assets. The estimated useful life and the amortization methods are reviewed in the end of each year end and the effect of any changes in estimates are accounted for prospectively. Intangible assets with indefinite useful life are recorded at cost, less losses for accumulated impairment.

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**2.12 Non-current assets held for sale**

Non-current assets and groups of assets are classified as held for sale if their accounting value is recovered mainly through a sale transaction rather than through continued use. This condition is fulfilled only when the sale is probable and noncurrent assets are available for immediate sale in its current condition.

The non-current assets classified as held for sale are measured at cost value, which does not exceed the fair value less cost to sell.

They are represented mostly by farms located in the states of Ceará, Piauí and Minas Gerais.

**2.13 Impairment of tangible and intangible assets excluding surcharge**

At the end of each financial year, the Company and its subsidiaries review the carrying value of its tangible and intangible assets to determine whether there is any evidence of not recoverable loss, or even when significant events or changes in circumstances indicate that the accounting value cannot be recovered. Where applicable, occurring losses from situations in which the asset's accounting value exceeds its recoverable amount, defined by the greater value between the use of the asset and net sales value of the asset, this is recognized in the period income.

**2.14 Biological assets**

The biological assets of the Company and its subsidiaries correspond substantially to the crops of cotton, soybean and corn and are measured at fair value less selling costs.

The crops of cotton, soybean and corn are temporary, in which the agricultural product is harvested after a period of time ranging from 110 to 180 days after planting, depending on crop, variety, geographical location and climatic conditions. These crops are grown by the controlled Maeda S.A. Agroindustrial and Vanguarda Participações S.A., in order to harvest and market the corresponding agricultural product. except for the cotton crop, whose agricultural product ("seed cotton") is processed to produce "plume cotton". The significant assumptions used in determining the fair value of biological assets are stated in Note 8.

The fair value of biological assets is determined at its initial acknowledgment and the database of the financial statements. The gain or loss on change in fair value of biological assets is determined by the difference between the fair value and the costs associated with planting and cultivation of biological assets up to the time of assessment, less any accumulated changes in fair value of previous periods where applicable (interim statements and permanent crops), and recorded in the income statement under "Change in fair value of biological assets."

In certain circumstances, the estimated fair value less costs to sell is approaching the corresponding value of the cost of training so far, especially when a small biological transformation occurs from the initial moment or when it is expected that the impact of this transformation on the price is big (basically in case of crops planted a few days from the closure of financial statements or short cycle crops) and, in such cases, the costs can remain valued to the cost.

**2.15 Leased assets**

Assets leased by the Company are classified as operating leases and the payments made under an operating lease are recognized as costs of products in the income statement with linear base during the term of the lease agreement.

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**a) Lease payments**

Payments made under operating leases are recognized in income on the linear method for the term of the lease.

**b) Determining whether an agreement contains a lease**

At the beginning of an agreement it is defined whether the agreement is or contains a lease. A particular asset is the subject of a lease if the fulfillment of the agreement is dependent on the use of that specified asset. The agreement transfers the right to use the asset if the agreement transfers to the company or its controlled the right to control the use of the underlying asset.

At the beginning of the agreement or upon a reassessment of the agreement, payment and other considerations required by such agreement between those for the lease and those for other components based on their relative fair values are separated.

**2.16 Provisions**

Provisions are recognized for present obligations (legal or assumed) resulting from past events, in which values can be estimated reliably and whose liquidation is likely.

The amount recognized as provision is the best estimate of the consideration required to settle the obligation at the end of each reporting period, considering the risks and uncertainties relating to the obligation. When the provision is measured based on estimated cash flows to settle the obligation, its accounting value corresponds to the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, an asset is recognized if, and only if, the reimbursement is virtually certain and the value can be measured reliably.

**2.17 Agreements for payments based on shares**

The payment plan based on shares should be measured at fair value of equity instruments at the grant date. The details of the agreements for payment based on shares to executives of the Company and controlled Maeda S.A. Agroindustrial are described in Note 35. The Company and its subsidiaries do not have transactions of payment based on shares to external service providers.

**2.18 Tax Incentives**

Tax incentives are recognized when there is reasonable assurance that the Company and its subsidiaries will meet the related conditions and grants will be received.

They are consistently recognized in income during the years in which the Company and its subsidiaries recognize as expenses the corresponding costs that the grants are intended to offset.

The Controlled Maeda S.A. Agroindustrial has the following state tax incentives:

- Incentive Program for the Cotton Producer in the State of Goiás - PROALGO; and

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- Incentive Program to the Culture of Cotton in the State of Bahia - PROALBA. The incentives consist of the progressive granting of credits, according to the characteristics of the cotton fibers, from 50% to 75% of Tax on Goods and Services - ICMS due on the sale operations of cotton fiber, which reduces taxes on sales.

Due to the accumulation of credit balances of ICMS, these benefits have not been used significantly by this subsidiary.

## **2.19 Income tax and social contribution**

Expense for income tax and social contribution are the sum of current and deferred tax.

### **2.19.1 Current taxes**

The provision for income tax and social contribution is based on taxable profit for the period that differs from the profit shown in the income statement, because it excludes revenues or expenses taxable or deductible in other years, and delete items not taxable or not deductible at all times. The provision for income tax and social contribution is calculated individually for the Company and its subsidiaries based on the rates prevailing at the end of the period.

The income tax provision is made based on current legislation at the rate of 15% on taxable income, plus 10% above R\$ 240 of taxable income generated by the Company and the subsidiaries Ecotrans, Buriti Agrícola Ltda., Crateús Algodoeira S.A., Maeda S.A Agroindustrial e Vanguarda Participações S.A.. For the other subsidiaries it is made at the rate of 15% on deemed income, plus an additional of 10% above R\$ 240.

The provision for social contribution is made at the rate of 9% of taxable income, under applicable law, by the Company and the companies Ecotrans, Buriti Agrícola Ltda., Crateús Algodoeira S.A. and Maeda S.A Agroindustrial. For other subsidiaries it is recorded at the rate of 9% of the estimated profit, under applicable law.

### **2.19.2 Deferred taxes**

Deferred income tax and social contribution taxes were calculated on tax losses and negative basis of social contribution, as well as on the temporary differences between the bases of calculation of tax and book values of financial statements, associated with adjustments resulting from the adoption of new accounting pronouncements (Note 11), included in the Transaction Tax Regime (RTT) as the measurement of biological assets at fair value and deferred tax assets on deductible temporary differences, only when it is probable that the Company will submit future taxable income in an amount enough that such deductible temporary differences can be used.

Assets and liabilities of deferred tax are measured at the rates applicable during the period in which it is expected to be paid/held, based on the rates provided in the tax law in force at the end of each reporting period.

The current and deferred taxes are recognized in income, except when they correspond to items recorded in "other comprehensive income", or directly in equity.

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**2.20 Provision for tax, civil and labor risks**

They are made for all contingencies related to litigation for which it is probable that an outflow of resources is made to settle the contingency/obligation and a reasonable estimate can be made. The assessment of probability of loss includes assessing the available evidence, hierarchy of laws, jurisprudence available, the most recent decisions in courts and their relevance to the legal system, as well as an assessment by external lawyers. Provisions are reviewed and adjusted to take into account changes in circumstances, such as the applicable limitation period, conclusion of tax inspections or additional exposures identified based on new issues or decisions of courts.

**2.21 Other assets and current and noncurrent liabilities**

Stated by known or estimated nominal values, including, when applicable, accrued charges and monetary and/or foreign exchange changes earned until the date of the balance sheets.

**2.22 Calculation of income and revenue acknowledgment**

The result of operations is determined in accordance with the accounting base for the period.

Revenue is measured at fair value of the consideration received or receivable, less any estimates of returns, trade discounts and/or bonuses granted to the purchaser and other similar deductions.

**2.22.1 Sale of products**

Sales revenues are recognized in the income statement when significant risks are transferred to the buyer. A revenue is not recognized if there is significant uncertainty as to its realization.

More specifically, revenues from the sale of products are recognized when the products are delivered and the legal title is transferred.

**2.23 Financial incomes and expenses**

Represent the interest and monetary and exchange variations arising from advances on exchange contracts, investments, clients, active and passive monetary and exchange variation, and discounts obtained from suppliers for early payment of bills, as shown in Note 31.

**2.24 Foreign currency**

In preparing the financial statements of the Company and its subsidiaries, transactions in foreign currencies are recorded in accordance with exchange rates prevailing at the time of each transaction.

Monetary items in foreign currency are converted at the rates prevailing at end of the year.

The non-monetary items measured at fair value determined in foreign currency are converted at the rates prevailing on the date that the fair value was determined. The non-monetary items that are measured at historical cost in a foreign currency shall be converted using the prevailing rate of the transaction date.

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**2.25 Main sources of judgment and estimates**

The preparation of individual and consolidated financial statements in accordance with IFRS standards and CPC standards require from the management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Information on the uncertainties about the assumptions and estimates that have a significant risk of resulting in a material adjustment within the next year are related mainly to the following aspects: determining rates of discount to present value used in the measurement of biological assets, service life of fixed assets, performance of deferred tax credits, provisions for tax, civil and labor contingencies, which, although reflecting the best possible estimated judgment of the Directors of the Company and its subsidiaries, related to the probability of future events, may possibly differ from the actual data and values.

Estimates and assumptions are reviewed on a continuous basis. Review with respect to accounting estimates are recognized in the period in which estimates are revised and in any future periods affected.

**2.26 Net income (loss) per share**

According to IAS 33 and CPC 41 - Result per share, net income (loss) should be presented as basic and diluted (Note 33).

**2.27 Comprehensive income**

The Company and its subsidiaries do not have comprehensive income, the reason why they are not presenting a statement about this result.

**2.28 Presentation of information per segment**

Information per operational segment should be presented in a manner consistent with the internal report provided to decision makers, and for the Company they are the Management and Board of Directors of the Company (Note 34).

**2.29 Statement of added value (DVA)**

This statement aims to highlight the wealth created by the Company and its distribution over a given period and is presented by the Company as required by Brazilian corporate law, as part of its individual financial statements, as supplementary information to the financial statements, as it is not a demonstration provided nor required according to IFRSs.

DVA was prepared based on information obtained from accounting records that are the basis for preparing financial statements and following the provisions of the CPC 09 - Statement of Added Value. The first part introduces the wealth created by the Company, represented by the proceeds (gross proceeds of sales, including taxes levied upon it, other revenues and the effects of allowance for doubtful accounts, where applicable), for inputs purchased from third parties (cost of sales and purchase of materials, energy and services from third parties, including taxes included at the time of acquisition, effects of loss and recovery of assets, and depreciation and amortization) and the added value received from third parties (the result of the equity equivalence, financial income and other incomes). The second part of DVA shows the distribution of wealth between personal, taxes, fees and contributions, payment of third party capital and payment of equity.

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**2.30 Standards, amendments and interpretations to existing standards that are not yet in force and were not adopted in advance by the Company and its subsidiaries**

- a) Standards, interpretations and amendments to existing standards in force on June 30, 2012 and which had no material impact on the financial statements of the Company and its subsidiaries.

The interpretations and amendments to existing standards as follow have been edited and were in force on June 30, 2012. However, they had no material impact on the financial statements of the Company:

| Standard             | Main requirements  | Applicable to financial years beginning on or after |
|----------------------|--|---|
| Amendments to IAS 12 | Deferred taxes - recovery of the underlying assets when the asset is measured at fair value model in accordance with IAS 40. | January 1, 2012                                     |

- b) Standards, amendments and interpretations to existing standards that are not yet in force and were not adopted in advance by the Company and its controlled.

The rules and amendments to existing standards below have been published and are mandatory for accounting periods starting after June 30, 2012. However, there was no early adoption of these standards and rules changes by the Company:

| Standard   | Main requirements   | Applicable to financial years beginning on or after |
|--|---|---|
| IFRS 9 (as amended in 2010)  | Financial instruments.  | January 1, 2013                                     |
| IAS 28 (Revised 2011) - Investments in Affiliated Entities with Shared Control | Review of IAS 28 to include the changes introduced by IFRS 10, 11 and 12.   | January 1, 2013                                     |
| IAS 27 (Revised 2011) - Separate Financial Statements                          | Requirements of IAS 27 relating to the consolidated financial statements are replaced by IFRS 10. Requirements for separate financial statements are maintained.  | January 1, 2013                                     |
| IFRS 10 - Consolidated Financial Statements                                    | Replaced IAS 27 in relation to the requirements applicable to consolidated financial statements and SIC 12. IFRS 10 has determined a single model for consolidation based on control, whatever the nature of investment.  | January 1, 2013                                     |
| IFRS 11 - Agreements for Participation   | It eliminated the model of proportionate consolidation for jointly controlled entities, keeping only the model by the equity method. It also eliminated the concept of "assets with shares control", leaving only "operations with shared control" and "jointly controlled entities". | January 1, 2013                                     |
| IFRS 12 - Disclosure of Interests in Other Entities                            | Expands the disclosure requirements for investments in entities in which the Company has significant influence.   | January 1, 2013                                     |

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|   |   |                 |
|---|---|-----------------|
| IFRS 13 - Fair Value Measurements                                     | Replaces and consolidates all the guidelines and requirements related to fair value measurement contained in other pronouncements of IFRSs in a single statement. IFRS 13 defines fair value and directs how to determine the fair value and the disclosure requirements related to fair value measurements. However, it does not introduce any new application or amendment related to items that must be measured at fair value, which remain in the original pronouncements. | January 1, 2013 |
| Amendments to IAS 19 - Employee Benefits                              | Elimination of the corridor approach, with the actuarial gains or losses recognized as other comprehensive income for the pension plans and the results for other long term benefits, as incurred, among other changes.   | January 1, 2013 |
| Amendments to IAS 1 - Presentation of individual financial statements | Introduces the requirement that items recorded in other comprehensive results are segregated and totaled between items that are and that are not subsequently reclassified to profit and loss.  | January 1, 2013 |

Considering the current operations of the Company and its subsidiaries, the Management does not expect that these new standards, interpretations and amendments have any material effect on the financial statements from its adoption.

### 3 Cash and cash equivalents

| Description         | Modality        | Controller |            | Consolidated |            |
|---------------------|-----------------|------------|------------|--------------|------------|
|                     |                 | 30/06/2012 | 31/12/2011 | 30/06/2012   | 31/12/2011 |
| Cash and banks      |                 | 46         | 11,797     | 8,047        | 20,088     |
| Banco Bradesco S.A. | Investment fund |            | 680        |              | 680        |
| Banco Itaú S.A.     | Investment fund |            | 16         |              | 16         |
| Banco Fator S.A.    | CDB             |            | 17         |              | 17         |
| Banco Daycoval      | CDB             |            | 8,265      |              | 8,265      |
| Banco Sofisa        | CDB             |            | 17         |              | 17         |
| Banco Pine          | CDB             |            | 49         |              | 2,672      |
|                     |                 | 46         | 20,841     | 8,047        | 31,755     |

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**4 Bonds and securities**

| <b>Financial Institution</b> | <b>Controller</b> |                   | <b>Consolidated</b> |                   |
|------------------------------|-------------------|-------------------|---------------------|-------------------|
|                              | <b>30/06/2012</b> | <b>31/12/2011</b> | <b>30/06/2012</b>   | <b>31/12/2011</b> |
| Banco BMG S.A.               |                   | 5,948             |                     | 5,948             |
| Bicbanco                     |                   | 8,274             |                     | 8,274             |
| Banco Fibra S.A.             |                   | 5,959             |                     | 5,959             |
| Banco do Nordeste            |                   |                   | 87                  | 634               |
| Banco Bradesco S.A.          |                   |                   | 1,142               |                   |
| Banco Bradesco S.A.          |                   |                   | 54                  |                   |
| Banco Bradesco S.A. (a)      | 678               |                   | 678                 |                   |
| Banco da Amazônia            |                   |                   | 148                 |                   |
| Banco Safra                  |                   | 20,755            |                     | 20,992            |
| Banco Daycov al S.A. (b)     | 1,236             |                   | 1,236               |                   |
| Others                       | 120               |                   | 129                 |                   |
|                              | 2,034             | 40,936            | 3,474               | 41,807            |
| Current                      | (2,034)           | (40,936)          | (3,474)             | (41,173)          |
| Non current                  |                   |                   |                     | 634               |

(a) Refers to the application in Investment Fund with a return of 100% of the variation of CDI

(b) Refers to the application in CDB DI that are pledged with the financial institution. To profitability of the application is 100% of CDI.

**5 Accounts receivable from clients**

|                                     | <b>Controller</b> |                   | <b>Consolidated</b> |                   |
|-------------------------------------|-------------------|-------------------|---------------------|-------------------|
|                                     | <b>30/06/2012</b> | <b>31/12/2011</b> | <b>30/06/2012</b>   | <b>31/12/2011</b> |
| Domestic market customers           | 12,354            | 50,383            | 31,543              | 82,875            |
| Foreign market customers            |                   |                   | 12,439              |                   |
|                                     | 12,354            | 50,383            | 43,982              | 82,875            |
| (-) Provision for <i>impairment</i> | (4,250)           | (4,250)           | (4,285)             | (4,305)           |
| (-) Adjustment to present value     |                   |                   |                     | (122)             |
|                                     | 8,104             | 46,133            | 39,697              | 78,448            |

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The composition of receivables by age of maturity is as follows:

|                     | <u>Controller</u> |                   | <u>Consolidated</u> |                   |
|---------------------|-------------------|-------------------|---------------------|-------------------|
|                     | <u>30/06/2012</u> | <u>31/12/2011</u> | <u>30/06/2012</u>   | <u>31/12/2011</u> |
| To mature:          |                   |                   |                     |                   |
| Up to 30 dias       |                   | 45,278            | 5,175               | 48,198            |
| From 31 to 90 dias  |                   |                   | 12,434              | 13,848            |
| More than 180 dias  |                   |                   |                     | 567               |
| Matured:            | 99                |                   | 99                  |                   |
| Up to 30 dias       | 42                | 298               | 4,395               | 7,751             |
| From 31 to 90 dias  | 7,090             | 536               | 9,724               | 6,891             |
| From 91 to 180 dias | 188               |                   | 6,337               | 433               |
| More than 180 dias  | 4,935             | 4,271             | 5,818               | 5,187             |
|                     | <u>12,354</u>     | <u>50,383</u>     | <u>43,982</u>       | <u>82,875</u>     |

The changes in the allowance for doubtful accounts for accounts receivable from clients are as follows:

|   | <u>Controller</u> |                   | <u>Consolidated</u> |                   |
|---|-------------------|-------------------|---------------------|-------------------|
|   | <u>30/06/2012</u> | <u>31/12/2011</u> | <u>30/06/2012</u>   | <u>31/12/2011</u> |
| Initial Balance   | 4,250             | 16,007            | 4,305               | 16,731            |
| Incorporation Vanguarda Participações S.A,                        |                   |                   | 16                  | 651               |
| Losses due to the reduction in the acknowledged recoverable value |                   | 326               |                     | 348               |
| Amounts discharged as uncollectible in the financial year         |                   |                   |                     | (818)             |
| Amounts recovered in the financial year                           |                   |                   |                     | (502)             |
| Amounts compensated with accounts receivable                      |                   | (12,083)          | (36)                | (12,105)          |
| Final balance   | <u>4,250</u>      | <u>4,250</u>      | <u>4,285</u>        | <u>4,305</u>      |

The Company and its subsidiaries made an analysis of the realization of overdue balances and made an allowance for doubtful accounts for the values with low probability of recovery.

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**6 Deeds receivable**

|                                  | Controller |            | Consolidated |            |
|----------------------------------|------------|------------|--------------|------------|
|                                  | 30/06/2012 | 31/12/2011 | 30/06/2012   | 31/12/2011 |
| For sale of land (a)             |            |            | 81,092       | 79,181     |
| From sale of oil plant (b)       |            |            | 13,800       | 13,800     |
| For sale of industrial units (c) | 25,225     | 29,610     | 25,225       | 29,610     |
| For sale of other assets         |            |            | 21,301       | 9,975      |
| (-) Adjustment to present value  | (5,168)    | (4,621)    | (10,419)     | (12,327)   |
| (-) Provision for impairment     |            |            | (801)        | (752)      |
| Other values                     |            |            |              | 15,899     |
|                                  | 20,057     | 24,989     | 130,198      | 135,386    |
| Current                          | (9,015)    | (9,578)    | (65,753)     | (65,968)   |
| Non-current                      | 11,042     | 15,411     | 64,445       | 69,418     |

- (a) Arising from the sale in September 2010 of the farm in the city of Edéia (GO), formerly owned by the subsidiary Maeda S.A. Agroindustrial, which will be received in installments until November 2016, and are indexed by the price change of ATR - Total Recoverable Sugar, released by the Council Producers of Sugar Cane, Sugar and Alcohol of the State of São Paulo - CONSECANA. The Controlled Maeda S.A. Agroindustrial had the right to values for the leasing of these lands until December 2010. The receivables were discounted to present value on initial acknowledgment, where applicable (basically for installments maturing in the long term), even if they are indexed to the price change, as in the case cited above, in these cases there was considered a “real” interest rate of 5.38% (without estimate of inflation) to calculate the discount. These lands are pledged in this operation.
- b) Refers to the sale of the cottonseed crushing unit located in the city of Itumbiara (GO) (Note 1). The value of R\$ 13,800 will be paid by the buyer within seven days from the submission by the Company of proof of effective discharge and cancellation of debt with PESA in the property enrollment.
- c) Refers to the sale of the industrial units of Rosario do Sul and Sao Luiz Gonzaga, which occurred on November 10, 2011 for R\$ 55,455, from which R\$ 25,000 was received on the effective date of the sale, and R\$ 30,455 will be received in 36 consecutive monthly installments. The balance on June 30, 2012 corresponds to the open installments. The deeds receivable were discounted to the present value on the initial acknowledgment, considering 1% of interest per month, as provided in the agreement.

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**7 Inventory**

|   | <b>Controller</b> |                   | <b>Consolidated</b> |                   |
|---|-------------------|-------------------|---------------------|-------------------|
|   | <b>30/06/2012</b> | <b>31/12/2011</b> | <b>30/06/2012</b>   | <b>31/12/2011</b> |
| Finished products                         | 32,998            | 31,434            | 118,336             | 87,701            |
| Agricultural products                     |                   |                   |                     |                   |
| Raw materials and supplies                | 14,541            | 21,392            | 62,661              | 185,969           |
| Raw material held by third parties        | 16,552            | 14,806            | 32,258              | 66,220            |
| Products in process                       | 2,341             | 2,050             | 2,341               | 2,050             |
| ( - ) Provision for impairment            | (28,113)          |                   | (28,174)            | (3)               |
| Advance payment to raw material suppliers | 2,334             | 12,710            | 41,368              | 40,206            |
| Other inventories                         | 303               | 2,306             | 2,680               | 5,610             |
|   | 40,956            | 84,698            | 231,470             | 387,753           |
| Current                                   | (40,024)          | (83,766)          | (230,538)           | (383,521)         |
| Non-current                               | 932               | 932               | 932                 | 4,232             |

The provision for reduction to net value the realizable inventories (impairment) presents the following changes in the period:

|                      | <b>Controller</b> |                   | <b>Consolidated</b> |                   |
|----------------------|-------------------|-------------------|---------------------|-------------------|
|                      | <b>30/06/2012</b> | <b>31/12/2011</b> | <b>30/06/2012</b>   | <b>31/12/2011</b> |
| Initial Balance      |                   |                   | (3)                 | (7,778)           |
| Discharged Values    |                   |                   |                     | 10,187            |
| Provision review     |                   |                   | 3                   |                   |
| Provision complement | (28,113)          |                   | (28,174)            | (2,412)           |
| Final balance        | (28,113)          |                   | (28,174)            | (3)               |

The provision complement refers to inventory related biodiesel activity sold and stocks of products difficult to perform or which could generate additional costs.

**8 Biological assets**

On June 30, 2012, the Company operates through its subsidiary Maeda S.A. Agroindustrial, around 90,000 hectares of arable land, divided in its own lands and lands of third parties, and though its controlled Vanguarda Participações, around 196,000 hectares. The areas explored by its controlled are located in the states of Mato Grosso, Goiás, Bahia and Piauí, and in them are grown, substantially, temporary crops, especially cotton, soybeans and corn.

The fair value of biological assets of the Company and its subsidiaries represent the present value of estimated net cash flows for these assets, which is determined by applying the assumptions established by management of the Companies.

The owned land on which crops are planted are classified as fixed assets and not as part of the fair value of biological assets.

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Main assumptions used in measuring the fair value are:

- a) Cash inflows obtained by multiplying (i) estimated production, measured in bags of 60 kg for soybeans and corn and arrobas for seed cotton and (ii) the price of the futures market for each product, when available.
- b) The price of cotton (agricultural product of the cotton crop) was obtained by decomposition of the available price for cotton lint (commodities), less the costs of processing (removal of seeds) and prices attributable to byproducts (seed and fiber).
- c) Cash outflows represented by the estimated of (i) costs needed to cause the biological transformation of culture (cultural practices) until the harvest, (ii) costs of harvesting/cutting, loading and transportation - CCT, (iii) capital cost (rent of land, machinery and equipment), and (iv) taxes on the positive cash flow reduced by the benefit of its own amortization (TAB)
- d) Based on estimated revenues and costs, the Company and its subsidiaries determine the future cash flows to be generated and calculate the corresponding values in to the current value, considering a discount rate suitable for investment remuneration in the circumstances. Changes in fair value are recorded under biological assets and have against them the item "Change in fair value of biological assets" in the income statement.
- e) The model and assumptions used in determining the fair value represents the management's best estimate on the date of financial statements and are reviewed quarterly and, if necessary, adjusted.

The change in biological assets is as follows:

|  | <b>Consolidated</b> |                |               |               |                  |
|--|---------------------|----------------|---------------|---------------|------------------|
|  | <b>Cotton</b>       | <b>Soybean</b> | <b>Corn</b>   | <b>Others</b> | <b>Total</b>     |
| <b>Balance of biological assets on December 31, 2011</b> | 53,302              | 186,850        | 2,542         | 6,482         | 249,176          |
| Transfer from crop in formation to crop formed           | 2,580               | 1,110          | 381           | 1,734         | 5,805            |
| Increases resulting from planting and treatment          | 132,331             | 75,251         | 52,249        | 11,674        | 271,505          |
| Reduction resulting from the harvest, sale and loss      | (37,033)            | (267,220)      | (9,877)       | (6,135)       | (320,265)        |
| Change in fair value                                     | 31,117              | 4,008          | 11,011        | (19)          | 46,117           |
| Biological assets at fair value                          | 182,297             | (1)            | 56,306        | 13,736        | 252,338          |
| Crops evaluated on the starting cost                     | 4                   | 7,723          |               | 2,516         | 10,243           |
| <b>Balance of biological assets on 30 June 2012</b>      | <b>182,301</b>      | <b>7,722</b>   | <b>56,306</b> | <b>16,252</b> | <b>262,581</b>   |
| Current  |                     |                |               |               | <u>(262,567)</u> |
| Non-current  |                     |                |               |               | <u>14</u>        |

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**9 Recoverable Taxes**

|   | <b>Controller</b> |                   | <b>Consolidated</b> |                   |
|---|-------------------|-------------------|---------------------|-------------------|
|   | <b>30/06/2012</b> | <b>31/12/2011</b> | <b>30/06/2012</b>   | <b>31/12/2011</b> |
| ICMS  | 2,562             | 2,559             | 15,125              | 22,830            |
| ( - ) Provision for losses in the realization of ICMS (a) |                   |                   | (8,212)             | (14,943)          |
| COFINS  | 24,675            | 23,443            | 34,750              | 35,740            |
| PIS   | 5,338             | 5,071             | 7,326               | 8,147             |
| IRPJ  | 341               | 2,999             | 27,314              | 30,427            |
| IRRF  | 5,417             | 4,146             | 12,078              | 8,824             |
| CSLL  | 2,049             | 2,183             | 11,822              | 11,796            |
| Other taxes   | 249               | 248               | 374                 | 324               |
|   | 40,631            | 40,649            | 100,577             | 103,145           |
| Current   | (10,442)          | (11,959)          | (28,714)            | (33,341)          |
| Noncurrent  | 30,189            | 28,690            | 71,862              | 69,804            |

(a) Refers mainly to claims arising from the acquisition of inputs and raw materials as well as the use of services related to the production of biodiesel (freight and electrical power).

**10 Non-current assets held for sale**

|                                    | <b>Controller</b> |                   | <b>Consolidated</b> |                   |
|------------------------------------|-------------------|-------------------|---------------------|-------------------|
|                                    | <b>30/06/2012</b> | <b>31/12/2011</b> | <b>30/06/2012</b>   | <b>31/12/2012</b> |
| Iraquara industrial unit (a)       |                   | 57,104            |                     | 57,104            |
| Porto Nacional industrial unit (a) |                   | 31,456            |                     | 31,456            |
| Farms (b)                          | 7,282             | 7,279             | 7,282               | 7,847             |
| Real state                         |                   |                   | 568                 |                   |
|                                    | 7,282             | 95,839            | 7,850               | 96,407            |

a) In the first quarter of 2012 the Company completed the sale of these plants.

b) Refers to the cost of the following properties that are available for sale: Fazenda Violetto, Fazenda Serra do São Vicente, Fazenda Guaribas, Fazenda Solta Anda Só I, Fazenda Solta Anda Só II, Fazenda Sul América, Fazenda São José, Fazenda Esperança I, Fazenda Esperança II, Fazenda Esperança in Umbuzeiro, Fazenda Bandeira and Fazenda Reunidos de Nova Brasília.

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**11 Deffered income tax and social contribution**

**a) Nature and expected realization of deferred taxes**

|  | <b>Consolidated</b> |                   |
|--|---------------------|-------------------|
|  | <b>30/06/2012</b>   | <b>31/12/2011</b> |
| <u>Tax credits - Non-Current Assets</u>              |                     |                   |
| Income tax on tax losses                             | 58,938              | 50,224            |
| Social contribution on accumulated negative base     | 21,230              | 18,080            |
| Taxes with suspended eligibility                     | 3,331               | 2,724             |
| Provision for inventory to market value              | 103                 | 1                 |
| Provision for credits of doubtful payment            | 119                 | 27                |
| Provision for contingencies                          | 5,853               | 15,285            |
| Adjustment of present value to long term receivables | 4,729               | 2,288             |
| Derivative financial instruments                     | (1,017)             | 1,597             |
| Credit on the deferred discharge                     |                     |                   |
| Adjustment to fair value - Swap                      | 3,364               | 3,384             |
| Provision for ICMS loss                              | 1,305               | 1,159             |
| Provision for losses Pis and Cofins                  | 1,764               |                   |
| Currency change - cash basis                         | 21,562              |                   |
| Provision for onerous agreements                     | 172                 | 3,985             |
| Provision for fines to pay                           | 3494                | 3,689             |
| Other temporary provisions                           | 743                 | 4,379             |
| Total  | <u>125,689</u>      | <u>106,822</u>    |
| <u>Tax liabilities - noncurrent liabilities</u>      |                     |                   |
| Revaluation reserve and assigned cost of assets      | 10,653              | 10,653            |
| Currency change - cash basis                         | 480                 | 293               |
| Accelerated depreciation                             | 6,970               | 7,739             |
| Fair value of biological assets                      | 22,480              | 23,199            |
| Attributed cost                                      | 154,909             | 164,236           |
| Sales of properties in the long term                 | 18,197              | 18,197            |
| Adjustment to present value                          | 4,837               | 802               |
| Other temporary provisions                           | 229                 | 2,166             |
| Total  | <u>218,755</u>      | <u>227,285</u>    |
| Tax credits, net                                     |                     | 9,011             |
| Tax debts, net                                       | <u>93,758</u>       | <u>(129,474)</u>  |
| Total credits (liabilities), net                     | <u>93,758</u>       | <u>(120,463)</u>  |

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The deferred tax credits on the balance of tax losses and negative basis of social contribution calculated up to June 30, 2012 and not recorded are R\$ 154,083 and R\$ 162,535 in the controller and consolidated, respectively, for not having until not expectation of future performance.

Income tax and social contributions come from the incorporation of Maeda S.A. Agroindustrial and Vanguarda Participações S.A.

Credits arising from tax losses and negative calculation basis accumulated of the social contribution on net income will be offset against future taxable income, limited to 30% of these profits, being recorded in noncurrent assets.

**b) Reconciliation of actual expenses for income tax and social contribution**

Income tax and social contribution of subsidiaries Maeda and Vanguarda

Deferred income tax and social contribution taxes were calculated on tax losses and negative basis of social contribution, as well as on the temporary differences between the bases of calculation of tax and book values of financial statements, associated with adjustments resulting from the adoption of new accounting pronouncements and deferred tax assets on deductible temporary differences, only when it is probable that the Controlled will submit future taxable income in an amount enough that such deductible temporary differences can be used.

Following the recent acquisitions made by the company and the adoption of operational measures with the purposes to reduce costs and improve profitability of its operations, the company has conducted studies and projections and believes that, as stipulated in art. 15 of Law 9.065/95, will perform the compensation of such credits with the achievement of expected results for the Company within seven years.

Values of the income tax and social contribution which affected the outcome in the semester ended on June 30, 2012 are as follows:

|  | <b>Controller</b> |                   | <b>Consolidated</b> |                   |
|--|-------------------|-------------------|---------------------|-------------------|
|  | <b>30/06/2012</b> | <b>31/12/2011</b> | <b>30/06/2012</b>   | <b>31/12/2011</b> |
| Profit before the income tax and social contribution | (52,136)          | 1,994             | (78,962)            | 6,085             |
| Nominal rate   | 34%               | 34%               | 34%                 | 34%               |
|  | 17,726            | (678)             | 26,847              | (2,069)           |
| Taxes on permanent exclusions (additions):           |                   |                   |                     |                   |
| Equity of subsidiaries                               | (1,867)           | 9,110             |                     |                   |
| Compensation for tax losses                          |                   |                   |                     | 1,721             |
| Others   | (15,859)          | (8,432)           | (22)                | (3,745)           |
| Taxes on result                                      | 0.24              | 0.04              | 26,825              | (4,093)           |

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**12 Advances for future capital increase / provision for investment losses**

|                         | <b>30/06/2012</b>                                      |   |                | <b>31/12/2011</b>                                      |   |                |
|-------------------------|--|---|----------------|--|---|----------------|
|                         | <b>Advance for<br/>future<br/>capital<br/>Increase</b> | <b>Provision for<br/>investments<br/>loss</b> | <b>Balance</b> | <b>Advance for<br/>future<br/>capital<br/>Increase</b> | <b>Provision for<br/>investments<br/>loss</b> | <b>Balance</b> |
| Buriti Agrícola Ltda.   | 17,890   | (20,512)                                      | (2,622)        | 16,405   | (18,064)                                      | (1,659)        |
| Crateús Algodoeira S.A. | 3,450  | (2,285)                                       | 1,165          | 3,442  | (2,127)                                       | 1,315          |
| Ecotrans                | 456  |   | 456            | 439  |   | 439            |
| Mocuri Agrícola Ltda.   | 17   |   | 17             | 36   |   | 36             |
| <b>Total</b>            | <b>21,813</b>  | <b>(22,797)</b>                               | <b>(984)</b>   | <b>20,322</b>  | <b>(20,191)</b>                               | <b>131</b>     |

Refers to advances to the subsidiaries for posterior increase of capital/investment. There is no deadline for the capitalization of these advances, as well as there are no non-financial charges on them.

Advances for future capital are net of provision for loss on investments, where applicable, and are classified as assets or liabilities according to the balance.

**Vanguarda Agro S.A.**  
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**13 Investments - Controller**

|   | Balance on 31/12/2011 |                      |                  | Changes in the period |              |                    |  | Balance on 31/12/2011 |                  |                      |
|---|-----------------------|----------------------|------------------|-----------------------|--------------|--------------------|--|-----------------------|------------------|----------------------|
|   | Investments           | Provision for losses | Capital Increase | Acquisitions          | Alienation   | Goodwill Write-off | Appropriation of premium of options shares | Equity Equivalency    | Investments      | Provision for losses |
| Buriti Agrícola Ltda.   |                       | (18,064)             |                  |                       |              |                    |  | (2,450)               |                  | (20,514)             |
| Crateús Algodoeira S.A.   |                       | (2,127)              |                  |                       |              |                    |  | (156)                 |                  | (2,283)              |
| Mocuri Agrícola Ltda.   | 249                   |                      |                  |                       |              |                    |  | (21)                  | 228              |                      |
| Ecotrans Transp e Serv e Locação de Equipamentos e Máquinas Ltda. | 4,073                 |                      |                  |                       |              |                    |  | (83)                  | 3,990            |                      |
| Maeda S,A ,Agroindustrial (*)                                     | 246,270               |                      |                  |                       |              | (11,600)           | 148  | 2,198                 | 237,016          |                      |
| Vanguarda Participações S.A. (*)                                  | 741,263               |                      | 123,000          |                       |              | (6,132)            |  | 6,003                 | 864,134          |                      |
| V Biodiesel Ltda.   |                       |                      |                  | 501                   | (501)        |                    |  |                       |                  |                      |
| <b>Total Investments</b>  | <b>991,855</b>        | <b>(20,191)</b>      | <b>123,000</b>   | <b>501</b>            | <b>(501)</b> | <b>(17,732)</b>    | <b>148</b>                                 | <b>5,491</b>          | <b>1,105,368</b> | <b>(22,797)</b>      |

(\*) Includes goodwill values mentioned in the notes (c.1)

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**a) Surcharge on investments**

**a.1) Maeda S.A. Agroindustrial**

On acquisition of the company in December 23, 2010, goodwill was determined as follows:

|   | <b><u>Controller</u></b> |
|---|--------------------------|
| Investments   | <u>41,277</u>            |
| Added value of the land - Maeda   | 36,598                   |
| Added value of the land - Indirect investment of Jaborandi Propriedades Agrícolas Ltda. | 8,575                    |
| Intangible assets related to leases of land   | 4,632                    |
| Intangible assets arising from customer relationship                                    | 16,416                   |
| Surcharge on the future profitability   | <u>212,642</u>           |
| Total calculated goodwill   | <u>278,863</u>           |
| Total investments in Maeda S.A. Agroindustrial  | <u>320,140</u>           |

Changes in goodwill during the period are as follows:

|   | <b>Life Cycle</b> | <b>Balance on<br/>31/12/2011</b> | <b>Discharge<br/>and/or<br/>Amortization</b> | <b>Balance on<br/>30/06/2012</b> |
|---|-------------------|----------------------------------|--|----------------------------------|
| Added value of Maeda lands                              | Indefinite        | 36,598                           |  | 36,598                           |
| Added value of indirect invested land                   | Indefinite        | 8,575                            | (8,575)                                      |                                  |
| Intangibles of agreements for the lease of land (Maeda) | 8 years           | 4,053                            | (290)  | 3,763                            |
| Intangible assets arising from customer relationship    | 3 years           | 10,944                           | (2,735)                                      | 8,209                            |
| Surcharge on the future profitability                   | Indefinite        | <u>116,022</u>                   |  | <u>116,022</u>                   |
|   |                   | <u>176,192</u>                   | <u>(11,600)</u>                              | <u>164,592</u>                   |

**a.2) Vanguarda Participações S.A.**

On September 6, 2011 the Company acquired the company Vanguarda Participações S.A. by the following values:

|   |                |
|---|----------------|
| Investments                                       | 432,016        |
| Surcharge on the future profitability             | 159,462        |
| Added value of land                               | 160,698        |
| Provision for civil risks                         | (6,670)        |
| Intangible assets related to agreements           | <u>45,505</u>  |
| Total investments in Vanguarda Participações S.A, | <u>791,011</u> |

**Vanguarda Agro S.A.**  
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The initial accounting for the acquisition of Vanguarda Participações S.A. has been provisionally calculated until the balance sheet date based on the best estimates of management assumptions and methodology considered appropriate for this purpose. This accounting considered in the measurement of fair value: (i) land, (ii) leases agreements and (iii) contingent liabilities, made by the company's internal experts, and is subject to possible changes arising from facts existing at the acquisition date and which may come to the attention of management during the adjustment period of one year from the date of purchase as provided in the Accounting Statement CPC 15. Additionally, the company is evaluating potential tax effects that could affect the initial accounting for deferred taxes on the fair value of assets acquired and liabilities assumed.

Changes in goodwill during the period are as follows:

|   | <b>Life Cycle</b> | <b>Balance on<br/>31/12/2011</b> | <b>Discharge<br/>and/or<br/>Amortization</b> | <b>Balance on<br/>30/06/2012</b> |
|---|-------------------|----------------------------------|--|----------------------------------|
| Surcharge on the future profitability   | Indefinite        | 159,462                          |  | 159,462                          |
| Added value of the land                 | Indefinite        | 160,698                          |  | 160,698                          |
| Intangible assets related to agreements | 4 years           | 42,445                           | (6,132)                                      | 36,313                           |
|   |                   | <u>362,605</u>                   | <u>(6,132)</u>                               | <u>356,473</u>                   |

#### 14 Fixed

##### Controller

|  | <b>30/6/2012</b> |                                     | <b>31/12/2011</b> |               | <b>Weighted<br/>Average rate<br/>of depreciation (%)</b> |
|--|------------------|-------------------------------------|-------------------|---------------|--|
|  | <b>Cost</b>      | <b>Accumulated<br/>Depreciation</b> | <b>Net</b>        | <b>Net</b>    |  |
| Farms                                    | 5,378            |                                     | 5,378             | 5,378         |  |
| Industrial buildings and plants - plants | 70,484           | (25,393)                            | 45,091            | 46,430        | 4.5  |
| Machinery and equipment                  | 257              | (199)                               | 58                | 328           | 6  |
| Furniture and fixtures                   | 701              | (356)                               | 345               | 435           | 10   |
| Vehicles                                 | 246              | (238)                               | 8                 | 10            | 20   |
| Other fixed assets                       | 3,418            | (762)                               | 2,656             | 2,784         | 4 to 30  |
| Total of fixed Asset                     | <u>80,484</u>    | <u>(26,948)</u>                     | <u>53,536</u>     | <u>55,365</u> |  |

##### Consolidated

|  | <b>30/6/2012</b> |                                     | <b>31/12/2011</b> |                  | <b>Weighted<br/>Average rate<br/>of depreciation (%)</b> |
|--|------------------|-------------------------------------|-------------------|------------------|--|
|  | <b>Cost</b>      | <b>Accumulated<br/>Depreciation</b> | <b>Net</b>        | <b>Net</b>       |  |
| Farms                                    | 792,740          |                                     | 792,740           | 801,079          |  |
| Buildings and industrial plants - plants | 182,813          | (35,206)                            | 147,607           | 150,012          | 4 to 10  |
| Machinery and equipment                  | 274,753          | (118,766)                           | 155,987           | 156,248          | 4,34 to 29,49  |
| Agricultural implements                  | 1,637            | (1,223)                             | 414               | 494              | 10   |
| Furniture and fixtures                   | 9,317            | (5,297)                             | 4,020             | 4,097            | 4 to 40  |
| Vehicles                                 | 44,324           | (25,037)                            | 19,287            | 20,951           | 7,14 to 43,93  |
| Production Center Santa Clara            | 11,034           | (8,658)                             | 2,376             | 3,127            | 9  |
| Construction in progress                 | 14,869           |                                     | 14,869            | 781              |  |
| Other fixed assets                       | 111,056          | (53,697)                            | 57,359            | 72,632           | 1,16 to 25   |
| Total of fixed Asset                     | <u>1,442,543</u> | <u>(247,884)</u>                    | <u>1,194,659</u>  | <u>1,209,421</u> |  |

## Vanguarda Agro S.A.

Explanatory notes of the management, quarterly information on June 30, 2012  
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### Controller

|                                 | <b>Farms</b> | <b>Buildings and<br/>Facilities Industrial -<br/>plants</b> | <b>Machinery and<br/>Equipment</b> | <b>Furniture<br/>and<br/>Utensils</b> | <b>Vehicles</b> | <b>Other Fixed</b> | <b>Total</b>    |
|---------------------------------|--------------|---|------------------------------------|---------------------------------------|-----------------|--------------------|-----------------|
| <u>Cost</u>                     |              |   |                                    |                                       |                 |                    |                 |
| Balance at December 31, 2011    | 5,378        | 70,486  | 512                                | 758                                   | 247             | 3,428              | 80,809          |
| Additions                       |              | 5   | 1                                  |                                       |                 | 28                 | 34              |
| Reductions                      |              |   | (217)                              | (57)                                  | (1)             | (77)               | (352)           |
| Transfers                       |              |   | (39)                               |                                       |                 | 39                 |                 |
| New Ratings                     |              | (7)   |                                    |                                       |                 |                    | (7)             |
| Balance on June 30, 2012        | <u>5,378</u> | <u>70,484</u>   | <u>257</u>                         | <u>701</u>                            | <u>246</u>      | <u>3,418</u>       | <u>80,484</u>   |
| <u>Accumulated depreciation</u> |              |   |                                    |                                       |                 |                    |                 |
| Balance on December 31, 2011    |              | (24,056)  | (184)                              | (323)                                 | (237)           | (644)              | (25,444)        |
| Depreciation                    |              | (1,337)   | (15)                               | (34)                                  | (1)             | (123)              | (1,510)         |
| Reductions                      |              |   |                                    | 1                                     |                 | 5                  | 6               |
| Balance on June 30, 2012        |              | <u>(25,393)</u>   | <u>(199)</u>                       | <u>(356)</u>                          | <u>(238)</u>    | <u>(762)</u>       | <u>(26,948)</u> |
| <u>Net balances on</u>          |              |   |                                    |                                       |                 |                    |                 |
| December 31, 2011               | <u>5,378</u> | <u>46,430</u>   | <u>328</u>                         | <u>435</u>                            | <u>10</u>       | <u>2,784</u>       | <u>55,365</u>   |
| Balance on June 30, 2012        | <u>5,378</u> | <u>45,091</u>   | <u>58</u>                          | <u>345</u>                            | <u>8</u>        | <u>2,656</u>       | <u>53,536</u>   |

# Vanguarda Agro S.A.

Explanatory notes of the management, quarterly information on June 30, 2012  
In thousands of reais, except where indicated otherwise

## Consolidated

|                                 | <b>Farms</b> | <b>Buildings and<br/>Facilities industrial<br/>- plants</b> | <b>Machinery<br/>and<br/>Equipment</b> | <b>Furniture<br/>and<br/>Utensil</b> | <b>Implements<br/>Agricultural</b> | <b>Center<br/>Santa<br/>Clara</b> | <b>Vehicles</b> | <b>Immobilizations<br/>ongoing</b> | <b>Other fixed</b> | <b>Total</b> |
|---------------------------------|--------------|---|--|--------------------------------------|------------------------------------|-----------------------------------|-----------------|------------------------------------|--------------------|--------------|
| <b>Cost</b>                     |              |   |  |                                      |                                    |                                   |                 |                                    |                    |              |
| Balance on December 31, 2011    | 801,079      | 182,807   | 269,274                                | 8,213                                | 1,637                              | 11,034                            | 43,933          | 781                                | 130,129            | 1,448,887    |
| Additions                       | 236          | 44  | 5,587                                  | 2,413                                |                                    |                                   | 428             | 16,834                             | 199                | 25,741       |
| Evaluations                     |              |   | (525)                                  |                                      |                                    |                                   | (3)             |                                    |                    | (528)        |
| Discharges                      | (8,575)      | (36)  | (1,778)                                | (562)                                |                                    |                                   | (519)           | (413)                              | (15,033)           | (26,916)     |
| Transfers                       |              | 21  | 2,408                                  | (732)                                |                                    |                                   | 521             | (2,266)                            | 48                 |              |
| Reclassifications (a)           |              | (7)   |  |                                      |                                    |                                   |                 |                                    |                    | (7)          |
| Purchase returns                |              |   |  |                                      |                                    |                                   |                 |                                    |                    |              |
| Consolidated adjustment         |              | (16)  | (213)                                  | (15)                                 |                                    |                                   | (36)            | (67)                               | (4,287)            | (4,634)      |
| Balance on June 30, 2012        | 792,740      | 182,813   | 274,753                                | 9,317                                | 1,637                              | 11,034                            | 44,324          | 14,869                             | 111,056            | 1,442,543    |
| <b>Accumulated depreciation</b> |              |   |  |                                      |                                    |                                   |                 |                                    |                    |              |
| Balance on December 31, 2011    |              | 32,795  | 113,026                                | 4,116                                | 1,143                              | 7,907                             | 22,982          |                                    | 57,497             | 239,466      |
| Additions                       |              | (32,795)  | (113,026)                              | (4,116)                              | (1,143)                            | (7,907)                           | (22,982)        |                                    | (57,497)           | (239,466)    |
| Evaluations                     |              | (1,600)   | (4,365)                                | (1,780)                              | (80)                               | (751)                             | (1,486)         |                                    | (621)              | (10,683)     |
| Discharges                      |              | (907)   | (1,964)                                |                                      |                                    |                                   | (549)           |                                    |                    | (3,420)      |
| Low Evaluations                 |              | 12  | 873                                    | 10                                   |                                    |                                   | 170             |                                    | 3,600              | 4,665        |
| Reclassificação (a)             |              |   | 92                                     |                                      |                                    |                                   | 1               |                                    |                    | 93           |
| Transfers                       |              | 76  | (455)                                  | 583                                  |                                    |                                   | (204)           |                                    |                    |              |
| Adjustment of consolidation     |              | 8   | 79                                     | 6                                    |                                    |                                   | 13              |                                    | 820                | 926          |
| Balance on June 30, 2012        |              | (35,206)  | (118,766)                              | (5,297)                              | (1,223)                            | (8,658)                           | (25,037)        |                                    | (53,698)           | (247,885)    |
| <b>Net Balances on</b>          |              |   |  |                                      |                                    |                                   |                 |                                    |                    |              |
| Balance on December 31, 2011    | 801,079      | 150,012   | 156,248                                | 4,097                                | 494                                | 3,127                             | 20,951          | 781                                | 72,632             | 1,209,421    |
| Balance on June 30, 2012        | 792,740      | 147,607   | 155,987                                | 4,020                                | 414                                | 2,376                             | 19,287          | 14,869                             | 57,358             | 1,194,658    |

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**15 Surcharge (consolidated)**

The not amortized goodwill, on acquisition of investments, is composed as follows:

|                              | <u>30/06/2012</u>    | <u>31/12/2011</u>    | <b>Annual rate<br/>of amortization</b> |
|------------------------------|----------------------|----------------------|--|
| Vanguarda Participações S,A, | 1 59 ,4 6 2          | 1 59 ,4 6 2          | Indefinite                             |
| Maeda S,A, Agroindustrial    | <u>1 1 6 , 0 2 2</u> | <u>1 1 6 , 0 2 2</u> | Indefinite                             |
|                              | <u>2 7 5 , 4 8 4</u> | <u>2 7 5 , 4 8 4</u> |  |

The Company has allocated all the surcharges to the farm operational segment for purposes of testing of impairment, since this is the lowest level in which the entity monitors the recoverability of these assets.

**16 Intangible**

|                        | <u>30/06/2012</u> |                                     | <u>31/12/2011</u> |            | <b>Controller</b>            |
|------------------------|-------------------|-------------------------------------|-------------------|------------|------------------------------|
|                        | <b>Cost</b>       | <b>Amortization<br/>accumulated</b> | <b>net</b>        | <b>net</b> | <b>Rate<br/>Amortization</b> |
| Rights to use software | 729               | (443)                               | 286               | 346        | 20%                          |
| ther intangible assets | <u>26</u>         |                                     | <u>26</u>         | <u>26</u>  |                              |
|                        | <u>755</u>        | <u>(443)</u>                        | <u>312</u>        | <u>372</u> |                              |

**Consolidated**

|                                     | <u>30/6/2012</u> |                                   | <u>31/12/2011</u> |                | <b>Rate</b>         |
|-------------------------------------|------------------|-----------------------------------|-------------------|----------------|---------------------|
|                                     | <b>Cost</b>      | <b>Amortization<br/>Acculated</b> | <b>Net</b>        | <b>Net</b>     | <b>Amortization</b> |
| Leases of land agreements (VANPAR)  | 42,441           | (6,127)                           | 36,314            | 42,441         | 25%                 |
| Leases of land (Maeda)              | 4,053            | (290)                             | 3,763             | 4,053          | 12.50%              |
| Customer relationship (Maeda)       | 10,944           | (2,736)                           | 8,208             | 10,944         | 33.33%              |
| Rights to use software              | 3,022            | (1,954)                           | 1,068             | 679            | 20%                 |
| Other intangible assets             | <u>167</u>       |                                   | <u>167</u>        | <u>1,312</u>   |                     |
| Total                               | <u>60,627</u>    | <u>(11,107)</u>                   | 49,520            | 59,429         |                     |
| Surcharge (consolidated) (goodwill) |                  |                                   | <u>275,484</u>    | <u>275,484</u> |                     |
|                                     |                  |                                   | <u>325,004</u>    | <u>334,913</u> |                     |

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**17 Trade accounts payable**

|                                  | <u>Controller (BRGAAP)</u> |                   | <u>Comnsolidated (BRGAAP e IFRS)</u> |                   |
|----------------------------------|----------------------------|-------------------|--------------------------------------|-------------------|
|                                  | <u>30/6/2012</u>           | <u>31/12/2011</u> | <u>30/6/2012</u>                     | <u>31/12/2011</u> |
| Agricultural inputs              |                            |                   |                                      |                   |
| <u>In foreign currency</u>       |                            |                   |                                      |                   |
| Variation of the US, dollar      |                            |                   | 166,790                              | 165,191           |
| (-) Adjustment to present value  |                            |                   | (5,342)                              | (6,219)           |
| <u>In national currency</u>      |                            |                   |                                      |                   |
| Without charge                   |                            |                   | 31,890                               | 87,163            |
| (-) Adjustment to present value  |                            |                   | (1,351)                              | (2,539)           |
| Miscellaneous and without charge |                            |                   |                                      |                   |
|                                  | <u>2,509</u>               | <u>12,752</u>     | <u>29,181</u>                        | <u>31,491</u>     |
| Current                          | <u>2,509</u>               | <u>12,752</u>     | <u>221,168</u>                       | <u>275,087</u>    |
| Non-current                      |                            |                   |                                      |                   |
| Circulante                       | <u>(2,509)</u>             | <u>(12,752)</u>   | <u>(206,724)</u>                     | <u>(253,601)</u>  |
| Não circulante                   |                            |                   | <u>14,444</u>                        | <u>21,486</u>     |

The supplier balance of the subsidiary Maeda is guaranteed by promissory notes and guarantees of shareholders, the subsidiary Maeda performs the calculation of AVP on the purchase of inputs for purchases with a term over 90 days, being the average 12.68% per year for suppliers of inputs in national and foreign currency.

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**18 Loans and Financing**

| Modality                         | Incident financial charges   | Maturity                 | Controller |            | Consolidated |            |
|----------------------------------|--|--------------------------|------------|------------|--------------|------------|
|                                  |  |                          | 30/06/2012 | 31/12/2011 | 30/06/2012   | 31/12/2011 |
| <u>In national currency</u>      |  |                          |            |            |              |            |
| MODERMA Q                        | Interest - 10.25% a.a.   | 15/05/2013               |            | 180        |              | 180        |
| CCB                              | Interest of 120% CDI   | 30/07/2013               |            | 29,017     |              | 29,017     |
| Working capital                  | CDI and interest of 1.11% to 18.13% a.a.                                     | 20/08/2014               |            | 30,132     |              | 256,113    |
| Working capital                  | Interest 3.20% to 8.08% a.a. + 100% CDI                                      | 28/09/2012 to 05/01/2016 |            | 2,023      | 43,515       | 123,897    |
| Variable Working capital         | CDI Interest of 12.95% a.a. + CDI  | 25/10/2012               |            |            | 3,107        |            |
| Working capital                  | 147 % of CDI   | 20/08/2014               |            |            | 2,264        | 2,125      |
| Working capital                  | Interest of 15% a.a. to 22.5% a.a.   | 6/9/2013                 |            |            | 9,260        | 5,898      |
| Export Credit Note               | CDI + interest of 7.44 % to 9.70% a.a.                                       | 30/11/2011 to 02/10/2013 |            |            |              | 32,551     |
| National Leasing                 | Interest of 3.41 % a. a. + C DI  | 15/07/2012 to 15/09/2019 |            |            | 3            | 3,228      |
| Finame                           | TJLP + interest of 3.45% to 13 % a.a.  | 15/07/2012 to 15/09/2019 |            |            | 739          | 882        |
| Finame / BNDES                   | Interest of 4.5 to 22.42 % a.a.  | 27/07/2007 to 15/10/2018 | 18,277     |            | 37,608       | 21,619     |
| Rural Credit - Agricultural Cost |  |                          |            |            |              |            |
| Rural Credit - Agricultural Cost | Interest of 11.4 % a.a.  | 30/05/2014               |            |            | 300          |            |
| Rural Credit - Agricultural Cost | Interest 7 % to 9.7 % a.a. + Var. Savings Account                            | 10/7/2012                |            |            | 15,908       | 22,806     |
| Rural Financing                  | 7.23 % to 14.00% a.a.  | 17/08/2012 to 15/09/2015 |            | 20,399     | 19,396       | 30,048     |
| Rural Financing                  | IGPM + interest 6.17 % a.a.  | 30/05/2015               |            |            | 477          | 506        |
| <u>In foreign currency</u>       |  |                          |            |            |              |            |
| ACC - Prepayment                 | Variation in US\$ dollar + Libor 12M + interest rate of 4.50 % to 4.98% a.a. | 31/12/2011               |            |            |              | 46,899     |
| ACC - Prepayment                 | Variation of US\$ dollar + Libor 6 M + interest of 4.5% a.a.                 | 31/01/2014               |            |            | 1,366        |            |
| ACC - Prepayment                 | Variation of US\$ dollar + Libor 1 m + interest of 6.5 a.a.                  | 28/09/2012 to 30/11/2012 |            |            | 26,114       |            |
| ACC - Prepayment                 | Variation of US\$ dollar + CDI + interest of 7.44 a.a.                       | 11/09/2012 to 14/03/2013 |            |            | 33,849       | 2,502      |
| FINIMP                           | Interest of 3.62 % a.a. to 16 % a.a. + Libor                                 | 15/04/2015               |            |            | 5,495        | 12,622     |
| Market Leasing                   | Interest 3.37 % a.a. + Libor   | 13/03/2013               |            |            | 758          | 1,179      |
| Working capital                  | Interest of 9.5 % a.a.   | 29/10/2012               | 6,181      |            | 6,181        |            |
| Working capital                  | Interest of 4.8% to 11.5% a.a.   | 14/09/2012 to 28/09/2015 |            |            | 95,745       |            |
| Cash Capital                     | Interest of 4.93% to 7.5% a.a. + Libor 6                                     | 20/08/2010 to 28/11/2017 |            |            | 144,687      |            |
| Exportation credit               | Variation of US\$ dollar + interest of 11.40% a.a.                           | 1/11/2012                |            |            |              | 10,735     |
|                                  | Total  |                          |            |            | 24,458       | 81,751     |
|                                  | Current liabilities  |                          |            |            | (14,616)     | (50,942)   |
|                                  | Noncurrent liabilities   |                          |            |            | 9,842        | 30,809     |
|                                  |  |                          |            |            | 446,772      | 602,807    |
|                                  |  |                          |            |            | (220,364)    | (506,948)  |
|                                  |  |                          |            |            | 226,408      | 95,859     |

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The long term maturities are as follows:

| <b>Consolidated</b> | <b>Controller (BRGAAP)</b> |                   | <b>Consolidated (BRGAAP e IFRS)</b> |                   |
|---------------------|----------------------------|-------------------|-------------------------------------|-------------------|
|                     | <b>30/6/2012</b>           | <b>31/12/2011</b> | <b>30/6/2012</b>                    | <b>31/12/2011</b> |
| 2013                | 4,921                      | 19,011            | 36,694                              | 49,713            |
| 2014                | 4,921                      | 11,798            | 93,658                              | 22,605            |
| 2015                |                            |                   | 68,722                              | 14,295            |
| After 2015          |                            |                   | 27,334                              | 9,246             |
| <b>Total</b>        | <b>9,842</b>               | <b>30,809</b>     | <b>226,408</b>                      | <b>95,859</b>     |

**Warranties**

Loans and financing of Vanguard Agro SA, are secured by Assignment of Agreement for the sale of fixed assets.

Loans and financing of Vanguarda do Brasil S.A., are secured by fiduciary assignment of movable assets, fiduciary assignment of real estate, fiduciary assignment of shares of Vanguarda Participações S.A., Guarantee, Assignment of agreement, debtor, trustee, Guarantee, Guarantor, mortgage, promissory note and pledge.

Loans and financing from Maeda S.A. Agroindustrial, are secured by fiduciary assignment of movable assets, fiduciary assignment of real estate, Application of CTN, Guarantee, Assignment of agreement, debtor, trustee, Guarantee, Guarantor, mortgage, promissory note and pledge.

Fazenda Mãe Margarida S.A., Fazenda Terra Santa S.A., Fazenda Ribeiro do Céu S.A. and Fazenda Iporanga S.A. guarantee the loans and financing of VANPAR as a mortgage warranty and fiduciary assignment of fixed asset with land recorded in its patrimony with the accounting value of R\$ 499,101.

**19 Advances from customers**

|                   | <b>Controller</b> |                   | <b>Consolidated</b> |                   |
|-------------------|-------------------|-------------------|---------------------|-------------------|
|                   | <b>30/06/2012</b> | <b>31/12/2011</b> | <b>30/06/2012</b>   | <b>31/12/2011</b> |
| National clients  |                   | 29,991            | 22,733              | 45,448            |
| Foreign customers |                   |                   | 30,198              | 54,993            |
| <b>Total</b>      |                   | <b>29,991</b>     | <b>52,931</b>       | <b>100,441</b>    |
| Current           |                   | (29,991)          | (52,931)            | (98,441)          |
| Noncurrent        |                   |                   |                     | 2,000             |

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**20 Union Debt - PESA (consolidated)**

Maeda S.A. Agroindustrial

In 1998, through a contract amendment and securitization operation, there were elongated with the federal financial institution, the maturity dates of funding for agricultural costs, under the terms of Resolution No. 2.471/98 of the Central Bank of Brazil, under the Special Program for Sanitation of Assets - PESA. According to the agreements executed, the restatement of these funds (IGP-M) is capitalized for repayment at maturity of the operation, scheduled for November 2018, and the interest currently incident of 3% per year are paid each year and, for its calculation, the IGP-M incident on the main is limited to 9.5% per year. From 2001, the Union became the creditor of such funding, according to the Provisional Measure no. 2.196/03, without changes to the conditions agreed in the contract signed with the financial institution.

As collateral for these loans there were offered guarantees, mortgages and fixed assets, as well as investments in National Treasury Certificates (CTN) with maturity date equal to the funding. According to the conditions agreed upon, the restatement by IGP-M and 12% interest rate per year of these applications are capitalized so that, at maturity, the amount calculated is equal to the amount of funding.

Due to the specifics of the financial instrument (long term subsidies and charges), the management of Maeda, in line with the new accounting practices, introduced by Law 11.638/07, filed this instrument using the concept of Adjustment to Present Value, calculating the value of this requirement based on the flow of future disbursements to present value, discounted at an interest rate, a reference to the date on which the transaction was contracted, of 12% per year.

|  | <b>Consolidated</b> |                   |
|--|---------------------|-------------------|
|  | <b>30/06/2012</b>   | <b>31/12/2011</b> |
| Main amount, adjusted to present value | 58,278              | 53,367            |
| Bound financial investments - CTN      | (58,278)            | (53,367)          |
| Present value of future interest       | 15,192              | 12,316            |
|  | 15,192              | 12,316            |
| Current liabilities                    | (1,702)             | (428)             |
| Non-current                            | 13,490              | 11,888            |

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**21 Taxes in installments**

|                            | <b>Controller</b> |                   | <b>Consolidated</b> |                   |
|----------------------------|-------------------|-------------------|---------------------|-------------------|
|                            | <b>30/6/2012</b>  | <b>31/12/2011</b> | <b>30/6/2012</b>    | <b>31/12/2011</b> |
| ICMS Rio Grande do Sul (a) | 14,824            | 17,229            | 14,824              | 17,241            |
| REFIS (b)                  |                   |                   | 28,038              | 29,314            |
| IRPJ / CSSL                |                   |                   | 42,779              | 29,548            |
| Other                      | 14,824            | 17,229            | 85,641              | 76,103            |
| Total                      |                   |                   |                     |                   |
|                            | (4,129)           | (5,286)           | (21,371)            | (12,724)          |
| Current                    | <u>10,695</u>     | <u>11,943</u>     | <u>64,270</u>       | <u>63,379</u>     |
| Noncurrent                 |                   |                   |                     |                   |

a) The Company made the ICMS in installments in the State of Rio Grande do Sul in 48 successive monthly installments, with the first one maturing in February 2011. The installments are updated by INPC/IBGE.

(b) It basically refers to the amount of installment payments made by the subsidiaries Maeda S.A. Agroindustrial and Vanguarda Participações, as described below:

**Installment of Law 11.941/09 - "REFIS"**

In November 2009, the controlled Maeda S.A. Agroindustrial joined the Tax Recovery Program - "REFIS", introduced by Law 11.941/09 and Provisional Measure 470/2009, to equalize and settle tax liabilities through a special system of payment and installment payment of tax obligations and social security.

In June 2011 the amounts included in REFIS were approved by the Secretary of the Brazilian Federal Revenue Department, being updated based on the Selic rate. The debts were split on average of 66 months.

As a result of adherence to REFIS, the subsidiary Maeda undertakes to pay the installments without delay exceeding three months, and to withdrawal of the lawsuits and waive any claim of right which is founded on those shares, under penalty of immediate termination of the installment and, consequently, loss of the aforementioned benefits.

| <b>REFIS Activity</b>                 | <b>Consolidated</b> |
|---------------------------------------|---------------------|
| Balance of REFIS on December 31, 2011 | 29,314              |
| Financial charges for the period      | 1,258               |
| Payments in the period                | <u>(2,534)</u>      |
| Balance of REFIS on June 30, 2012     | <u>28,038</u>       |

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**22 Onerous agreements**

|                                  | <b>Consolidated</b> | <b>Consolidated</b> |
|----------------------------------|---------------------|---------------------|
|                                  | <b>30/6/2012</b>    | <b>31/12/2011</b>   |
| Onerous agreements - Corn        | 222                 | 1,701               |
| Onerous agreements - Soybean     | 100                 | 824                 |
| Onerous contracts - Plume Cotton |                     | 11,082              |
| Onerous contracts - Cotton seed  |                     | 10                  |
|                                  | <u>322</u>          | <u>13,617</u>       |

Refers to the provision of sales agreements made until June 30, 2012 for the products, soybeans and corn, whose prices were set lower than market prices at the balance sheet date.

**23 Provision for tax, civil and labor risks**

The Management, based on the analysis of individual lawsuits filed against the Company and its subsidiaries and supported by the opinion of legal counsel, provisions were made in noncurrent liabilities for risks of probable losses, as shown below:

| <b>Causes</b>    | <b>Controller</b> |                   | <b>Consolidated</b> |                   |
|------------------|-------------------|-------------------|---------------------|-------------------|
|                  | <b>30/6/2012</b>  | <b>31/12/2011</b> | <b>30/6/2012</b>    | <b>31/12/2011</b> |
| Labor            | 2,580             | 1,463             | 5,084               | 11,337            |
| Tax              | 184               | 361               | 5,656               | 26,768            |
| Civil            | 154               | 104               | 9,010               | 6,895             |
| Sub Judice Taxes |                   |                   | 14,224              | 12,438            |
| <b>Total</b>     | <u>2,918</u>      | <u>1,928</u>      | <u>33,974</u>       | <u>57,438</u>     |

Changes in provisions with probable estimated loss is shown as such:

**Controller**

| <b>Causas</b>                | <b>Labor</b> | <b>Tax</b> | <b>Civil</b> | <b>Total</b> |
|------------------------------|--------------|------------|--------------|--------------|
| Balance on December 31, 2011 | 1,463        | 361        | 104          | 1,928        |
| New processes / accessories  | 1,116        |            | 51           | 1,167        |
| Reductions                   |              | (177)      |              |              |
| Balance on June 30, 2012     | <u>2,579</u> | <u>184</u> | <u>155</u>   | <u>2,918</u> |

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**Consolidated**

| <b>Causes</b>   | <b>Labor</b> | <b>Tax</b>   | <b>Civil</b> | <b>Taxes Sub -<br/>judice</b> | <b>Total</b>  |
|---|--------------|--------------|--------------|-------------------------------|---------------|
| Balance on December 31, 2011                            | 11.337       | 26.768       | 6.894        | 12.438                        | 57.437        |
| Incorporation Vanguarda Participações S,A,<br>Provision | 1.753        |              | 51           |                               | 51            |
| Discharges for pay ment                                 | (8.007)      | (21.551)     | 2.194        | 1.303                         | 5.250         |
| Financial charges for the period                        |              | 431          | (120)        |                               | (29.678)      |
|   |              |              |              | 483                           | 914           |
| Balance on June 30, 2012                                | <u>5.083</u> | <u>5.648</u> | <u>9.019</u> | <u>14.224</u>                 | <u>33.974</u> |

The shares shown below include those whose estimate of loss is possible, based on the opinion of legal counsel of the Company, and therefore are not accrued in the financial statements:

| <b>Causes</b> | <b>Controller<br/>30/6/2012</b> | <b>Consolidated<br/>31/12/2011</b> |
|---------------|---------------------------------|------------------------------------|
| Tax Labor     |                                 | 3,280                              |
| Labor         | 1,315                           | 5,472                              |
| Civil         | 85                              | 698                                |
| Total         | <u>1,400</u>                    | <u>9,450</u>                       |

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The shares considered relevant by the Company management are: Labor

Claims - Marcos Cesar de Morais

On March 17, 2009, the Company was notified of the existence of demand for the breach of a contractual clause with Marcos Cesar de Morais in the amount of R\$ 5,000 (current value R\$ 7,000). In the second quarter of 2010, the Company was defeated in the first instance and the appeal proceeded. On appeal, the Judge Rapporteur (TRT 24th Region) upheld the Company appeal. However, the appeal was not fitted against the unfavorable judgment of the other two Judges of the Board of Judges. Currently the records are awaiting shipment to TST, whereas the Review Appeal was admitted. Even losing the process in 1st and 2nd instance, the Company and its legal counsel believe that the possibility of loss of this process is possible.

Taxes in litigation (Consolidated)

The Controlled Maeda S.A. Agroindustrial, based on a favorable opinion of legal counsel, is contesting the enforceability, and also requiring, administrative or judicially, the acknowledgment of credits offset against certain taxes and contributions. On June 30, 2012, the balance of sub-judice tax is R\$ 13.776, including finance charges calculated based on the Selic rate and is related mainly to: (i) IPI Assumed Credit - levied upon exports during the period between 2000 and 2002, which were offset against tax liabilities in the months of November and December 2003 and July 2004, and (ii) agribusiness INSS upon the invoicing for export.

Since this is a legal obligation not yet tried, the subsidiary has a provision made in the following amounts:

|                           | <u>30/6/2012</u> | <u>31/12/2011</u> |
|---------------------------|------------------|-------------------|
| Presumed IPI credit (i)   | 3,295            | 3,218             |
| Business INSS export (ii) | <u>10,929</u>    | <u>9,220</u>      |
| Total                     | <u>14,224</u>    | <u>12,438</u>     |

Civil Action - Construrio Ltda.

It is a cumulative repossession action with damages filed by Construrio Ltda. in face of Otaviano Pivetta (Case No. 1031/2006 | 2nd Court | County of Nova Mutum). In this action there was rendered a judgment which, after the opposition motion for clarification, rejected by the Judge, it was published on 01.02.2012, judging the claims to: (i) determine the reintegration in the possession of Construrio Ltda., (ii) order the defendant to pay compensation for the period of use of office, and the indemnification quantum shall be determined in the liquidation sentence. An appeal was lodged, with suspensive effect.

Civil Action - Noble Brasil S.A.

It is the performance for delivery of it, filed by Noble Brasil S.A. in 26.10.2011, after failing to succeed in implementing a certain quantity against a solvent debtor, listed under no. No. 68/2009, which was processed before the 19th Civil Court of Curitiba - PR, and was extinguished by unanimous decision of the Court of the State of Paraná. In this demand, Noble intends to receive in product (soy) the equivalent to the amount of R\$ 34,100. The Company and its legal counsel believe that the possibility of loss of this process is remote, due to the existence of fault in the origin of the transaction, which is why the controlled Vanguarda do Brasil S.A. filed, in 2009, a revision action, listed under no. No. 74/2009, in progress in the 19th Civil Court of Curitiba - PR.

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**24 Transactions and balances with related parties**

|  | <b>Controller</b> |                   | <b>Consolidated</b> |                   |
|--|-------------------|-------------------|---------------------|-------------------|
|  | <b>30/6/2012</b>  | <b>31/12/2011</b> | <b>30/6/2012</b>    | <b>31/12/2011</b> |
| Current Assets   |                   |                   |                     |                   |
| Clients  |                   |                   |                     |                   |
| Vanguarda do Brasil S,A, (a)                             | 741               |                   |                     |                   |
| Noncurrent asset   |                   |                   |                     |                   |
| Advances for future capital increase                     | 21,813            | 20,322            |                     |                   |
| Loan   |                   |                   |                     |                   |
| Jaborandi Agrícola Ltda,<br>Vanguarda do Brasil S,A, (b) | 7,698             | 41,382            |                     | 3,586             |
| Maeda S.A. Agroindustrial (b)                            | 1,245             |                   |                     |                   |
| Others   |                   |                   | 188                 | 431               |
|  | <u>30,756</u>     | <u>61,704</u>     | <u>188</u>          | <u>4,017</u>      |
| Current liabilities                                      |                   |                   |                     |                   |
| Loan   |                   |                   |                     |                   |
| Brasilagro - Companhia Brasileira de Popr.Agrícolas      |                   |                   |                     | 7,304             |
| Jaborandi Propriedades Agrícolas S.A.                    |                   |                   |                     | 13                |
| Acionistas indiretos-Família Maeda                       |                   |                   | 4,863               | 4,532             |
| Others   |                   | 9                 | 92                  | 1                 |
|  |                   | <u>9</u>          | <u>4,955</u>        | <u>11,850</u>     |
| Noncurrent liabilities                                   |                   |                   |                     |                   |
| Loan   |                   |                   |                     |                   |
| Brasilagro - Companhia Brasileira de Popr.Agrícolas      |                   |                   |                     | 6,294             |
| Maeda S.A. Agroindustrial (b)                            |                   | 4,402             |                     |                   |
| Acionistas indiretos-Família Maeda                       |                   |                   |                     |                   |
| Others   |                   | 21                | 86                  |                   |
|  |                   | <u>4,423</u>      | <u>86</u>           | <u>6,294</u>      |
| Provision for losses with investments                    | 22,797            | 20,191            |                     |                   |

- a) Mutual agreements with variable and renewable maturities, updated based on the variation of the Interbank Deposit Certificate - CDI;
- b) Mutual agreements with variable and renewable maturities, updated based on the preset annual interest of 17% until 30 June 2011 and from July 1, 2011 at a rate of 120% of CDI.

The balances presented in current liabilities and noncurrent liabilities, consolidated, corresponds mainly to the loan transaction, with varying and renewable maturities updated based on rates and/or indexers agreed between the parties.

| <b>Operations</b>                     | <b>Controller</b> | <b>Consolidated</b> |
|---------------------------------------|-------------------|---------------------|
|                                       | <b>30/6/2012</b>  | <b>30/6/2012</b>    |
| Financial result on mutual balances   |                   |                     |
| Maeda S. A Agroindustrial             | 1,931             |                     |
| Vanguarda do Brasil S. A .            | 1,812             |                     |
| Financial expenses on mutual balances |                   |                     |
| Indirect shareholders - family Maeda  |                   | 332                 |

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**25 Net Property**

**Capital**

On June 30, 2012 the capital stock was represented by 2,320,145 thousand common shares with no par value.

The issued shares of the Company are exclusively ordinary shares and have the nominative and scriptural form, without par value.

It is ensured to shareholders in proportion to the shares they hold, preemptive rights to subscribe for capital improvements.

The net profit the financial year, after deduction of accumulated losses, if any, will be allocated as follows:

- a) 5% will be applied to constitute the legal reserve, which may not exceed 20% of the capital;
- b) 25% of net profit of each financial year will be distributed as dividends required under Article 202 of Law 6.404/76.

If, after the deductions referred to above, there is still a balance, it will be available to the Assembly for assignment.

**26 Financial instruments**

**a) General Provisions**

In the normal course of its operations, the Company and its subsidiaries are exposed to risks such as market risk and credit risk. These risks are monitored by management using management tools and policies set by the Board of Directors.

**b) Management of capital risk**

The Company manages its capital to ensure it can continue with its normal activities, while seeking to maximize return to all parties interested or involved in its operations by optimizing the balance of debt and equity.

The Company's capital structure consists of equity, including capital and reserves (Note 25) and third party capital.

The Company is not subject to any external requirement on capital.

The Company's management annually reviews its capital structure. As part of this review, the Management considers the cost of capital and the risks associated with each class of capital.

**c) Main Accounting Policies**

Details regarding the accounting policies and methods adopted, including criteria for recognition, basis for measurement and basis on which revenues and expenses are recognized in the result for each class of financial instruments, are presented in Note 2.

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**d) Category of Financial instruments**

|                                  |                              | <b>Controller</b> |                   | <b>Consolidated</b> |                   |
|----------------------------------|------------------------------|-------------------|-------------------|---------------------|-------------------|
|                                  |                              | <b>30/6/2012</b>  | <b>31/12/2011</b> | <b>30/6/2012</b>    | <b>31/12/2011</b> |
| <b>Asset</b>                     | <b>financial instruments</b> |                   |                   |                     |                   |
| Cash and cash equivalents        | Loans and financing          | 46                | 20,841            | 8,047               | 31,755            |
| Bonds and securities             | Fair value through result    | 2,034             | 40,936            | 3,474               | 41,807            |
| Accounts receivable from clients | Loans and financing          | 8,104             | 46,133            | 39,697              | 78,448            |
| Legal deposits                   | Loans and financing          | 1,231             | 1,229             | 5,736               | 4,800             |
| Other assets                     | Loans and financing          | 3,860             | 3,024             | 9,596               | 33,907            |
| <b>Passivo</b>                   |                              |                   |                   |                     |                   |
| Trade accounts payable           | Other liabilities            | 2,509             | 12,752            | 221,168             | 275,087           |
| Loans and financing              | Other liabilities            | 24,458            | 81,751            | 446,772             | 602,807           |
| Derivative financial instruments | Fair value through result    |                   |                   | 19,829              | 12,991            |
| Union Debt - PESA                | Other liabilities            |                   |                   | 15,192              | 12,316            |
| Deeds payable                    | Other liabilities            |                   |                   | 5,185               | 5,272             |
| Related parties                  | Other liabilities            |                   | 4,432             | 5,041               | 18,144            |
| Leases and services to pay       | Other liabilities            |                   |                   |                     | 21,249            |
| Other liabilities                | Other liabilities            | 1,587             | 1,715             | 43,803              | 53,594            |

**e) Financial risk management**

The Company has exposure to the following risks from the use of financial instruments: credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the risks above, the Company's objectives, policies and processes for measuring and managing risk and capital management of the Company. Additional quantitative disclosures are included throughout these financial statements and also this explanatory note.

**f) Structure of financial risk management**

The Board of Directors, advised by the audit committee and risk management, has responsibility for establishing and overseeing the risk management structure of the Company.

The risk management policies are established by the Company to identify and analyze the risks faced by the Company, to set limits and appropriate risk controls, and to monitor risks and adherence to limits. Policies and risk management systems are reviewed frequently to reflect changes in market conditions and in the Company's activities. The Company, through its rules and procedures for training and management, aims to develop an environment of disciplined and constructive control, in which all employees understand their roles and obligations.

The main market risks to which the Company is exposed in the conduct of its activities are:

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**Credit risk**

The risk arises from the possibility that the Company may incur losses due to the difficulty of collecting amounts billed to its customers. To reduce this type of risk and to help manage the risk of default, the Company monitors the accounts receivable from clients.

**Management of liquidity risk**

The Company manages liquidity risk by keeping bank credit lines and lines of credit for raising loans as it deems appropriate, through continuous monitoring of expected and real cash flows, and the combination of the maturity profiles of financial assets and liabilities.

The Company and its subsidiaries made payments of loans in the amounts outlined below:

|  | <u>Controller</u> | <u>Consolidated</u> |
|--|-------------------|---------------------|
| Payments in the second quarter of 2012 | 72,590            | 158,370             |

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The table below analyzes the non-derivative financial liabilities of the Company and its subsidiaries, by maturity, corresponding to the period remaining on the balance sheet until the date of contractual maturity.

**Controller**

|                             | <b>Less than<br/>one year</b> | <b>Between<br/>one and<br/>two years</b> | <b>Between<br/>two and<br/>five years</b> | <b>Above five<br/>years</b> | <b>Total</b>  |
|-----------------------------|-------------------------------|--|---|-----------------------------|---------------|
| <u>On June 30, 2012</u>     |                               |  |   |                             |               |
| Trade accounts payable      | 2,509                         |  |   |                             | 2,509         |
| Loans and financing         | 14,616                        | 9,842                                    |   |                             | 24,458        |
| Other accounts payable      | 22                            |  |   |                             | 22            |
| <b>Total</b>                | <b>17,147</b>                 | <b>9,842</b>                             |   |                             | <b>26,989</b> |
| <u>On December 31, 2011</u> |                               |  |   |                             |               |
| Trade accounts payable      | 12,752                        |  |   |                             | 12,752        |
| Loans and financing         | 50,942                        | 19,011                                   | 11,798                                    |                             | 81,751        |
| Related parties             | 9                             | 4,423                                    |   |                             | 4,432         |
| Other accounts payable      | 134                           |  |   |                             | 134           |
| <b>Total</b>                | <b>63,837</b>                 | <b>23,434</b>                            | <b>11,798</b>                             |                             | <b>99,069</b> |

**Consolidated**

|                                     | <b>Less than<br/>one year</b> | <b>Between<br/>one and<br/>two years</b> | <b>Between<br/>two and<br/>five years</b> | <b>Above five<br/>years</b> | <b>Total</b>   |
|-------------------------------------|-------------------------------|--|---|-----------------------------|----------------|
| <u>On June 30, 2012</u>             |                               |  |   |                             |                |
| Trade accounts payable              | 206,724                       | 12,909                                   | 1,440                                     | 95                          | 221,168        |
| Loans and financing                 | 220,364                       | 100,802                                  | 109,630                                   | 15,976                      | 446,772        |
| Derivative financial<br>instruments | 19,829                        |  |   |                             | 19,829         |
| Related parties                     | 4,955                         | 86                                       |   |                             | 5,041          |
| Union Debt - PESA                   | 1,702                         | 2,402                                    | 2,145                                     | 8,943                       | 15,192         |
| Other accounts payable              | 19,049                        | 9,842                                    |   |                             | 28,890         |
| <b>Total</b>                        | <b>472,623</b>                | <b>126,041</b>                           | <b>113,215</b>                            | <b>25,014</b>               | <b>736,892</b> |
| <u>On December 31, 2011</u>         |                               |  |   |                             |                |
| Trade accounts payable              | 253,601                       | 12,881                                   | 8,605                                     |                             | 275,087        |
| Loans and financing                 | 506,948                       | 73,789                                   | 16,006                                    | 6,064                       | 602,807        |
| Derivative financial<br>instruments | 12,991                        |  |   |                             | 12,991         |
| Deeds payable                       | 5,272                         |  |   |                             | 5,272          |
| Related parties                     | 11,850                        | 6,294                                    |   |                             | 18,144         |
| Union Debt - PESA                   | 428                           | 2,326                                    | 5,586                                     | 3,976                       | 12,316         |
| Leases and services to pay          | 21,249                        |  |   |                             | 21,249         |
| Other accounts payable              | 33,268                        | 17,070                                   |   |                             | 50,338         |
| <b>Total</b>                        | <b>845,607</b>                | <b>112,360</b>                           | <b>30,197</b>                             | <b>10,040</b>               | <b>998,204</b> |

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**Exchange rate risk**

The Company's subsidiaries have commitments of sale and purchase and loans and financing in foreign currency, which provides a certain degree and natural hedge of its operations. Thus, said exchange rate risk is calculated taking into account two main aspects: (i) the impact on accounts that are indexed to foreign currency and (ii) the impact on cash flow of incoming and outgoing cash flow indexed to foreign currency.

Sensitivity analysis of foreign currency - Consolidated

The Company's subsidiaries have assets and liabilities denominated in foreign currency in the balance sheet of June 30, 2012 and for the purposes of sensitivity analysis, adopted as scenario I (likely) the future market rate prevailing at the time of preparation of these financial statements, for scenario II (possible) the rate was fixed at 25% and for scenario III (remote) in 50%.

|                                       | Balance<br>30/6/2012<br>US\$ | Scenario I |             | 25%<br>Scenario II |             | 50%<br>Scenario III |             |
|---------------------------------------|------------------------------|------------|-------------|--------------------|-------------|---------------------|-------------|
|                                       |                              | R\$        |             | R\$                |             | R\$                 |             |
|                                       |                              | Rate (a)   | Gain (loss) | Rate (a)           | Gain (loss) | Rate (a)            | Gain (loss) |
| <b>Assets</b>                         |                              |            |             |                    |             |                     |             |
| Accounts receivable                   | 10,224                       | 1.99       | (320)       | 2.49               | 5,086       | 3.00                | 10,332      |
| Additions from Input Suppliers        | 3,278                        | 1.99       | (103)       | 2.49               | 1,631       | 3.00                | 3,313       |
| Derivative financial instruments      | 5,009                        | 1.99       | (157)       | 2.49               | 2,492       | 3.00                | 5,062       |
| <b>Liabilities</b>                    |                              |            |             |                    |             |                     |             |
| Input Suppliers                       | 122,337                      | 1.99       | 3,829       | 2.49               | (60,863)    | 3.00                | (123,640)   |
| Financing                             | 196,827                      | 1.99       | 6,161       | 2.49               | (97,922)    | 3.00                | (198,924)   |
| Advance payment for Foreign customers | 18,077                       | 1.99       | 566         | 2.49               | (8,993)     | 3.00                | (18,269)    |
| Derivative financial instruments      | 15,134                       | 1.99       | 474         | 2.49               | (7,529)     | 3.00                | (15,296)    |
| Net effect on the outcome             |                              |            | 10,451      |                    | (166,098)   |                     | (337,421)   |

a) The conversion rate (R\$ 1.99 to US\$ 1.00) used in the sensitivity tables as the likely scenario was obtained from CitiBank monthly scenario for financial indicators.

**Exchange rate risk:**

The Company and its subsidiaries have loans indexed to the variation of TJLP, IGP-M, LIBOR and CDI, and financial investments indexed to CDI, exposing these assets and liabilities to fluctuations in interest rates as demonstrated in the context of sensitivity to interest below. The Company continually monitors market interest rates in order to assess the possible need of derivatives to be protected against the risk of volatility in these rates.

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**Sensitivity analysis of change in interest rates**

For purposes of sensitivity analysis, and using the balances of investments and loans and financing on June 30, 2012, the Company offers the scenario I (likely) from market expectations for the average basic interest rate in 2011. In the projection of scenario II (possible), this average was reduced by 25%, and for scenario III (remote) in 50%.

**Controller**

| Modality | Balance 30/06/2012 | Scenario I |                 | Scenario II |                 | Scenario III |                 |
|----------|--------------------|------------|-----------------|-------------|-----------------|--------------|-----------------|
|          |                    | Rate       | R\$ Gain (loss) | Rate        | R\$ Gain (loss) | Rate         | R\$ Gain (loss) |

Applications

|     |       |       |     |        |     |        |     |
|-----|-------|-------|-----|--------|-----|--------|-----|
|     |       | (a)   |     |        |     |        |     |
| CDI | 2,034 | 8.38% | 170 | 10.48% | 213 | 12.57% | 256 |

**Consolidated**

| Modality | Balance 30/06/2012 | Scenario I |                 | Scenario II |                 | Scenario III |                 |
|----------|--------------------|------------|-----------------|-------------|-----------------|--------------|-----------------|
|          |                    | Rate       | R\$ Gain (loss) | Rate        | R\$ Gain (loss) | Rate         | R\$ Gain (loss) |

Applications

|                 |       |       |     |        |     |        |     |
|-----------------|-------|-------|-----|--------|-----|--------|-----|
|                 |       | (a)   |     |        |     |        |     |
| Savings Account | 1,378 | 6.17% | 85  | 7.71%  | 106 | 9.25%  | 127 |
| CDI             | 2,096 | 8.38% | 176 | 10.48% | 220 | 12.57% | 263 |

Loans

|                           |         |       |                |       |                |       |                |
|---------------------------|---------|-------|----------------|-------|----------------|-------|----------------|
| Savings Account           | 15,908  | 6.17% | (981)          | 7.71% | (1,226)        | 9.25% | (1,472)        |
| CDI                       | 82,739  | 8.38% |                |       |                |       |                |
| Libor 3 months            | 758     | 0.46% |                |       |                |       |                |
| Libor 6 months            | 150,914 | 0.73% | (1,108)        | 0.92% | (1,385)        | 1.10% | (1,662)        |
| IGPM                      | 26,114  | 5.14% | (1,342)        | 6.42% | (1,678)        | 7.71% | (2,013)        |
| Libor 1 month             | 26,114  | 0.25% | (64)           | 0.31% | (80)           | 0.37% | (96)           |
| Net effect on the outcome |         |       | <u>(3,235)</u> |       | <u>(4,044)</u> |       | <u>(4,853)</u> |

a) The rates used in the sensitivity table as likely scenario were extracted on the websites of official agencies to disclose perspective indexes.

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**Market results of financial instruments**

The company's financial instruments measured at the amortized cost are represented mainly by investments and loans that are fixed for variable interest rates, as disclosed in the related explanatory notes. Additionally, the company also has financial instruments represented by accounts receivable from customers and suppliers substantially due in a short term. In the opinion of the Management, due to these characteristics, the fair value of these instruments would be next to the accounting balances.

**Risk of commodity prices**

The Company's subsidiaries, aimed at reducing the variability of their results, caused by the accounting recognition of assets and liabilities at fair value and continuously valued according to the evolution of commodities prices, mainly soybeans, cotton and corn, executed with his main customer transactions to lock in prices related to future flows, through the execution of agreements of sale for future delivery at pre-set prices.

**Derivative financial instruments (consolidated)**

The derivative financial instruments have the purpose to protect its operations against the risk of fluctuation in the exchange rate and prices of commodities, and are not used for speculative purposes.

The financial instruments outstanding (NDF and SWAP) above were employed by the subsidiary Maeda S.A. Agroindustrial as protection for variations in the price of agricultural products grown, mainly soybeans and cotton.

**27 Remuneration of Directors**

According to the Law of Corporations, looking at the changes in accounting practices introduced by Law 11.638/07, and the Company's Bylaws, is the responsibility of the shareholders in the General Meeting to set the aggregate amount of the annual remuneration of directors.

The remuneration of officers and directors during the quarter ended on June 30, 2012 and December 31, 2011 was as follows:

|                               | <b>Controller</b> |                   | <b>Consolidated</b> |                   |
|-------------------------------|-------------------|-------------------|---------------------|-------------------|
|                               | <b>30/06/2012</b> | <b>31/12/2011</b> | <b>30/06/2012</b>   | <b>31/12/2011</b> |
| members of board Remuneration | 399               | 716               | 399                 | 716               |
| Executives Remuneration       | 1,086             | 1,080             | 1,086               | 1,080             |
| Social charges                | 241               | 268               | 241                 | 268               |
| <b>Total</b>                  | <b>1,726</b>      | <b>2,064</b>      | <b>1,726</b>        | <b>2,064</b>      |

The Company does not provide post-employment benefits and benefits on termination of employment contract. Additionally, see Note 35 to the payment based on shares.

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**28 Net sales**

|                            | <b>Controller</b> |                   | <b>Consolidated</b> |                   |
|----------------------------|-------------------|-------------------|---------------------|-------------------|
|                            | <b>30/6/2012</b>  | <b>31/12/2011</b> | <b>30/6/2012</b>    | <b>31/12/2011</b> |
| <b>Net Sales</b>           |                   |                   |                     |                   |
| Gross sales and services   | 112,316           | 308,345           | 552,828             | 448,825           |
| Sales deductions           |                   |                   |                     |                   |
| Returns and discounts      | (995)             | (2,652)           | (4,148)             | (2,919)           |
| Taxes on sales             | (21,542)          | (44,313)          | (32,270)            | (49,343)          |
| Credit of ICMS tax benefit | 4,352             | 8,133             | 4,352               | 8,133             |
| Total sales deductions     | (18,185)          | (38,832)          | (32,066)            | (44,129)          |
| Net sales                  | 94,131            | 269,513           | 520,762             | 404,696           |

**29 Cost of sold goods**

|                         | <b>Controller</b> |                   | <b>Consolidated</b> |                   |
|-------------------------|-------------------|-------------------|---------------------|-------------------|
|                         | <b>30/6/2012</b>  | <b>31/12/2011</b> | <b>30/6/2012</b>    | <b>31/12/2011</b> |
| Cost of sold goods      | (89,846)          | (255,803)         | (495,810)           | (389,556)         |
| Cost of idle assets (a) |                   | (8,634)           | (99)                | (14,003)          |
| Total                   | (89,846)          | (264,437)         | (495,909)           | (403,559)         |

a) In the controller it refers mainly to the costs of units not operated in its normal capacity of production during the period (Floriano, Crateús, Iraquara, Rosario do Sul and Itaqui).

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**30 Expenses by nature**

We present as follows a separation by nature of costs and expenses incurred in the income statement according to their function:

|  | <b>Controller</b> |                   | <b>Consolidated</b> |                   |
|--|-------------------|-------------------|---------------------|-------------------|
|  | <b>30/6/2012</b>  | <b>31/12/2011</b> | <b>30/6/2012</b>    | <b>31/12/2011</b> |
| Variable costs and indirect costs of production  | (77,060)          | (239,093)         | (292,878)           | (315,174)         |
| Variation in the Fair Value of Biological Assets |                   | 1,017             | 59,757              | 22,133            |
| Cost of sold assets                              | (12,780)          | (19,253)          | (111,687)           | (69,575)          |
| Idle costs                                       |                   | (8,634)           | (1,072)             | (14,003)          |
| Personal expenses (*)                            | (4,675)           | (17,126)          | (53,227)            | (25,210)          |
| Travel and accommodation                         | (650)             | (1,220)           | (1,138)             | (1,540)           |
| Third party services                             | (1,403)           |                   | (23,067)            |                   |
| Expenses with maintenance and repairs            | (299)             | (535)             | (11,829)            | (684)             |
| Depreciation and amortization                    | (17,920)          | (5,574)           | (37,091)            | (13,155)          |
| Advice and consultancy                           | (3,586)           |                   | (4,755)             |                   |
| Marketing expenses                               | (1,095)           |                   | (7,099)             |                   |
| Result of equity equivalence                     | 5,491             | 26,794            |                     |                   |
| Results in the alienation of fixed assets        | 12,038            |                   | 11,784              |                   |
| Estimated inventory losses                       | (28,116)          |                   | (28,116)            |                   |
| Other expenses                                   | (14,403)          | (3,514)           | (5,587)             | 321               |
| <b>Total</b>                                     | <b>(144,458)</b>  | <b>(267,138)</b>  | <b>(506,005)</b>    | <b>(416,887)</b>  |

(\*) Includes directors' remuneration, mentioned in Note 27.

|                                    | <b>Controller</b> |                   | <b>Consolidated</b> |                   |
|------------------------------------|-------------------|-------------------|---------------------|-------------------|
|                                    | <b>30/6/2012</b>  | <b>31/12/2011</b> | <b>30/6/2012</b>    | <b>31/12/2011</b> |
| Cost of sold goods                 | (89,846)          | (264,437)         | (495,909)           | (403,559)         |
| Variation in the Fair Value        |                   | 1,017             | 59,757              | 22,113            |
| General and Administrative         | (33,292)          | (29,973)          | (65,807)            | (43,198)          |
| Tax expenses                       | (823)             | (520)             | (824)               | (549)             |
| Result of equity equivalence       | 5,491             | 26,794            |                     |                   |
| Other Operational Income (expense) | (25,988)          | (19)              | (3,222)             | 8,306             |
| <b>Total</b>                       | <b>(144,458)</b>  | <b>(267,138)</b>  | <b>(506,005)</b>    | <b>(416,887)</b>  |

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**31 Financial Results**

|  | <u>Controller</u> |                   | <u>Consolidated</u> |                   |
|--|-------------------|-------------------|---------------------|-------------------|
|  | <u>30/6/2012</u>  | <u>31/12/2011</u> | <u>30/6/2012</u>    | <u>31/12/2011</u> |
| <u>Financial incomes</u>                       |                   |                   |                     |                   |
| Incomes from financial applications            | 443               | 3,510             | 1,101               | 7,997             |
| Interest                                       | 3,756             | 993               | 21,450              | 27,967            |
| Other revenues                                 | 478               | 8                 | 4,882               | 3,346             |
|  | <u>4,677</u>      | <u>4,511</u>      | <u>27,433</u>       | <u>39,310</u>     |
| <u>Financial expenses</u>                      |                   |                   |                     |                   |
| Interest and indexation of loans and financing | (3,138)           | (3,324)           | (23,119)            | (32,219)          |
| Future market applications and "swap"          |                   |                   | (2,773)             |                   |
| AVP on Input Suppliers                         |                   |                   | (20,655)            |                   |
| Update customers - Petrobras                   |                   | (968)             |                     | (968)             |
| Other expenses                                 | (3,346)           | (596)             | (29,402)            | (1,792)           |
|  | <u>(6,484)</u>    | <u>(4,888)</u>    | <u>(75,949)</u>     | <u>(34,979)</u>   |
| <u>Exchange rate changes, net</u>              |                   |                   |                     |                   |
| Active Exchange rate changes                   |                   |                   | 27,357              | 29,509            |
| Passive Exchange rate changes                  |                   | (4)               | (72,556)            | (15,564)          |
|  |                   | <u>(4)</u>        | <u>(45,199)</u>     | <u>13,945</u>     |
| Total  | <u>(1,807)</u>    | <u>(381)</u>      | <u>(93,716)</u>     | <u>18,276</u>     |

**32 Transactions that not affected cash and cash equivalents**

Following there are transactions in the period which did not affect cash and cash equivalents:

|   | <u>Controller</u> |                   | <u>Consolidated</u> |                   |
|---|-------------------|-------------------|---------------------|-------------------|
|   | <u>30/6/2012</u>  | <u>31/12/2011</u> | <u>30/6/2012</u>    | <u>31/12/2011</u> |
| With compensation for payable taxes with recoverable taxes - IRPJ and CSL |                   | 357               | 4,911               | 2,057             |
| AFAC Capitalization   |                   | 1,773             |                     |                   |

**33 Income (loss) per share**

The following tables reconcile net loss and weighted average price per share used to calculate the basic net loss and diluted net loss per share.

|  | <u>30/6/2012</u> |                | <u>30/6/2011</u> |                |
|--|------------------|----------------|------------------|----------------|
|  | <u>Quarter</u>   | <u>Quarter</u> | <u>Quarter</u>   | <u>Quarter</u> |
| <b>Basic Profit (Loss) and diluted per share (continuing operations)</b>                           |                  |                |                  |                |
| Profit (Loss) used in calculation of the basic loss and diluted per share of continuing operations | (68,971)         | (52,134)       | 2,859            | 1,994          |
| Weighted average number of shares during the financial year  | 2,320,145,338    | 2,320,145,338  | 1,084,190,282    | 1,084,190,282  |
| Net income (loss) per share - Basic and diluted (R\$)  | (0.0297)         | (0.0225)       | 0.0026           | 0.0018         |

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**34 Operational segments**

After incorporation of the controlled Maeda S.A. Agroindustrial and Vanguarda Participações S.A., the Company proceeded with the segmentation of its operational structure (which until then focused solely on the production of biodiesel) in order to better identify the relevant variables of each segment and provide better information to the Directors in the management of business. The main decision maker in the Company is the Management aligned with the strategies outlined by the Board of Directors.

Operational segments defined by the administration are shown below:

**Industrial Segment:** involves the operation of biodiesel production and vegetable oil processing. It also involves activities undertaken in the Community Production Center Santa Clara, represented by the subsidiary Buriti. It is represented by units of biodiesel production and units for crushing of grains for production of vegetable oil;

**Agricultural sector:** involve agricultural operations conducted on farms under management of the company (owned and leased) for development of agricultural crops (soybean, cotton, corn and jatropa).

The composition of the operating result by segment of the Company is shown in the table below:

**Consolidated**

|   | <b>30/6/2012</b>  |                     |                  |
|---|-------------------|---------------------|------------------|
|   | <b>Industrial</b> | <b>Agricultural</b> | <b>Total</b>     |
| Gross Operating income  | 112,316           | 440,512             | 552,828          |
| Taxes and devolutions   | (18,185)          | (13,881)            | (32,066)         |
| Net Profit from sales   | 94,131            | 426,631             | 520,762          |
| Cost of Sold Products   | (90,477)          | (405,432)           | (495,909)        |
| Variation in the Fair Value of Biological Assets              |                   | 59,757              | 59,757           |
| Gross profit  | <u>3,654</u>      | <u>80,956</u>       | <u>84,610</u>    |
| Operational Expenses  |                   |                     |                  |
| General and management  | (34,869)          | (30,938)            | (65,807)         |
| Tax expenses  | (825)             |                     | (825)            |
| Financial result  | (1,831)           | (91,885)            | (93,716)         |
| Other operational incomes (expenses)                          | (26,453)          | 23,232              | (3,221)          |
| Total   | <u>(63,978)</u>   | <u>(99,591)</u>     | <u>(163,569)</u> |
| Losses (Profit) Before the income tax and Social Contribution | <u>(60,324)</u>   | <u>(18,635)</u>     | <u>(78,959)</u>  |

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**35 Remuneration based on shares**

Controller

The Company has a payment plan based on shares to its executives. According to the conditions of the plan, as approved by shareholders at the Annual General Meeting of April 30, 2009 and subsequently regulated by the Board of Directors on October 07 and 26, 2010, the executives set to participate in the plan received options to purchase common shares at an exercise price of R\$ 0.89 per share.

Each purchase option of the employees can be converted into one common share of the Company upon exercise of the option. No value is paid or will be paid by the beneficiary upon receipt of the option. The options do not entitle to dividends or vote.

The number of options granted was defined by the Board of Directors of the Company, assisted by the Human Resources Committee, and is not bound to the achievement of individual or collective goals of the Company.

The stock options granted as one of its conditions for the exercise, the permanence of the executives in the company. In the situation of termination of employment, the option should be exercised within 30 days or lose its validity. With the change in the context of corporate executives, we have in force on 30/06/2012 in the program, only purchases of stock options described in the table below, granted to the executive Cristiano Soares da Silva.

|  | <u>granting</u> | <u>granting</u> | <u>granting</u> |
|--|-----------------|-----------------|-----------------|
| Date of grant                              | 26/10/2010      | 26/10/2010      | 26/10/2010      |
| Volatility of share price                  | 37.70% a.a.     | 37.70% a.a.     | 37.70% a.a.     |
| Vesting period                             | 12 months       | 24 months       | 36 months       |
| Deadline for exercise after vesting period | 36 months       | 36 months       | 36 months       |
| Number of options                          | 1,000,000       | 1,000,000       | 1,000,000       |
| Fair value at grant date - R\$             | 0.61            | 0.67            | 0.72            |
| Option value - R\$                         | 0.89            | 0.89            | 0.89            |

Controlled Maeda S.A. Agroindustrial

The Company's Board of Directors approved on March 15, 2011, the granting of options to purchase shares to directors of its subsidiary Maeda S.A. Agroindustrial, in the same manner established for the company. On 30/06/2012, there was no director attached to this program.

**Fair value of share purchase options granted during the period (controller and consolidated)**

The options were priced according to a model of binomial option pricing.

The expected volatility is based on historical price volatility and was calculated based on the methodology of Exponential Weighted Moving Average for the period of 60 days, using the quotations on 30/09/2010.

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**Changes in share purchase options during the period (controller and consolidated)**

In the second quarter of 2012, due to the shutdown of executives linked to the program were revert to the expenses recorded in the exercise of the bestowal of the shares and the actual shutdown. In the period no call option was exercised. The table below shows the movement of stock options:

|                                | <b>Controller</b>          |                            | <b>Consolidated</b>        |                            |
|--------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|                                | <b>30/6/2012</b>           | <b>31/12/2011</b>          | <b>30/6/2012</b>           | <b>31/12/2011</b>          |
|                                | <b>Quantity of options</b> | <b>Quantity of options</b> | <b>Quantity of options</b> | <b>Quantity of options</b> |
| Balance at beginning of period | 6,600,000                  | 27,704,973                 | 9,600,000                  | 27,704,973                 |
| Granted during the period      |                            |                            |                            | 1 3,178,832                |
| Prescribed during the period   | (3,600,000)                | (21,104 ,973 )             | (6,600,000)                | (31,283,805)               |
| Balance at end of period       | <u>3,000,000</u>           | <u>6,600,000</u>           | <u>3,000,000</u>           | <u>9.600.000</u>           |

The expense is recorded on a “pro rata” basis, during the period of service that starts at the grant date until the date on which the beneficiary becomes entitled to exercise the option in return for a capital reserve in equity. Expenses recognized in the quarter ended on June 30, 2012 and June 30, 2011 were:

|                   | <b>Controller</b> |                   | <b>Concolidated</b> |                   |
|-------------------|-------------------|-------------------|---------------------|-------------------|
|                   | <b>30/06/2012</b> | <b>30/06/2011</b> | <b>30/06/2012</b>   | <b>30/06/2011</b> |
| Personal Expenses | 4,675             | 5,005             | 53.973              | 5,910             |

**36 Commitments**

Future commitments existing on the controller on June 30, 2012, relate refer mainly to:

Through its subsidiaries Maeda and Vanguarda, there are the following commitments:

- a) SOYBEANS - The Controlled Maeda and Vanguarda executed agreements with customers to supply 454,956 tons from the harvest 11/12 of soybeans (approximately 99% of the estimated crop production), substantially for the foreign market (indirect export) at preset and fixed prices.
- b) COTTON - The Controlled Maeda and Vanguarda executed agreements to supply 46.000 tons from the harvest 11/12 of cotton lint (approximately 70% of the estimated crop production) with preset and fixed prices, aimed mainly the foreign market.
- c) CORN - The Controlled Maeda and Vanguarda executed agreements with customers to supply 154.000 tons from the harvest 11/12 of corn (approximately 65% of the estimated crop production), at preset prices for the domestic market.

**Vanguarda Agro S.A.**  
**Explanatory notes of the management for the**  
**quarterly financial information on June 30, 2012**  
**In thousands of reais, except where indicated otherwise**

On June 30, 2012 the Controlled Vanguarda Participações S.A. and Maeda S.A. Agroindustrial had hired 131,323 and 70,388 hectares, respectively, of operating lease with a third party. The areas of leased land are used primarily for the cultivation of soybeans, cotton and corn, maturing in 2020.

**37 Insurance Coverage**

The Company and its subsidiaries maintain insurance policies contracted with some of the leading insurers in the country, which were defined by expert guidance and take into account the nature and degree of risk involved. On June 30, 2011, the Company and its subsidiaries had insurance coverage against fire and other risks for fixed assets and inventories, as shown below.

|                           | <u>Controller</u> | <u>Consolidated</u> |
|---------------------------|-------------------|---------------------|
|                           | <u>30/06/2012</u> | <u>30/06/2012</u>   |
| Civil liability           | 40,000            | 40,000              |
| Various risks - assets    | 549               | 81,046              |
| Various risks - inventory |                   | 4,750               |
|                           | <u>40,549</u>     | <u>125,796</u>      |

\* \* \*

## 1. Message from the Management

In line with the company's expectations, and reflecting the momentum of the agribusiness sector, the 2Q12 was marked by continued good operational result in the Farming operation, which supports the decision to change the business model of Vanguarda Agro. The consistency of positive operational result of Farming operation resulted in an EBITDA of R\$ 92.1 million in 1H12 to R\$ 41.5 million in 2Q12.

Besides, Vanguarda Agro is fully committed to improving its capital structure as shown in net debt reduction of 38% in dollars and 32% in local currency compared to 3Q11.

As reported in the 1Q12 Earnings Release, the Company suspended the production of biodiesel in the first days of April, with completion of the sale of the Biodiesel units of Iraquara and Porto Nacional. With this, Vanguarda Agro recognized in its results for the 2Q12 revenues and expenses related to biodiesel during this period, provisions for inventory and low cost linked to the sale of units Iraquara and Porto Nacional. These adjustments totaled R\$ 25 million in the semester.

In relation to corporate activities, it was recognized in the Biodiesel/Corporate operation the impact of lowering the goodwill of stake in the company Jaborandi, sold on May 21, 2012, and a decrease in goodwill resulting from the appreciation of the leases and its wholly owned subsidiaries Maeda and Vanguarda Participações. This goodwill is calculated considering the average value of lease agreements compared to market value and is amortized monthly depending on the useful life of the respective agreements. These provisions totaled R\$ 17 million in the semester.

With the exception of goodwill resulting from the added value of the leases of Maeda and Vanguarda Participações, with quarterly recognition of expense of R\$ 4.6 million, other values detailed above are non-recurring and should not impact the Company's results from 3Q12.

Additionally, since 71% of the Company's debt is indexed to the U.S. dollar, the exchange rate variation of 11.0% in 2Q12 contributed (accounting effect, with no impact on cash flow) directly to the rise of indebtedness of the Company, negatively impacting the result of this quarter. Considering that the total revenue is also indexed to the U.S. dollar, the impact of foreign exchange, as well as the risk of currency exposure, will be offset over the coming quarters.

Finally, it is important to note that the Company is fully focused on the Farming operation with the production of soybean, corn and cotton in five Brazilian states.

## 2. Market Overview

### Introduction

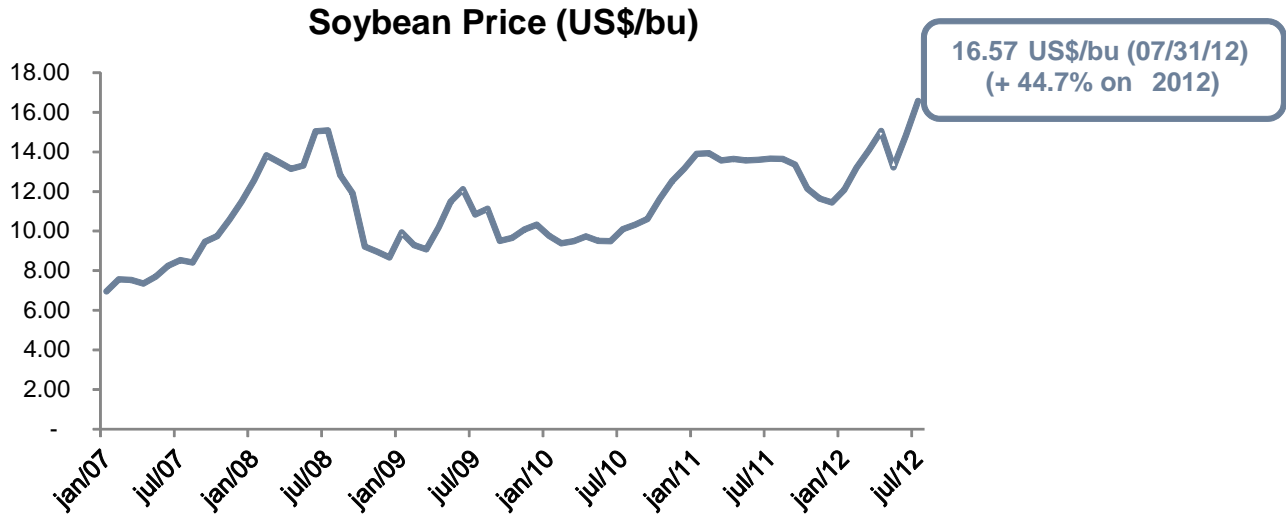
The prospects of prices of major commodities produced by Vanguarda Agro are continuing at high levels due to the current dynamics of supply/demand on the world scenario. This dynamic was recently impacted by a reduction in 2011/12 harvest in South America and the expected reduction of the 2012/13 U.S. crop year that will be harvested in the coming months.

With a long term scenario, the OECD-FAO report (OECD-FAO Agricultural Outlook 2012-2021), published in July 2012, projects an increase in the world population of 2.1 billion people by 2050, that is, an increase of approximately 30% of the current world population. In addition to this factor, the per capita food demand will also increase sharply due to (i) urbanization and population migration, (ii) the increase in per capita income and (iii) the change in eating habits. According to the report, agricultural production must increase by 60% over the next 40 years to meet the growing global demand for food. This means an additional 1 billion tons of grain per year by 2050 compared to the levels in 2005.

Corroborating in the short term but maintaining a long term view, the OECD-FAO report mentions that the price of agricultural commodities should remain at high levels and with volatility in face of (i) the strong demand for food, (ii) the increased cost of some inputs, (iii) adverse weather issues and (iv) reduced inventories.

### Soybean

The behavior of soybean futures price traded on the Chicago Board of Trade (CBOT) increased in value during the first semester of 2012, ending the month of June priced at US\$/bu 14.82, an increase of 29.4% compared to the price in late 2011. Throughout July the uptrend in the soybeans price persisted, ending the month at US\$/bu 16.57, an increase of 44.7% compared to the end of 2011. The behavior of the high soybean price was influenced by sustained demand from China, reducing the supply of soybeans in South America and the expectation of reducing the supply of soybean in 2012/13 crop year in the United States.



According to the report of supply and demand published by USDA in June 2012, the estimate for soybean world production in 2011/12 crop year is 236 million tons, a reduction of 10.6% related to the 265 million tons in 2010/11 crop year. As mentioned above, the fall in world production is mainly due to reduced supply of soybean production in South America due to the drought conditions which prevailed in the country's Midwest.

The projections of final stocks of the 2011/12 crop year fell to 53 million tons, an amount 17 million tons less than the previous season and with a stock/usage ratio of 21%, the lowest seen since the 2008/09 crop.

| Soybeans<br>(million tons) | 07/08 | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 (*) |
|----------------------------|-------|-------|-------|-------|-------|-----------|
| Initial Inventory          | 63    | 53    | 43    | 61    | 70    | 53        |
| Production                 | 221   | 212   | 261   | 265   | 236   | 267       |
| Consumption                | 231   | 221   | 244   | 255   | 254   | 264       |
| Final Inventory            | 53    | 44    | 60    | 70    | 53    | 56        |
| Rel. Inventory/use (%)     | 23%   | 20%   | 25%   | 27%   | 21%   | 21%       |

(\*) Projected data

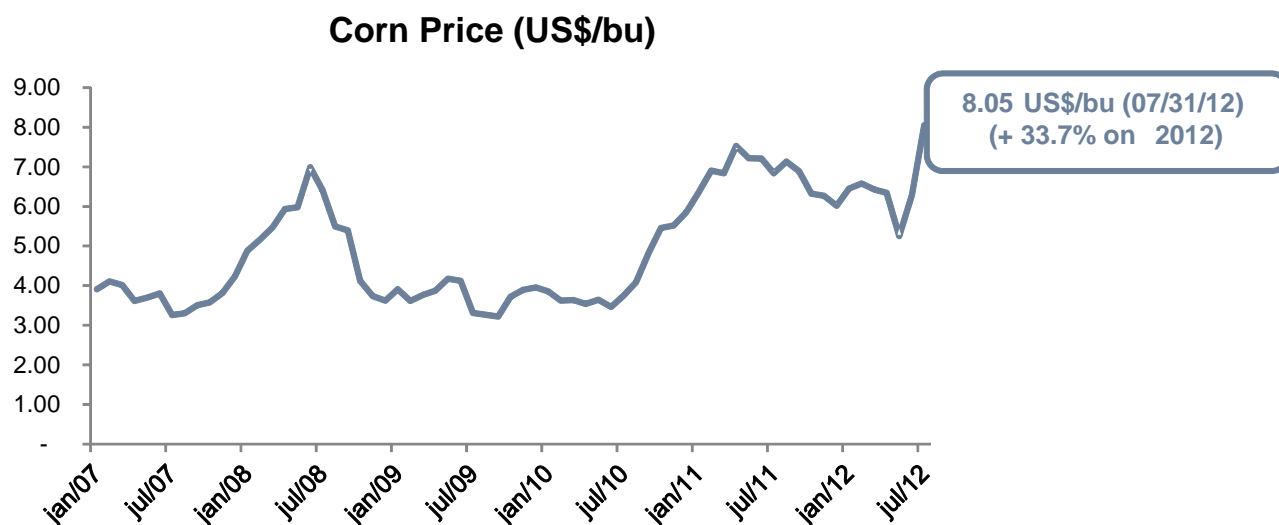
Source: USDA

It is important to analyze on the table above that the stock/usage ratio projected for 2012/13 crop year was kept at the same 21% due to the expectation of reduced U.S. production.

As a consequence of climate change, the soybean price on the CBOT reached its maximum, surpassing the 2008 peak, and present fluctuations due to each new news about the progress of the North American harvest.

## Corn

The behavior of corn futures price traded on the Chicago Board of Trade (CBOT) increased in value during the first semester of 2012, ending the month of June priced at US\$/bu 6.29, an increase of 4.48% compared to the price in late 2011. Throughout July the uptrend in the price of corn increased, ending the month at US\$/bu 8.05, an increase of 33.7% compared to the end of 2011. The increase in the price of corn was influenced mainly by the decrease in the estimated production of the 2012/13 U.S. crop in face of the worst drought seen in the country over the last 25 years.



According to the report of supply and demand published by USDA in June 2012, the estimate for corn production in 2011/12 crop year is 874 million tons, 5.4% above the 829 million tons in 2010/11 crop.

Despite the increase in supply, the consumption of corn also increased, which impacted the projected final stocks of the 2011/12 crop year, which increased only 5 million tons to 129 million tons. With that the stock/usage ratio was reduced to 15%, the lowest number since the 2007/08 crop year.

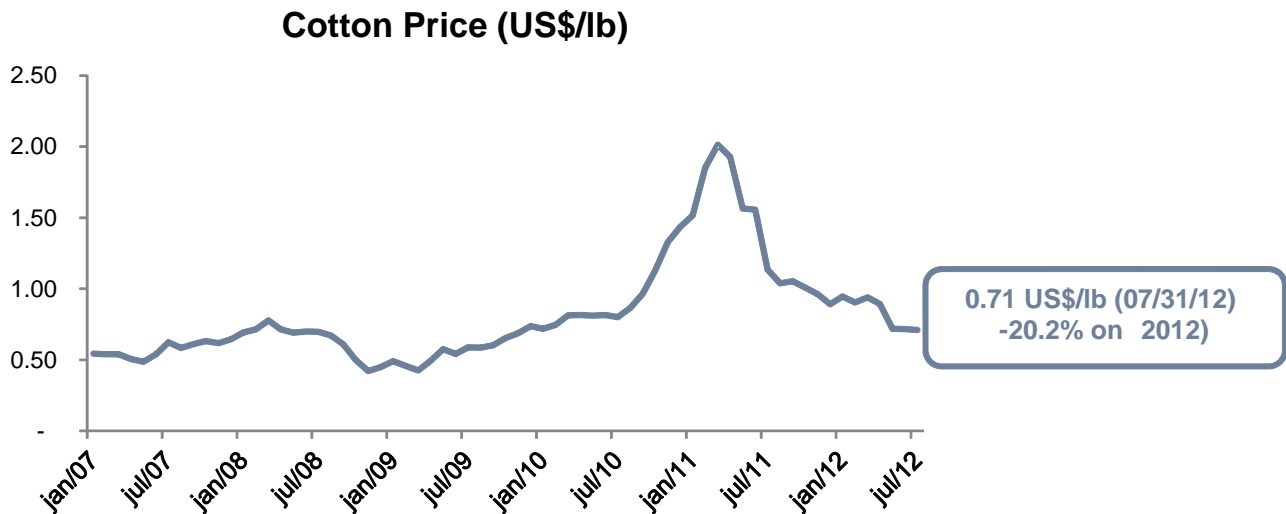
| Corn (million tons)    | 07/08 | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 (*) |
|------------------------|-------|-------|-------|-------|-------|-----------|
| Initial Inventory      | 109   | 131   | 148   | 144   | 124   | 129       |
| Production             | 792   | 798   | 819   | 829   | 874   | 905       |
| Consumption            | 771   | 782   | 823   | 849   | 869   | 903       |
| Final Inventory        | 129   | 147   | 144   | 124   | 129   | 131       |
| Rel. Inventory/use (%) | 17%   | 19%   | 18%   | 15%   | 15%   | 15%       |

(\*) Projected data  
Source: USDA

Similarly as what was shown for soybean, the stock/usage ratio projected for 2012/13 crop was kept at the same 15% due to the expectation of reduced U.S. corn production. As a reflection of this context, futures corn prices reached very high levels.

## Cotton

The behavior of cotton futures price traded on the Intercontinental Exchange (ICE) presented a decrease behavior during the first semester of 2012, ending the month of June priced at US\$/lb 0.72, a decrease of 19,1% compared to late 2011. Throughout July the cotton price showed a stable behavior, ending the month at US\$/lb 0.71, a decrease of 20.2% from the end of 2011. The decrease behavior in the price of cotton was influenced by the global economic slowdown that depressed the consumption of cotton.



According to the report of supply and demand published by USDA in June 2012, the estimate for cotton world production in 2011/12 crop is 27 million tons, an increase of 8.0% related to the 25 million tons in 2010/11 crop year. The consumption, in turn, is estimated at 23 million tons, a decrease of 8% compared to the previous harvest, depending on the global economic and financial conditions. This market dynamic significantly increases the stock of cotton in the world.

The projections of final stocks of the 2011/12 crop year increased to 15 million tons, an amount 4 million tons above the previous year and with a stock/usage ratio of 63%, the highest seen since the 2007/08 crop year.

| Cotton (million tons)  | 07/08 | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 (*) |
|------------------------|-------|-------|-------|-------|-------|-----------|
| Initial Inventory      | 14    | 13    | 13    | 10    | 11    | 15        |
| Production             | 26    | 23    | 22    | 25    | 27    | 25        |
| Consumption            | 26    | 23    | 25    | 25    | 23    | 24        |
| Final Inventory        | 14    | 13    | 10    | 11    | 15    | 16        |
| Rel. Inventory/use (%) | 51%   | 56%   | 40%   | 43%   | 63%   | 69%       |

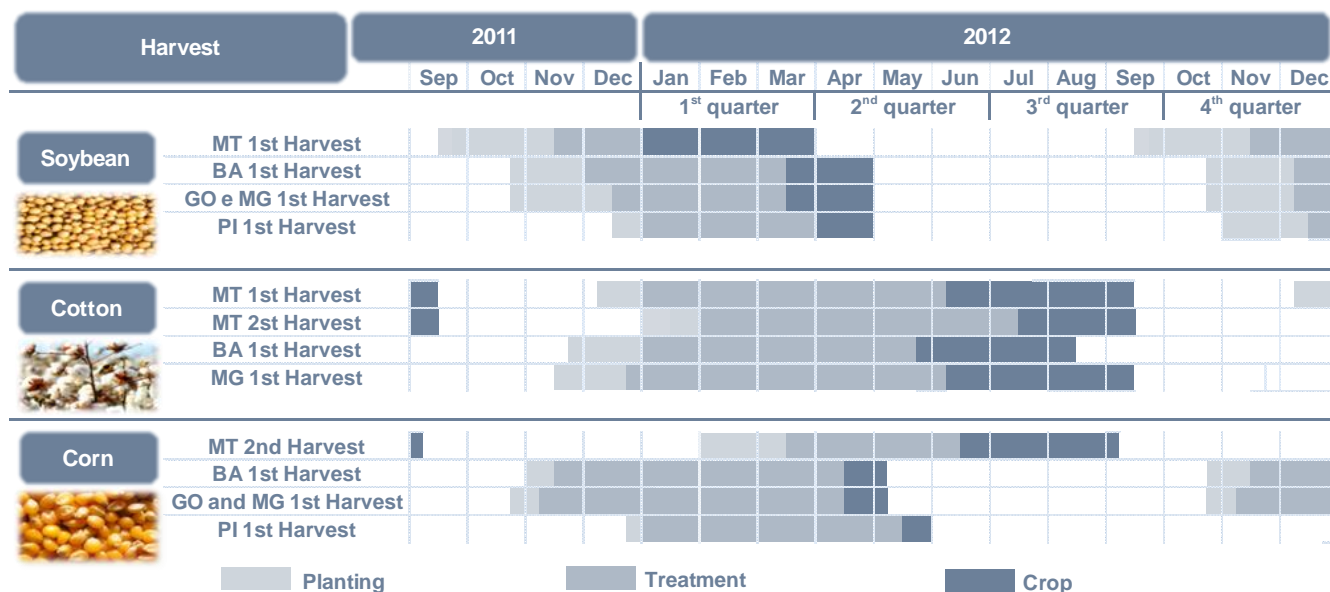
(\*) Projected data

Source: USDA

With the maintenance of the global financial and economic scenario, the stock/usage ratio projected for the 2012/13 crop year was increased to 69%, despite the expected area reduction in some important producers such as Brazil, Australia and Argentina.

### 3. Operational Performance

The 2Q12, as shown in the table below, is marked by the end of the harvest of soybeans from the 2011/12 crop year (162,518 ha), and the 1st crop of corn (1,609 ha), as well as the beginning of the cotton harvest in the states of Mato Grosso, Bahia and Minas Gerais and the second crop of corn in Mato Grosso.



Below is shown the stage of our harvests:

### Cotton 1st crop

The cultivation of cotton 1st harvest occurred in Mato Grosso, Bahia and Minas Gerais in an area of 32,532 ha. This crop is in the phase of harvest and filling the last apples of the upper third of the plants. By the end of 2Q12, 25% of the planted area had been harvested and this cotton is being benefited by the cotton plant.

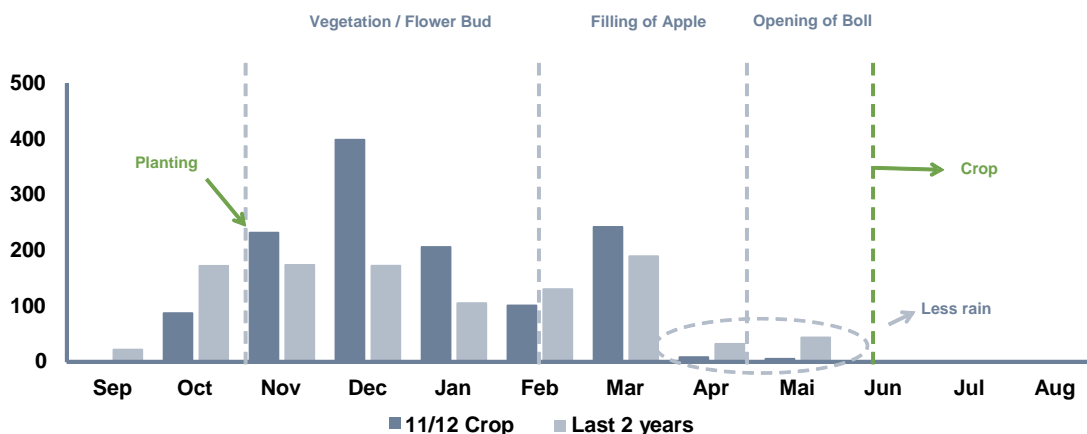
The table below shows the planted area with cotton 1st crop in different states.

| Cotton 1 <sup>st</sup> crop | Planted Area (ha) |
|-----------------------------|-------------------|
| <b>Total</b>                | <b>32,532</b>     |
| Mato Grosso                 | <b>19,361</b>     |
| Bahia                       | <b>10,155</b>     |
| Goias and Minas Gerais      | <b>3,16</b>       |

The diversification of acting areas of the company is a strategic factor and its relevance can be seen in what happen for the cotton 1st crop.

In western Bahia, cotton 1st crop, despite the normal average rainfall for the period, was impacted by a poor distribution during the development cycle of the plant (filling of apples/boll opening). For a better understanding of the scenario presented below, there is the statement of rainfall of Faz. Amizade, Correntina - BA comparing the distribution of rainfall in 11/12 crop year and in the two prior seasons.

### Rainfall Distribution - Amizade Farm (Cotton)



In Mato Grosso, there was a stretch during the rainy season (until June), which increased the rotting of apples at the bottom of the plant (higher humidity) for the cultivation of the 1st crop. However, it favored the filling of upper apples of the plant (airier), thus balancing the average productivity of the culture.

Clearly the geographical distribution of the Vanguarda Agro farms was extremely positive for reducing the risk of climate impacts on production.

Cotton 2nd crop

The cotton plants 2nd crop are in the bottom third bolls opening phase and filling the apples. The harvest for this crop has not started yet.

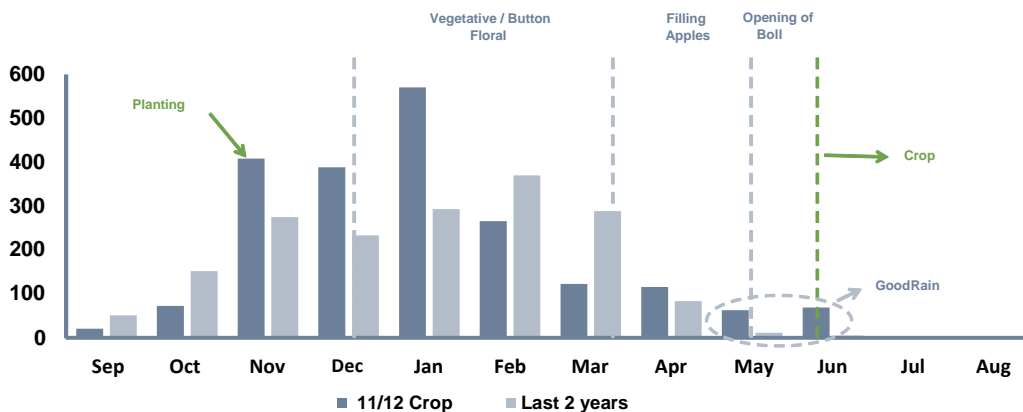
The table below shows the planted area with cotton 2nd crop in the state of Mato Grosso.

| Cotton 2 <sup>nd</sup> Crop | Planted Area (ha) |
|-----------------------------|-------------------|
| <b>Total</b>                | <b>12,525</b>     |
| Mato Grosso                 | <b>12,525</b>     |

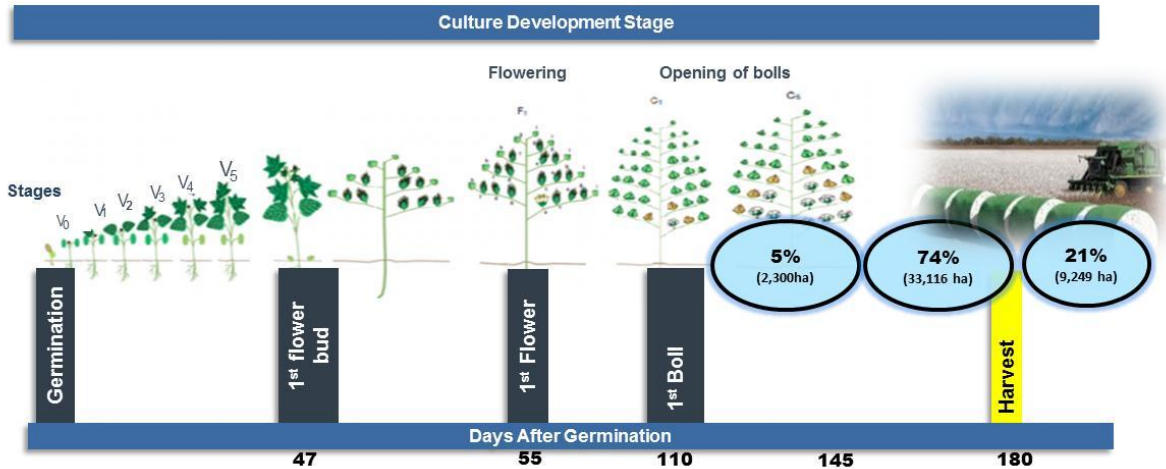
Stretching atypical rains in Mato Grosso benefited the cotton 2nd crop that was planted by the end of January, encouraging the formation and filling of apples during its production cycle.

For a better understanding of the scenario presented below, there is the statement of rainfall of Faz. Cachoeira, Campo Novo dos Parecis – MT comparing the distribution of rainfall in 11/12 crop year and in the two prior seasons.

**Rainfall Distribution - Cachoeira Farm (Cotton)**



Below there is the evolution statement of the stage of the 1st and 2nd cotton harvests.



\* Stage of plants in 30/June

### Corn 1st Crop

The 1st harvest of corn was planted in Bahia, Goiás/Minas Gerais and Piauí in an area of 1,404 ha, 1,156 ha and 452 ha, respectively.

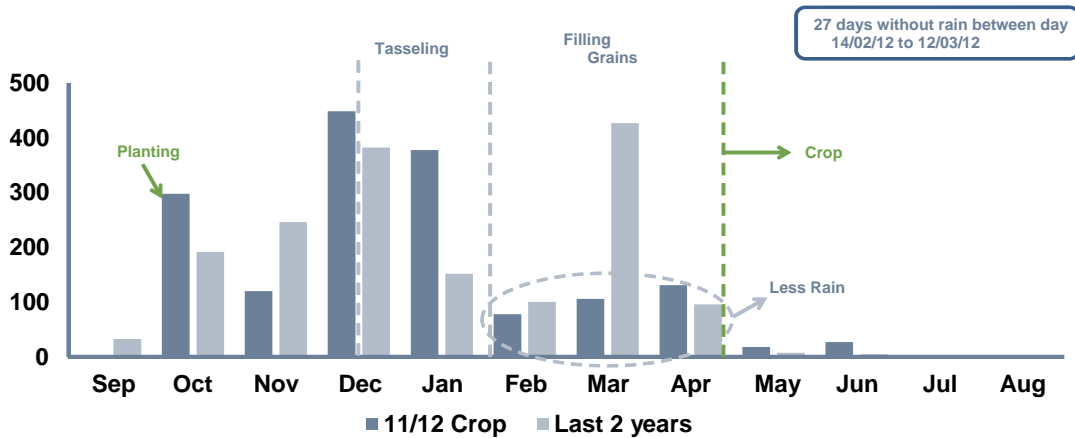
The table below shows the planted area with corn 1st crop in different states.

| Corn 1 <sup>st</sup> Crop | Planted Area (ha) |
|---------------------------|-------------------|
| <b>Total</b>              | <b>3,010</b>      |
| Bahia                     | 1,402             |
| Goiás and Minas Gerais    | 1,156             |
| Piauí                     | 452               |

By the end of 2Q12, the 1st crop of corn had been harvested with productivity within expectations, despite a period of drought which damaged the stages of formation of spikes and grain filling.

For a better understanding of the scenario presented below, we see the statement of rainfall in Goiás/Minas Gerais comparing the distribution of rainfall in 11/12 harvest and in the two seasons prior.

### Rainfall Distribution - Santa Mônica Farm (Corn)



### Corn 2nd Crop

The 2nd corn crop was favored by stretching the rainy season in Mato Grosso, which is 100% of the areas for this technology.

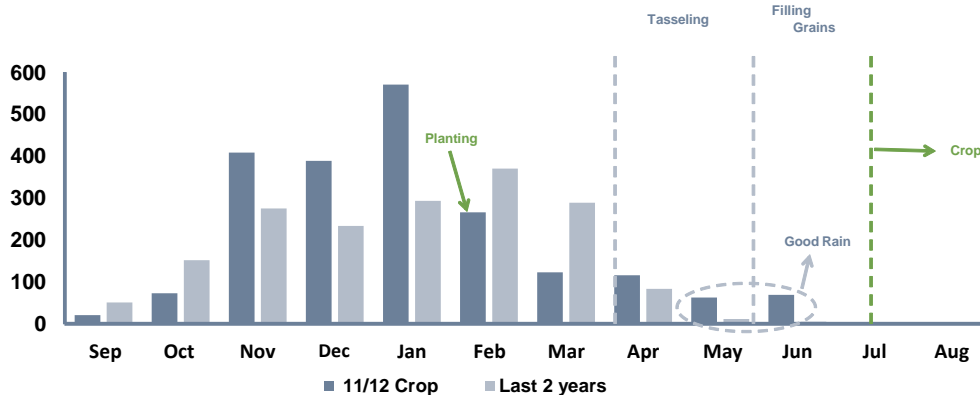
The table below shows the planted area with corn 2nd harvest in the state of Mato Grosso.

| Corn 2 <sup>nd</sup> Crop | Planted Area (ha) |
|---------------------------|-------------------|
| <b>Total</b>              | <b>44,411</b>     |
| Mato Grosso               | <b>44,411</b>     |

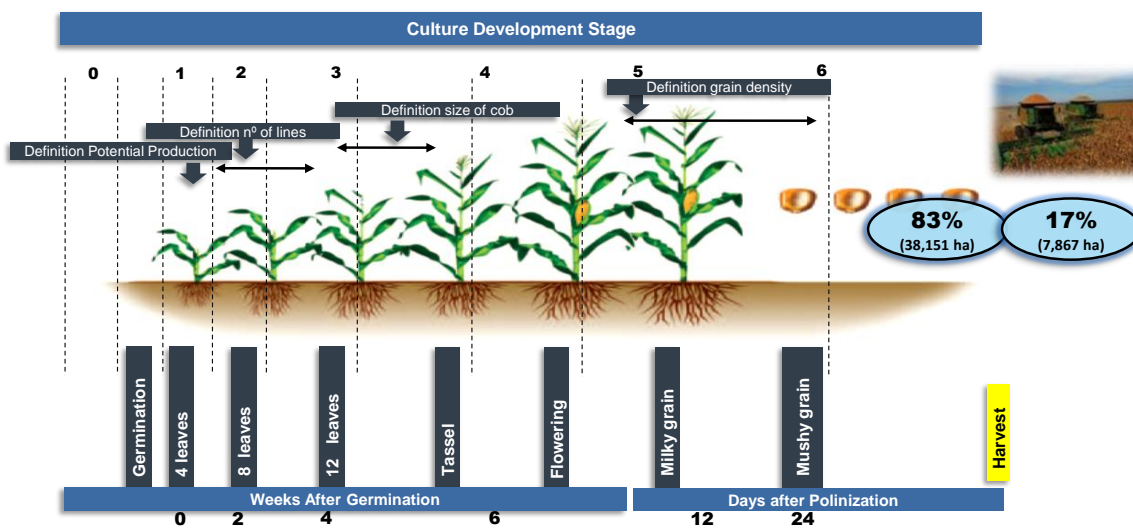
By the end of 2Q12, 11% of 2nd corn crop had been harvested.

For a better understanding of the scenario seen below, there is the statement of rainfall of Faz. Cachoeira, Campo Novo dos Parecis – MT comparing the distribution of rainfall in 11/12 crop year and in the two prior seasons.

### Rainfall Distribution - Cachoeira Farm (Corn)



Below there is the evolution statement of the stage of the 1st and 2nd corn harvests.



\* Stage of plants in 30/June

## Planted Area and Yield

| Mix of Crops       | Planting      |                | Harvest        |                         |                                    |
|--------------------|---------------|----------------|----------------|-------------------------|------------------------------------|
|                    | 2010/11<br>ha | 2011/12<br>ha  | 2011/12<br>ha  | Percentage<br>Harvested | Estimated Yield<br>2011/12 (kg/ha) |
| <b>Cotton</b>      | <b>18,737</b> | <b>45,057</b>  | <b>8,161</b>   | <b>18%</b>              | <b>3,525</b>                       |
| Cotton 1st harvest | 15,582        | 32,532         | 8,161          | 25%                     | 3,612                              |
| Cotton 2nd Harvest | 3,155         | 12,525         | -              | 0%                      | 3,300                              |
| <b>Soybean</b>     | <b>52,771</b> | <b>162,518</b> | <b>162,518</b> | <b>100%</b>             | <b>2,850</b>                       |
| <b>Corn</b>        | <b>7,069</b>  | <b>47,421</b>  | <b>6,594</b>   | <b>14%</b>              | <b>5,730</b>                       |
| Corn 1st Harvest   | 1,213         | 3,010          | 1,609          | 53%                     | 6,575                              |
| Corn 2nd Harvest   | 5,856         | 44,411         | 4,985          | 11%                     | 5,673                              |
| <b>Other (1)</b>   | <b>4,511</b>  | <b>32,736</b>  | <b>4,898</b>   | <b>15%</b>              | <b>-</b>                           |
| <b>Total</b>       | <b>83,088</b> | <b>287,732</b> | <b>182,171</b> | <b>63%</b>              | <b>-</b>                           |

(1) Sorghum, rice, coffee and gross seeds.

**Soybean:** In 2Q12, we finished soybean harvest of 2011/12 crop year with an average yield of 2,850 hg/ha, 10% lower than the number expected by the Company as a result of weather problems in Goias, Minas Gerais, Bahia, Piauí, and high pressure of the Asian rust disease in soybean in the state of Mato Grosso.

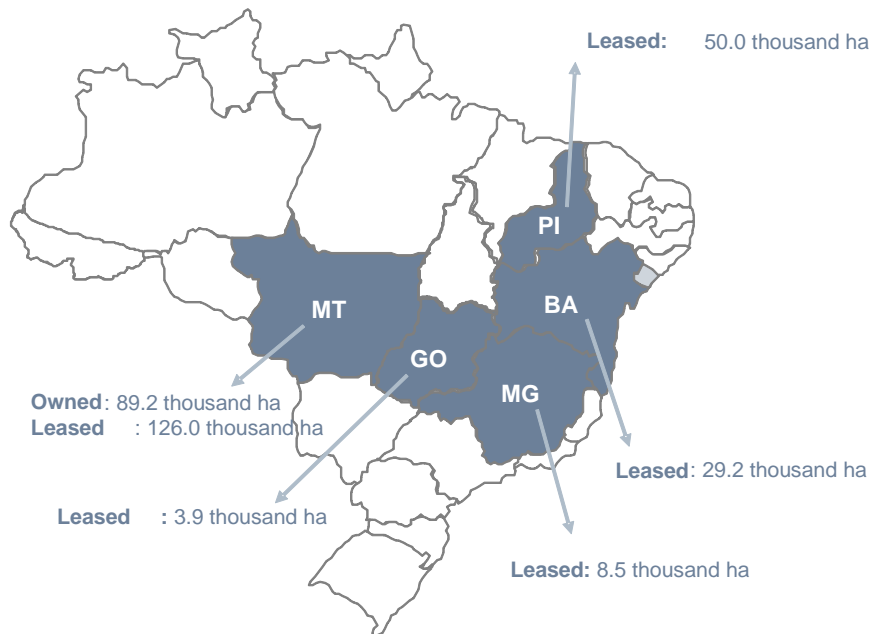
**Cotton** The cotton harvest in the state of Bahia began in mid-May. In Mato Grosso, for reasons of climate order, the harvest was postponed to the end of June. The percentage harvested until the end of 2Q12 was 18% of the total cotton area and average yield was 3351 kg/ha. Since the harvested area to date corresponds to the areas that had a low yield potential, the trend is that the average productivity of cotton will increase with the progress of the harvest.

**Corn:** The harvest was completed for 1st crop area in the states of Goiás/Minas Gerais and Piauí. Despite the drought in the region, yield closed at 6575 kg/ha.

For the 2nd corn crop in the state of Mato Grosso, the percentage harvested until the end of 2Q12 was 11% and the average yield was 6,896 kg/ha.

## Land Portfolio

On June 30, 2012, the Company had the following portfolio of land:



*Note: There are not included the 42 thousand hectares of land non arable for soybeans, cotton and corn.*

## Machinery

On June 30, 2012, the Company had the following set of equipment for the agricultural activities:

| Machinery – 06/30/2011 | Owned      |            | Third Persons |            | TOTAL      |
|------------------------|------------|------------|---------------|------------|------------|
|                        | Qty.       | %          | Qty.          | %          |            |
| Tractors               | 380        | 98%        | 7             | 2%         | 387        |
| Planters               | 195        | 98%        | 4             | 2%         | 199        |
| Sprayers               | 67         | 75%        | 22            | 25%        | 89         |
| Agricultural Aircrafts | 6          | 43%        | 8             | 57%        | 14         |
| Grain Harvesters       | 89         | 44%        | 115           | 56%        | 204        |
| Cotton Harvesters      | 67         | 100%       | -             | -          | 67         |
| <b>Total</b>           | <b>804</b> | <b>84%</b> | <b>156</b>    | <b>16%</b> | <b>960</b> |

## Storage

On June 30, 2012, the Company had 5 units owned for storage in Mato Grosso, with static storage capacity 162.6 thousand tons. Moreover, it has 8 leased units in the states of Mato Grosso, Goias and Minas Gerais, with static storage capacity of 93.5 tons.

In the cotton crop, Vanguarda Agro has storage capacity of cotton fiber for a volume of 90,000 tons, equivalent to 450,000 packs, located in beneficiary units installed in Mato Grosso and Bahia.

| Static Storage Capacity | Consolidated |        |
|-------------------------|--------------|--------|
|                         | Grains       | Cotton |
| Tons                    | 256,100      | 90,000 |
| % Production            | 37%          | 132%   |

## 4. Financial Economic Performance

The Company's results for both 2Q12 and 1H12 are separated into Farming and Biodiesel/Corporate operations.

The permanency of segregation in the Biodiesel/Corporate operation became necessary as yet there were recognized income and expenses allocated to Biodiesel operations and the decrease of goodwill of the participation in Jaborandi and decrease of goodwill resulting from the appreciation of the lease agreements of Maeda and Vanguarda Participações, as described in the management message.

The table below presents the consolidated results of the Company segregated according to the operations above.

| Income Statement (R\$ Thousand)                                  | 2Q12            | 2Q11          | 2Q12            | 2Q11            | 2Q12            | 2Q11            |
|--|-----------------|---------------|-----------------|-----------------|-----------------|-----------------|
|  | Farming         |               | Biodiesel       |                 | Consolidated    |                 |
| <b>Net Revenue</b>   | <b>185,251</b>  | <b>74,819</b> | <b>4,482</b>    | <b>124,873</b>  | <b>189,733</b>  | <b>199,692</b>  |
| Biological Assets Suitable to the Revenue                        | 26,019          | 7,967         | -               | 930             | 26,019          | 8,897           |
| Cost of Goods and Services (COGS)                                | (180,580)       | (78,430)      | (11,428)        | (129,466)       | (192,008)       | (207,896)       |
| <b>Gross Profit (Loss)</b>                                       | <b>30,690</b>   | <b>4,356</b>  | <b>(6,946)</b>  | <b>(3,663)</b>  | <b>23,744</b>   | <b>693</b>      |
| <i>Gross Margin</i>  | <i>16.6%</i>    | <i>5.8%</i>   | <i>-155.0%</i>  | <i>-2.9%</i>    | <i>12.5%</i>    | <i>0.3%</i>     |
| <b>Operating Expenses</b>  | <b>2,892</b>    | <b>94</b>     | <b>(47,064)</b> | <b>(17,220)</b> | <b>(44,172)</b> | <b>(17,126)</b> |
| General, administrative and with sales                           | (15,041)        | (6,726)       | (20,862)        | (16,946)        | (35,903)        | (23,672)        |
| Taxes  | -               | (13)          | 110             | (271)           | 110             | (284)           |
| Other Operational Income (expense)                               | 17,933          | 6,833         | (26,312)        | (3)             | (8,379)         | 6,830           |
| <b>Operating Results before Financial Results EBIT</b>           | <b>33,582</b>   | <b>4,450</b>  | <b>(54,010)</b> | <b>(20,883)</b> | <b>(20,428)</b> | <b>(16,433)</b> |
| <b>Financial Result</b>  | <b>(66,826)</b> | <b>17,268</b> | <b>(1,335)</b>  | <b>(255)</b>    | <b>(68,161)</b> | <b>17,013</b>   |
| Financial Income   | 5,787           | 22,278        | (27)            | 1,865           | 5,760           | 24,143          |
| Financial Expenses   | (16,209)        | (15,718)      | (1,308)         | (2,116)         | (17,517)        | (17,834)        |
| Exchange Variation   | (56,404)        | 10,708        | (0)             | (4)             | (56,404)        | 10,704          |
| <b>Profit (loss) before Income and Social Contribution Taxes</b> | <b>(33,244)</b> | <b>21,718</b> | <b>(55,345)</b> | <b>(21,138)</b> | <b>(88,589)</b> | <b>580</b>      |
| Income and Social Contribution Taxes                             | 19,618          | 2,278         | -               | -               | 19,618          | 2,278           |
| <b>Net Income (Loss) of the Period</b>                           | <b>(13,626)</b> | <b>23,997</b> | <b>(55,345)</b> | <b>(21,138)</b> | <b>(68,971)</b> | <b>2,858</b>    |
| <i>Net Margin</i>  | <i>-7.4%</i>    | <i>32.1%</i>  | <i>-</i>        | <i>-16.9%</i>   | <i>-36.4%</i>   | <i>1.4%</i>     |
| <b>EBITDA</b>  | <b>41,466</b>   | <b>12,972</b> | <b>(39,620)</b> | <b>(18,963)</b> | <b>1,846</b>    | <b>(5,991)</b>  |
| <i>EBITDA Margin</i>   | <i>22.4%</i>    | <i>17.3%</i>  | <i>-</i>        | <i>-15.2%</i>   | <i>1.0%</i>     | <i>-3.0%</i>    |

Note: The value of biological assets at appropriate cost can be found in the table under item "Gross Profit"

| Income Statement (R\$ Thousand)                                  | 1H12            | 1H11           | 1H12            | 1H11            | 1H12            | 1H11            |
|--|-----------------|----------------|-----------------|-----------------|-----------------|-----------------|
|  | Farming         |                | Biodiesel       |                 | Consolidated    |                 |
| <b>Net Revenue</b>   | <b>426,632</b>  | <b>135,183</b> | <b>94,130</b>   | <b>269,513</b>  | <b>520,762</b>  | <b>404,696</b>  |
| Biological Assets Suitable to the Revenue                        | 59,758          | 21,096         | -               | 1,017           | 59,758          | 22,113          |
| Cost of Goods and Services (COGS)                                | (405,432)       | (138,106)      | (90,477)        | (265,453)       | (495,909)       | (403,559)       |
| <b>Gross Profit (Loss)</b>                                       | <b>80,958</b>   | <b>18,173</b>  | <b>3,653</b>    | <b>5,077</b>    | <b>84,611</b>   | <b>23,250</b>   |
| <i>Gross Margin</i>  | <i>19.0%</i>    | <i>13.4%</i>   | <i>3.9%</i>     | <i>1.9%</i>     | <i>16.2%</i>    | <i>5.7%</i>     |
| <b>Operating Expenses</b>  | <b>(7,706)</b>  | <b>(2,150)</b> | <b>(62,148)</b> | <b>(33,291)</b> | <b>(69,854)</b> | <b>(35,441)</b> |
| General, administrative and with sales                           | (30,938)        | (11,176)       | (34,869)        | (32,022)        | (65,807)        | (43,198)        |
| Taxes  | -               | -              | (825)           | (549)           | (825)           | (549)           |
| Other Operational Income (expense)                               | 23,232          | 9,026          | (26,454)        | (720)           | (3,222)         | 8,306           |
| <b>Operating Results before Financial Results EBIT</b>           | <b>73,252</b>   | <b>16,023</b>  | <b>(58,495)</b> | <b>(28,214)</b> | <b>14,757</b>   | <b>(12,191)</b> |
| <b>Financial Result</b>  | <b>(91,885)</b> | <b>18,716</b>  | <b>(1,831)</b>  | <b>(440)</b>    | <b>(93,716)</b> | <b>18,276</b>   |
| Financial Income   | 16,310          | 34,799         | 656             | 4,511           | 16,966          | 39,310          |
| Financial Expenses   | (53,346)        | (30,032)       | (5,711)         | (4,947)         | (59,057)        | (34,979)        |
| Exchange Variation   | (54,849)        | 13,949         | 3,224           | (4)             | (51,625)        | 13,945          |
| <b>Profit (loss) before Income and Social Contribution Taxes</b> | <b>(18,633)</b> | <b>34,739</b>  | <b>(60,326)</b> | <b>(28,654)</b> | <b>(78,959)</b> | <b>6,085</b>    |
| Income and Social Contribution Taxes                             | 26,825          | (4,093)        | -               | -               | 26,825          | (4,093)         |
| <b>Net Income (Loss) of the Period</b>                           | <b>8,192</b>    | <b>30,646</b>  | <b>(60,326)</b> | <b>(28,654)</b> | <b>(52,134)</b> | <b>1,992</b>    |
| <i>Net Margin</i>  | <i>1.9%</i>     | <i>22.7%</i>   | <i>-64.1%</i>   | <i>-10.6%</i>   | <i>-10.0%</i>   | <i>0.5%</i>     |
| <b>EBITDA</b>  | <b>92,118</b>   | <b>26,072</b>  | <b>(38,432)</b> | <b>(20,119)</b> | <b>53,686</b>   | <b>5,953</b>    |
| <i>EBITDA Margin</i>   | <i>21.6%</i>    | <i>19.3%</i>   | <i>-40.8%</i>   | <i>-7.5%</i>    | <i>10.3%</i>    | <i>1.5%</i>     |

Note: The value of biological assets at appropriate cost can be found in the table under item "Gross Profit"

## Net Revenue

- 2Q12

| Income Statement (R\$ Thousand) | 1Q12           | 1Q11          | 1Q12         | 1Q11           | 1Q12           | 1Q11           |
|---------------------------------|----------------|---------------|--------------|----------------|----------------|----------------|
|                                 | Farming        |               | Biodiesel    |                | Consolidated   |                |
| <b>Net Revenue</b>              | <b>185,251</b> | <b>74,819</b> | <b>4,482</b> | <b>124,873</b> | <b>189,733</b> | <b>199,692</b> |

Net revenue from Farming operations totaled R\$ 185.2 million, 147% higher than the same period last year, driven by the merger of Vanguarda Participações.

As mentioned before, 2Q12 is characterized by late soybean harvest and early harvest of corn and cotton. Thus, soy, in the quarter, was the main component of income in the Farming operation, as follows:

| Net Revenue<br>(R\$ thousand) | Farming        |             |
|-------------------------------|----------------|-------------|
|                               | 2Q12           | (%)         |
| <b>Net Revenue</b>            | <b>185,251</b> | <b>100%</b> |
| Lint Cotton                   | 16,978         | 9%          |
| Cottonseedn                   | 2,045          | 1%          |
| Soybean                       | 100,676        | 54%         |
| Corn                          | 4,005          | 2%          |
| Other (*)                     | 61,548         | 33%         |

Note: The other item that makes up the Company's net revenue consists almost entirely of the purchase of performance agreements for existent ACC (Advances on Exchange Contracts) agreement settlement.

| Revenue<br>(tons)    | Farming        |             |
|----------------------|----------------|-------------|
|                      | 2Q12           | (%)         |
| <b>Billed Amount</b> | <b>149,657</b> | <b>100%</b> |
| Lint Cotton          | 5,109          | 3%          |
| Cottonseed           | 4,425          | 3%          |
| Soybean              | 126,304        | 84%         |
| Corn                 | 13,685         | 9%          |
| Other                | 134            | 0%          |

In 2Q12, total net revenue of Vanguarda Agro reached R\$ 189.7 million, a value 4.9% lower than in the same period of the previous year, when revenues from Biodiesel operations were more significant. The decrease in net income was primarily impacted by the change in business model, so the Farming operation was responsible for 97.6% of net revenues and Biodiesel/Corporate operation was responsible by 2.4%.

- **1H12**

| Income Statement (R\$ Thousand) | 1H12           | 1H11           | 1H12          | 1H11           | 1H12           | 1H11           |
|---------------------------------|----------------|----------------|---------------|----------------|----------------|----------------|
|                                 | Farming        |                | Biodiesel     |                | Consolidated   |                |
| <b>Net Revenue</b>              | <b>426,632</b> | <b>135,183</b> | <b>94,130</b> | <b>269,513</b> | <b>520,762</b> | <b>404,696</b> |

In 1H12, net revenue from Farming operations totaled R\$ 426.6 million, 215% higher than the same period last year, driven by the merger of Vanguarda Participações.

In the table below we see the breakdown of revenues from Farming operations.

| Net Revenue<br>(R\$ thousand) | Farming        |             |
|-------------------------------|----------------|-------------|
|                               | 1H12           | (%)         |
| <b>Net Revenue</b>            | <b>426,632</b> | <b>100%</b> |
| Lint Cotton                   | 47,892         | 11%         |
| Cottonseed                    | 5,542          | 1%          |
| Soybean                       | 263,627        | 62%         |
| Corn                          | 6,338          | 1%          |
| Other (*)                     | 103,233        | 24%         |



- 1H12

| Income Statement (R\$ Thousand)           | 1H12           | 1H11           | 1H12          | 1H11           | 1H12           | 1H11           |
|---|----------------|----------------|---------------|----------------|----------------|----------------|
|   | Farming        |                | Biodiesel     |                | Consolidated   |                |
| <b>Net Revenue</b>                        | <b>426,632</b> | <b>135,183</b> | <b>94,130</b> | <b>269,513</b> | <b>520,762</b> | <b>404,696</b> |
| Biological Assets Suitable to the Revenue | 59,758         | 21,096         | -             | 1,017          | 59,758         | 22,113         |
| Cost of Goods and Services (COGS)         | (405,432)      | (138,106)      | (90,477)      | (265,453)      | (495,909)      | (403,559)      |
| <b>Gross Profit (Loss)</b>                | <b>80,958</b>  | <b>18,173</b>  | <b>3,653</b>  | <b>5,077</b>   | <b>84,611</b>  | <b>23,250</b>  |
| <i>Gross Margin</i>                       | <i>19.0%</i>   | <i>13.4%</i>   | <i>3.9%</i>   | <i>1.9%</i>    | <i>16.2%</i>   | <i>5.7%</i>    |

In 1H12, the gross profit of Vanguarda Agro reached R\$ 84.6 million, with R\$ 80.9 million from the Farming operation which represents 96% of the consolidated gross profit of the Company.

The composition of the Cost of Goods Sold shown in the table above is shown below:

| Cost of Good and Services              | Farming        |
|--|----------------|
| R\$ (thousand)                         | 1Q12           |
| <b>Cost of Good and Services</b>       | <b>405.432</b> |
| Lint Cotton                            | 48.561         |
| Cottonseed                             | 3.828          |
| Soybean                                | 206.463        |
| Corn                                   | 4.614          |
| Other                                  | 104.221        |
| Biological Assets Suitable to the Cost | 37.745         |

## Operational Expenses

- 2Q12

| Income Statement (R\$ Thousand)        | 1Q12         | 1Q11      | 1Q12            | 1Q11            | 1Q12            | 1Q11            |
|--|--------------|-----------|-----------------|-----------------|-----------------|-----------------|
|  | Farming      |           | Biodiesel       |                 | Consolidated    |                 |
| <b>Operating Expenses</b>              | <b>2,892</b> | <b>94</b> | <b>(47,064)</b> | <b>(17,220)</b> | <b>(44,172)</b> | <b>(17,126)</b> |
| General, administrative and with sales | (15,041)     | (6,726)   | (20,862)        | (16,946)        | (35,903)        | (23,672)        |
| Taxes                                  | -            | (13)      | 110             | (271)           | 110             | (284)           |
| Other Operational Income (expense)     | 17,933       | 6,833     | (26,312)        | (3)             | (8,379)         | 6,830           |

In 2Q12, consolidated operating expenses totaled R\$ 44.2 million, representing 23% of net operating revenues.

The Farming operation registered an operating expense of R\$ 2.8 million, impacted by the reversal of recognition of onerous agreements and positive result of the sale of the stake in Jaborandi.

The Biodiesel/Corporate operation recorded an expense of R\$ 47.0 million, impacted by Other Operating Revenues (Expenses) which presented, positively, the result of the sale of biodiesel units and, negatively, the recognition of impact of decrease in goodwill of the subsidiary Jaborandi, goodwill of the surplus value of the leases of subsidiaries Maeda and Vanguarda Participações and costs linked to the sale of units Iraquara and Porto Nacional.

With the sale of units Iraquara and Porto Nacional and maintenance of the remaining idle Biodiesel units, the Company also accrued their inventories in order to eliminate balances without expectation of achievement (especially glycerin) as well as adjust inventory values

which marketing should require expenses, especially transportation (raw material) and adjustment to the standards required for sale (Biodiesel).

- 1H12

| Income Statement (R\$ Thousand)        | 1H12           | 1H11           | 1H12            | 1H11            | 1H12            | 1H11            |
|--|----------------|----------------|-----------------|-----------------|-----------------|-----------------|
|  | Farming        | Farming        | Biodiesel       | Biodiesel       | Consolidated    | Consolidated    |
| <b>Operating Expenses</b>              | <b>(7,706)</b> | <b>(2,150)</b> | <b>(62,148)</b> | <b>(33,291)</b> | <b>(69,854)</b> | <b>(35,441)</b> |
| General, administrative and with sales | (30,938)       | (11,176)       | (34,869)        | (32,022)        | (65,807)        | (43,198)        |
| Taxes                                  | -              | -              | (825)           | (549)           | (825)           | (549)           |
| Other Operational Income (expense)     | 23,232         | 9,026          | (26,454)        | (720)           | (3,222)         | 8,306           |

In 2H12, the consolidated operational expenses reached R\$ 69.9 million, representing 13.4% of net operating revenue. Separating Biodiesel/Corporate operations and Farming shows that the Farming operation represents 11% of this value, whereas the Biodiesel/Corporate operation accounts for 89% of this value.

## EBITDA

- 2Q12

|  | 2Q12            | 2Q11          | 2Q12            | 2Q11            | 2Q12            | 2Q11           |
|--|-----------------|---------------|-----------------|-----------------|-----------------|----------------|
|  | Farming         | Farming       | Biodiesel       | Biodiesel       | Consolidado     | Consolidado    |
| <b>Net Income (Loss) of the Period</b>   | <b>(13,626)</b> | <b>23,997</b> | <b>(55,345)</b> | <b>(21,138)</b> | <b>(68,971)</b> | <b>2,858</b>   |
| (+) Income and Social Contribution Taxes | (19,618)        | (2,278)       | -               | -               | (19,618)        | (2,278)        |
| (+) Financial Result                     | 66,826          | (17,268)      | 1,335           | 255             | 68,161          | (17,013)       |
| (+) Depreciation and Amortization        | 7,884           | 8,522         | 14,390          | 1,920           | 22,274          | 10,442         |
| <b>EBITDA</b>                            | <b>41,466</b>   | <b>12,973</b> | <b>(39,620)</b> | <b>(18,963)</b> | <b>1,846</b>    | <b>(5,991)</b> |
| <i>EBITDA Margin</i>                     | <i>22.4%</i>    | <i>17.3%</i>  | <i>na</i>       | <i>-15.2%</i>   | <i>1.0%</i>     | <i>-3.0%</i>   |

In 2Q12, EBITDA of Farming operation was R\$ 41.5 million, with an EBITDA margin of 22.4%. The Biodiesel/Corporate operation recorded a negative EBITDA of R\$ 39.6 million.

The Company's consolidated EBITDA totaled R\$ 1.8 million.

- 1H12

|  | 1H12          | 1H11          | 1H12            | 1H11            | 1H12            | 1H11         |
|--|---------------|---------------|-----------------|-----------------|-----------------|--------------|
|  | Agrícola      | Agrícola      | Biodiesel       | Biodiesel       | Consolidado     | Consolidado  |
| <b>Net Income (Loss) of the Period</b>   | <b>8,192</b>  | <b>30,646</b> | <b>(60,326)</b> | <b>(28,654)</b> | <b>(52,134)</b> | <b>1,992</b> |
| (+) Income and Social Contribution Taxes | (26,825)      | 4,093         | -               | -               | (26,825)        | 4,093        |
| (+) Financial Result                     | 91,885        | (18,716)      | 1,831           | 440             | 93,716          | (18,276)     |
| (+) Depreciation and Amortization        | 18,866        | 10,049        | 20,063          | 8,095           | 38,929          | 18,144       |
| <b>EBITDA</b>                            | <b>92,118</b> | <b>26,072</b> | <b>(38,432)</b> | <b>(20,119)</b> | <b>53,686</b>   | <b>5,953</b> |
| <i>EBITDA Margin</i>                     | <i>21.6%</i>  | <i>19.3%</i>  | <i>-40.8%</i>   | <i>-7.5%</i>    | <i>10.3%</i>    | <i>1.5%</i>  |

In 1H12, EBITDA of Farming operation was R\$ 92.1 million, with an EBITDA margin of 21.6%.

In the consolidated, EBITDA was R\$ 53.7 million, with an EBITDA margin of 10.3%.

## Financial Results

- 2Q12

| Income Statement (R\$ Thousand) | 2Q12            | 2Q11          | 2Q12           | 2Q11         | 2Q12            | 2Q11          |
|---------------------------------|-----------------|---------------|----------------|--------------|-----------------|---------------|
|                                 | Farming         |               | Biodiesel      |              | Consolidated    |               |
| <b>Financial Result</b>         | <b>(66,826)</b> | <b>17,268</b> | <b>(1,335)</b> | <b>(255)</b> | <b>(68,161)</b> | <b>17,013</b> |
| Financial Income                | 5,787           | 22,278        | (27)           | 1,865        | 5,760           | 24,143        |
| Financial Expenses              | (16,209)        | (15,718)      | (1,308)        | (2,116)      | (17,517)        | (17,834)      |
| Exchange Variation              | (56,404)        | 10,708        | (0)            | (4)          | (56,404)        | 10,704        |

In 2Q12, the negative net financial expense was R\$ 68.2 million, comparable to a net financial income of R\$ 17.0 million in 2Q11. This result is mainly due to the negative exchange variation of R\$ 56.4 million in the quarter, explained by the variation in the exchange rate of 11% (R\$ 1.82/US\$ at 31/03/2012 and R\$ 2.02/US\$ at 30/06/2012) incident on the liabilities position denominated in dollars. Since the Company has 71% of its debt denominated in U.S. dollars, any appreciation of the dollar against the real corrects any outstanding debt that will be amortized over the next few years. This impact is purely accounting since revenues from Vanguarda Agro in its entirety are linked to the dollar and also suffer impact of currency fluctuations.

Financial expenses totaled R\$ 17.5 million in 2Q12, comparable to R\$ 17.8 million in 2Q11. Along this line there are recorded all expenses incurred with interest and inflation of agreements indexed to the CDI or another index of the internal market (IGPM, TR), taxes on monetary variation and corrections on tax installments. Despite significant reduction in indebtedness of the company, the comparison with 2Q12 is distorted, since the indebtedness of Vanguarda Participações was not consolidated.

Financial income totaled R\$ 5.8 million in the quarter, comparable to R\$ 24.1 million in the same quarter last year, mainly impacted by the reduction of the basic interest rate and reduction in financial investments of the Company. They are mainly composed by AVP (present value adjustment) of future commitments and revenues earned by financial investments.

- 1H12

| Income Statement (R\$ Thousand) | 1H12            | 1H11          | 1H12           | 1H11         | 1H12            | 1H11          |
|---------------------------------|-----------------|---------------|----------------|--------------|-----------------|---------------|
|                                 | Farming         |               | Biodiesel      |              | Consolidated    |               |
| <b>Financial Result</b>         | <b>(91,885)</b> | <b>18,716</b> | <b>(1,831)</b> | <b>(440)</b> | <b>(93,716)</b> | <b>18,276</b> |
| Financial Income                | 16,310          | 34,799        | 656            | 4,511        | 16,966          | 39,310        |
| Financial Expenses              | (53,346)        | (30,032)      | (5,711)        | (4,947)      | (59,057)        | (34,979)      |
| Exchange Variation              | (54,849)        | 13,949        | 3,224          | (4)          | (51,625)        | 13,945        |

The consolidated net financial result in 1H12 was negative by R\$ 93.7 million. Financial income composed mainly by financial investments totaled R\$ 17.0 million. The financial expense, composed mainly by loans and financing of the Company, was of R\$ 59.1 million. The exchange rate, in turn, as explained above, negatively impacted the Company's financial results in R\$ 51.6 million in the first semester.

## Net Income/Loss

- 2Q12

| Income Statement (R\$ Thousand)                                  | 2Q12            | 2Q11          | 2Q12            | 2Q11            | 2Q12            | 2Q11         |
|--|-----------------|---------------|-----------------|-----------------|-----------------|--------------|
|  | Farming         |               | Biodiesel       |                 | Consolidated    |              |
| <b>Profit (loss) before Income and Social Contribution Taxes</b> | <b>(33,244)</b> | <b>21,718</b> | <b>(55,345)</b> | <b>(21,138)</b> | <b>(88,589)</b> | <b>580</b>   |
| Income and Social Contribution Taxes                             | 19,618          | 2,278         | -               | -               | 19,618          | 2,278        |
| <b>Net Income (Loss) of the Period</b>                           | <b>(13,626)</b> | <b>23,997</b> | <b>(55,345)</b> | <b>(21,138)</b> | <b>(68,971)</b> | <b>2,858</b> |
| <i>Net Margin</i>  | <i>-7.4%</i>    | <i>32.1%</i>  | <i>-</i>        | <i>-16.9%</i>   | <i>-36.4%</i>   | <i>1.4%</i>  |

In 2Q12, the Farming operation presented a loss of R\$ 13.6 million mainly due to the exchange rate variation of R\$ 56.4 million. The Biodiesel/Corporate operation generated a loss of R\$ 55.3 million. On the consolidated, it presented a net loss US\$ 68.9 million, mainly due to the effects recognized and adjustments made in the Biodiesel/Corporate operation, and the appreciation of the dollar against the real.

- 2S12

| Income Statement (R\$ Thousand)                                  | 1H12            | 1H11          | 1H12            | 1H11            | 1H12            | 1H11         |
|--|-----------------|---------------|-----------------|-----------------|-----------------|--------------|
|  | Farming         |               | Biodiesel       |                 | Consolidated    |              |
| <b>Profit (loss) before Income and Social Contribution Taxes</b> | <b>(18,633)</b> | <b>34,739</b> | <b>(60,326)</b> | <b>(28,654)</b> | <b>(78,959)</b> | <b>6,085</b> |
| Income and Social Contribution Taxes                             | 26,825          | (4,093)       | -               | -               | 26,825          | (4,093)      |
| <b>Net Income (Loss) of the Period</b>                           | <b>8,192</b>    | <b>30,646</b> | <b>(60,326)</b> | <b>(28,654)</b> | <b>(52,134)</b> | <b>1,992</b> |
| <i>Net Margin</i>  | <i>1.9%</i>     | <i>22.7%</i>  | <i>-64.1%</i>   | <i>-10.6%</i>   | <i>-10.0%</i>   | <i>0.5%</i>  |

In 1H12, the Farming operation presented a net income of R\$ 8.2 million. The Biodiesel/Corporate operation generated a loss of R\$ 60.3 million. On the consolidated, it presented a net loss US\$ 52.1 million, mainly due to the effects recognized and adjustments made in the Biodiesel/Corporate operation, and the appreciation of the dollar against the real.

## Indebtedness

The reduction in net debt recorded in June 2012 compared to March of the same year was due mainly to the inflow of funds from the completion of the sale of biodiesel units Iraquara and Porto Nacional.

Compared to September 2011, the first month after the merger of Vanguarda Participações, net debt in dollars decreased by 38% (US\$ 332.8 in September 2011 and US\$ 206.4 in June 2012 and R\$ 617.3 million and R\$ 417.0 million in the same period).

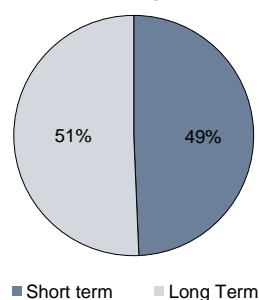
The divestments of non-core assets demonstrate the Company's commitment to improving its capital structure by reducing its debt.

| Debt (in R\$ thousand)  | 06/30/2012     | 03/31/2012     | 12/31/2011     | 09/30/2011     |
|-------------------------|----------------|----------------|----------------|----------------|
| Short term              | 220,364        | 254,298        | 506,948        | 372,566        |
| Long Term               | 226,408        | 269,720        | 95,859         | 300,209        |
| <b>(=) Indebtedness</b> | <b>446,772</b> | <b>524,018</b> | <b>602,807</b> | <b>672,775</b> |
| Availability            | (11,520)       | (40,603)       | (72,928)       | (55,504)       |
| Receivable(*)           | (18,277)       | -              | -              | -              |
| <b>(=) Net Debt</b>     | <b>416,975</b> | <b>483,415</b> | <b>529,879</b> | <b>617,271</b> |

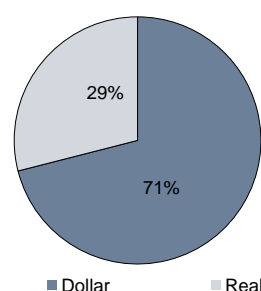
(\*) Receivables related to debt contracted on account of the sale of biodiesel plant in Rio Grande do Sul.

The debt bank of Vanguarda Agro in June 30, 2012 was R\$ 446.8 million. The foreign currency debt represented 71% of total debt and 29% in local currency. The hiring of foreign currency debt is a natural hedge, since the Company's revenues are indexed to the U.S. dollar. Regarding the maturity of the debt, 49% were classified as short term and 51% as long term.

Short and Long Term Debt



Debt by Currency



## 5. Capital Market

### Performance of Shares

Shares of Vanguarda Agro (VAGR3) ended 2Q12 priced at R\$ 0.38, with a total market value for the Company of R\$ 881.7 million, compared to an equity of R\$ 1,289.1 million - ratio of Market Value / Book Value 0.71. VAGR3 shares showed a devaluation of 11,6% in the quarter, from R\$ 0.43/share in late March 2012 to R\$ 0.38/share in late June 2012. However, in the 1st semester of 2012 it showed an increase of 18.7%. The Ibovespa for the same periods depreciated 15.7% and 4.2%, respectively.

### Liquidity of Shares

Shares of Vanguarda Agro were present in 100% of trading days in 2Q12. The average daily volume record of the quarter was R\$ 8.1 million and 3,102 businesses. The Company is the

only Agricultural company with a focus on grain production at the highest level of corporate governance (New Market) to be part of the Ibovespa index, and belongs to other important indexes of BM&FBovespa:



## Capital and Shareholding Dispersion

In June 2012, the Capital of Vanguarda Agro was formed by 2,320,145,338 shares. From this total, 44% are held by individuals, 46% by institutional investors and 10% by foreign investors, amounting more than 19,000 investors.

The shareholding structure of Vanguarda Agro is sprayed with more than 90% of Brazilian investors, where the largest shareholder holds less than 28%.