

World Biofuels Market 2010

**ETHANOL BIG PICTURE:
WHAT'S NEW IN BRAZIL?**



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ABOUT UNICA

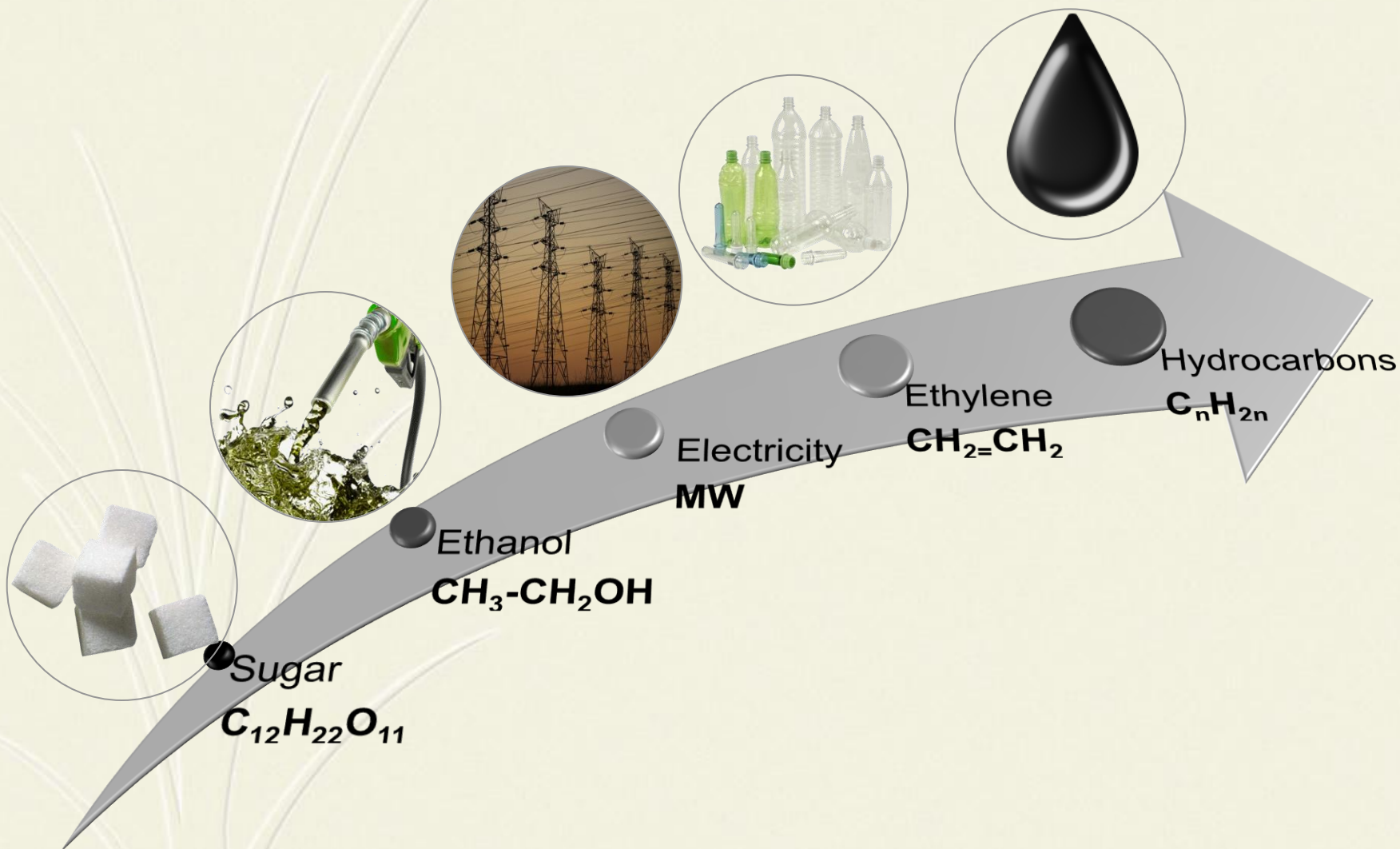
- UNICA is the **leading sugarcane industry association**, representing more than 120 mills in Brazil
- Responsible for **60% of all ethanol and sugar production** in Brazil
- Emerging as a **leader in the generation of bioelectricity** already meeting 3% of Brazil's electricity demand
- International presence in Washington & Brussels to engage in **constructive dialogue**



KEY NUMBERS OF BRAZILIAN SUGARCANE SECTOR

Annual gross earnings	US\$ 23 billion (08/09)
Foreign revenue	US\$ 9.8 billion
Direct investments	> US\$ 20 bln (2006-2009)
Composition	438 plants nationwide (2010)
Sugarcane growers	70,000
People directly employed	845,000
Share in Brazilian energy matrix	16.4%, ahead of hydroelectricity
Sugarcane production	595 mln tonnes
Sugar production	33 mln tonnes
Ethanol production	25.5 bln litres
Avoided CO₂ emissions	> 83 mln tonnes since 2003

CURRENT & FUTURE PRODUCTS

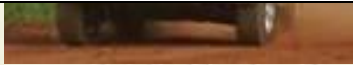


Perspectives for the Brazilian domestic market

In 2012, half of the models produced by GM in the U.S will be FLEX FUEL

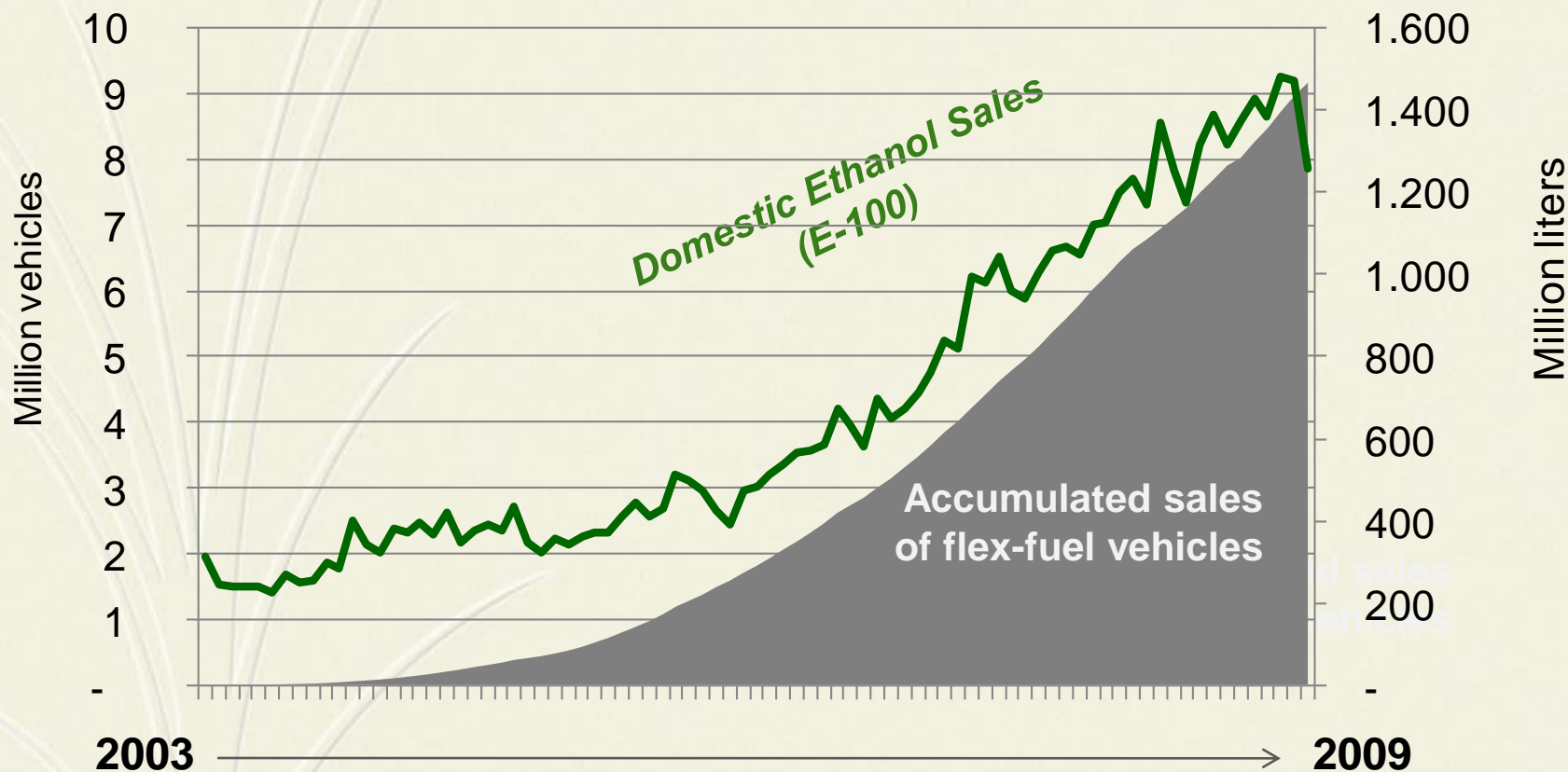


The Japan Automobile Manufacturers Association (JAMA) positioned itself in favour of the adoption of E-10 in Japan



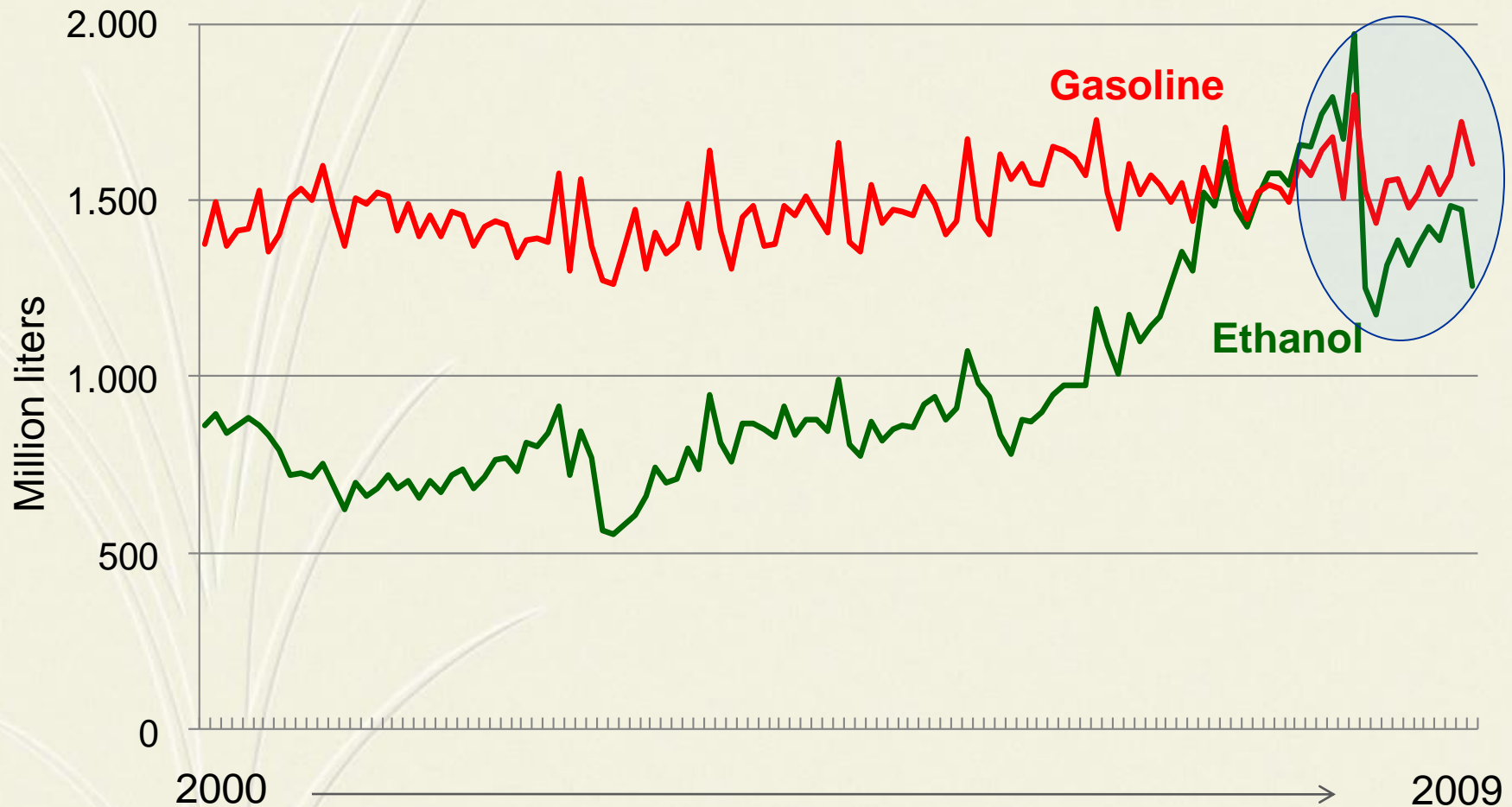
EXPANSION OF ETHANOL DEMAND IN BRAZIL

Flex-fuel cars already represent almost 40% of the total Brazilian fleet (Otto-cycle)



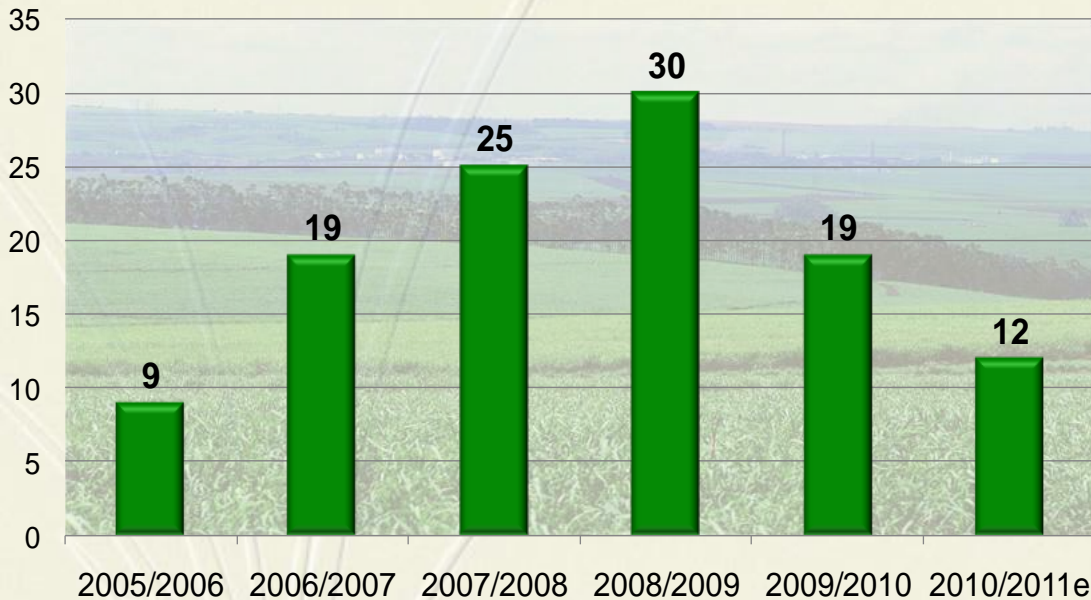
While ethanol prices have jumped by 44% since April 2009, sales at the pump have only decreased by 22%

GASOLINE VS ETHANOL CONSUMPTION IN BRAZIL



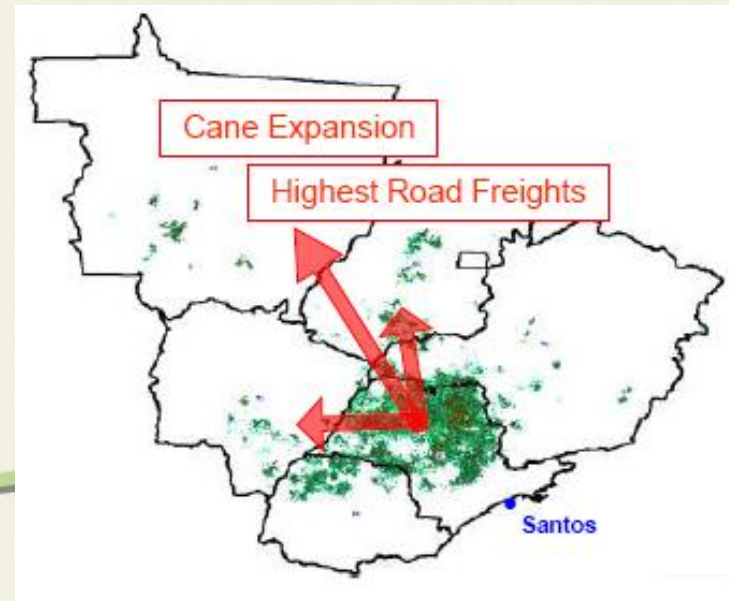
Recent developments in the Brazilian sugarcane industry

NUMBER OF NEW MILLS IN CENTER-SOUTH REGION



- In the last 5 years, around 100 new mills were built in Brazilian Center-South region, out of current more 400 mills in Brazil
- US\$ 20 billion in new investments
- Ethanol production increased by 70%

SUGARCANE PRODUCTION EXPANSION TOWARDS THE SOUTH-CENTRAL BRAZIL



NEW PLAYERS IN THE BRAZILIAN SUGARCANE SECTOR

Energy sector

Rede Group

Companhia de Energia Renovável

Chemical companies

Dow Chemical

Braskem/ ETH Bioenergia

Solvay

Other sectors

TGM Turbinas

Construcap

Encalso Pactual Bank

Grandene

Concessionárias Rodovias SP

Agro-food industry and trading companies

Bunge Cargill ADM

Louis Dreyfus Commodities

Tereos Shree Renuka Sugars

Noble Group Bertin

Adecoagro

Oil companies

BP

Shell

Petrobrás

CURRENT TRENDS IN BRAZILIAN SUGARCANE SECTOR

The industry is going through a transformation process, with important strategic transactions signaling the definitive entrance of new players

Recent overview of the sugarcane sector

- ▶ The combination of the financial crisis with the crisis in the sector during the maturation period of the investment brought indebtedness at unsustainable level for some players
- ▶ Limited support of the financial sector exacerbated the crisis in the sugarcane sector

Actual situation

- ▶ Some players still do not recover from the effects of the financial crisis, despite favorable prices
- ▶ The assets have appreciated during the last 18 months, but today there is a prize paid for strategic assets
 - ▶ **Size and location**
- ▶ Definitive entrance of relevant players through the conclusion of strategic business
- ▶ M & A as the main source of growth for the biggest players

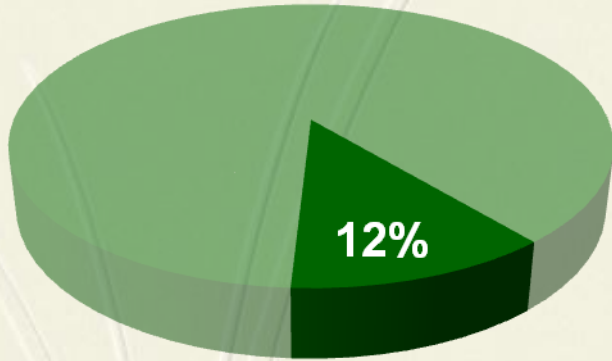
Trends

- ▶ Investors and major groups seeking a crushing capacity of over 30 million t / year
- ▶ Creation of new clusters and production platforms
- ▶ Small players become less relevant and do not modify the dynamic sector
- ▶ The experience of the crisis associated with the rising prices of the assets encourages a monetization process of traditional players

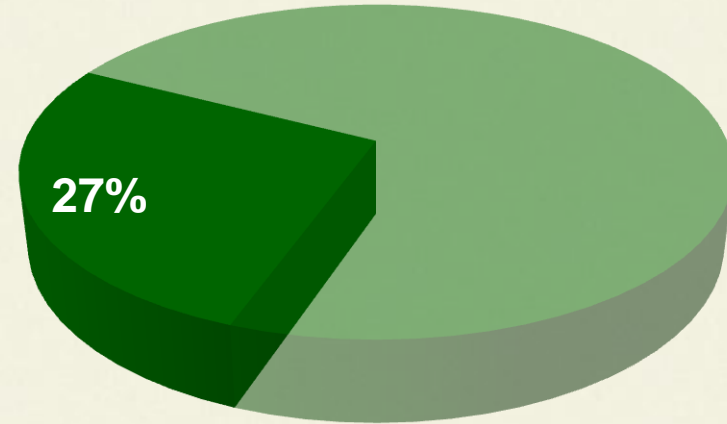
- ▶ Acceleration of the sector 's consolidation
- ▶ International transactions expected in the short and medium term

MARKET SHARE OF 5 LARGEST GROUPS

2004/05



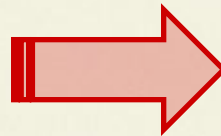
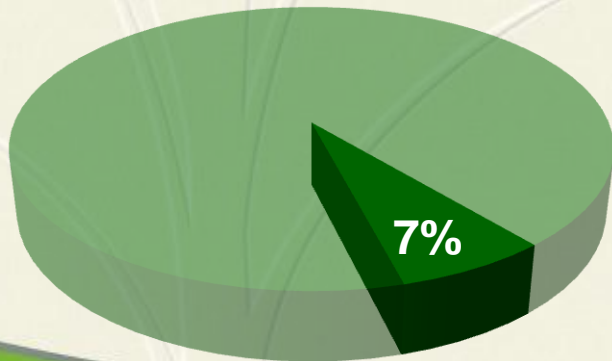
2009/10



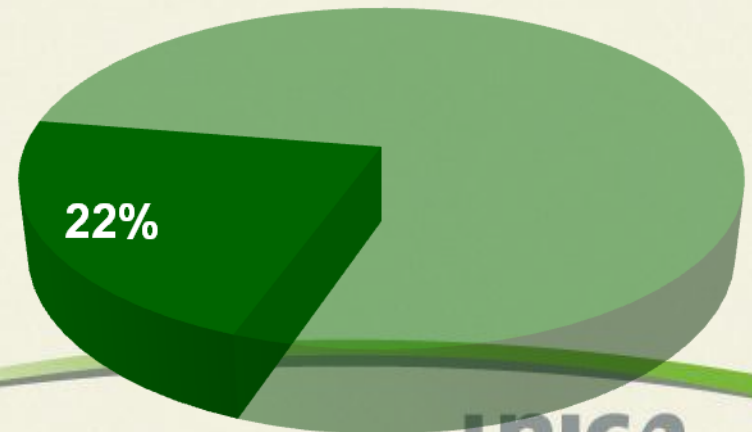
Source: Itaú/BBA

% OF BRAZILIAN SUGARCANE PLANTS CONTROLLED BY INTERNATIONAL CAPITAL

2007/08



2009/10



UNICA

Source: UNICA. Note: 2009/10 – estimated data

DYNAMISM OF THE SUGARCANE SECTOR

Recent movements

- Joint venture valued at US\$ 12 billion
- 52.6 mln tonnes of sugarcane crushed (2008/09)
- Nearly 17.5 bln liters commercialized (ranks 3rd in Brazilian retailing fuel market)
- 4,500 fuel stations (2009 estimation)
- Announcement: February 01, 2010



 **Louis Dreyfus**
Commodities




SANTELISA VALE

- Dreyfus holds 60% of Santelisa Vale equity control
- Estimated sugarcane production: 40 mln tonnes (2009/10)
- Investment: US\$ 5.1 billion
- Closing date: October 26, 2009

DYNAMISM OF THE SUGARCANE SECTOR

Recent movements

- ETH purchased Brenco
- Estimated production (2012): 3 bln liters of ethanol, 2.700 GWh, 40 mln tonnes of sugarcane
- 9 mills and 10 thousand employees (2012)
- Investment: around US\$ 4 billion
- Closing date: February 18, 2010



DYNAMISM OF THE SUGARCANE SECTOR

Recent movements

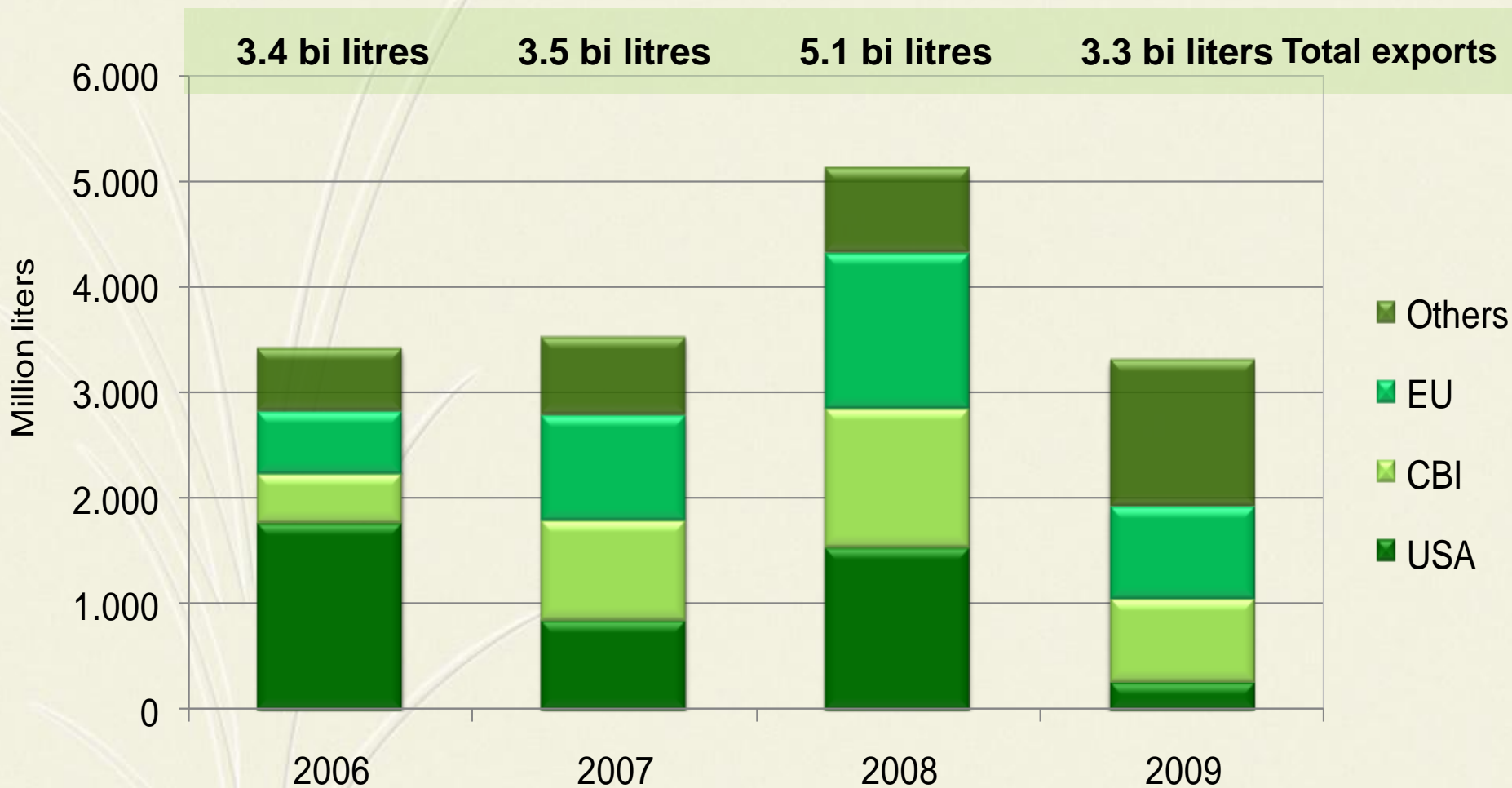
- Bunge purchased Moema Group
- 7 mills
- Estimated sugarcane production: 13.6 mln tonnes (2009/10)
- Total operation value: US\$ 900 million
- Closing date: December 23, 2009



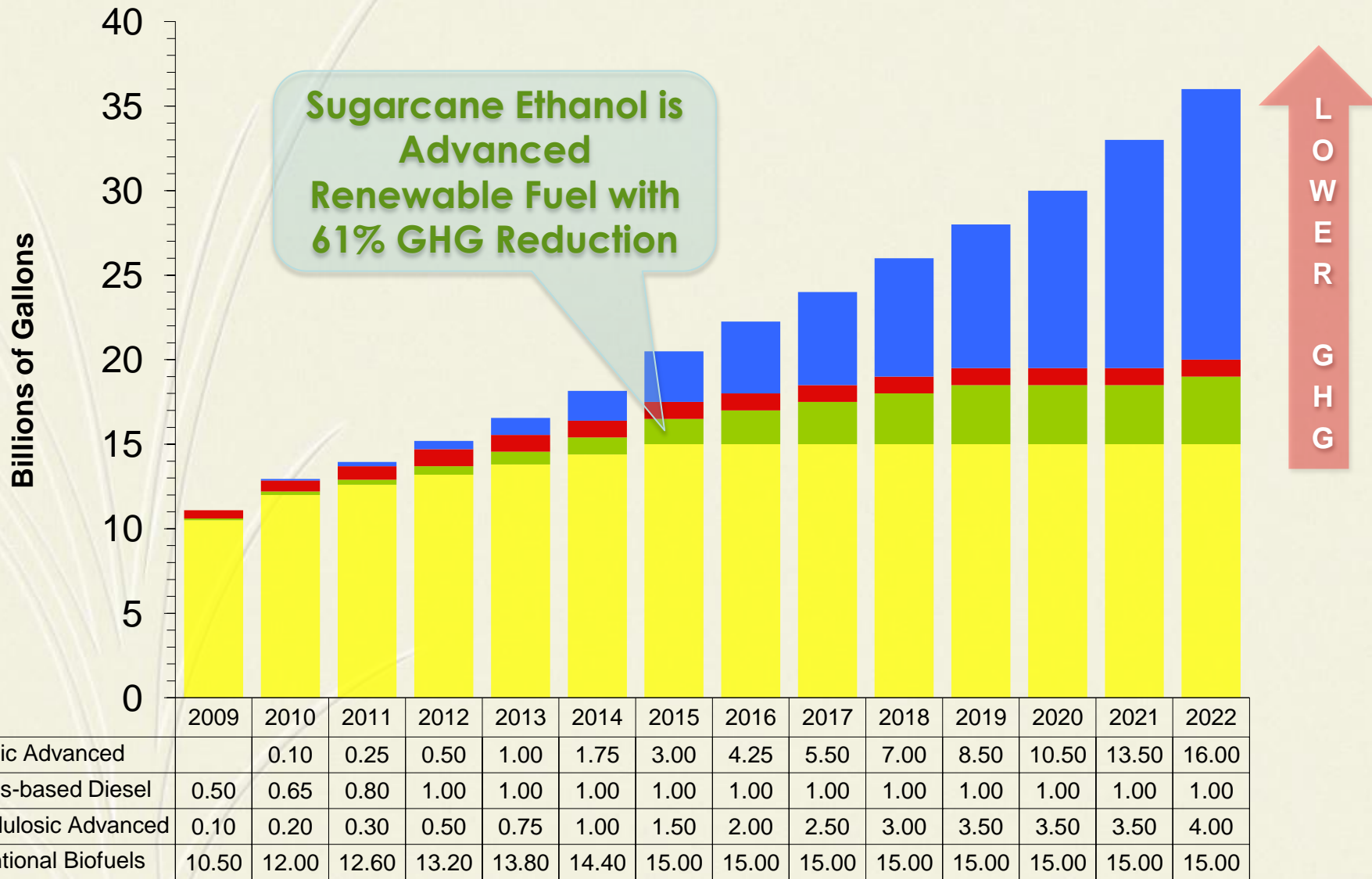
- Shree Renuka purchased 50.79% of Equipav Group
- 4 mills
- Estimated sugarcane production: 10 mln tonnes (2009/10)
- Investment: US\$ 320 million
- Closing date: February 22, 2010

Recent developments for Brazilian ethanol in the international market

EXPORTS OF BRAZILIAN ETHANOL BY DESTINATION

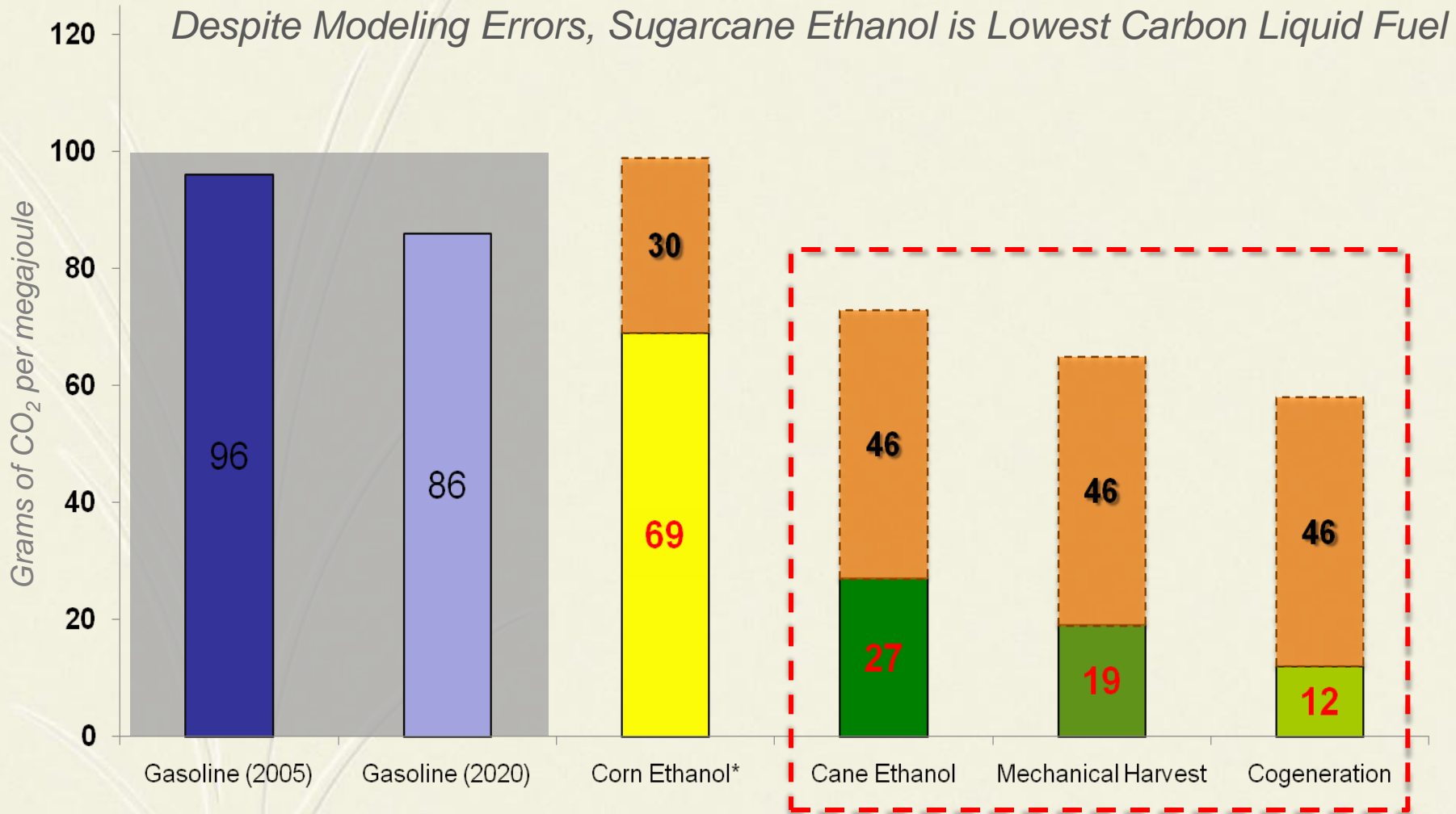


U.S. RENEWABLE FUELS STANDARD (RFS-2)



LCFS WITH “INDIRECT LAND USE” PENALTY

Despite Modeling Errors, Sugarcane Ethanol is Lowest Carbon Liquid Fuel



THE CHALLENGES OF THE EU CERTIFICATION

- Lack of clarity remains with regards to :
 - The definition of highly biodiverse grasslands;
 - The definition of a methodology to identify degraded lands;
 - Criterias on conservation practices data (re. soil, water, air) which will be provided
 - Guidance as per criteria implementation, Chain of custody
 - ILUC
- These definitions should be adopted up to S2 2010, thus creating legal uncertainties over required criteria in different Member States
- Increasing feeling that the RED will never be finalized and that implementation mechanisms are based on political considerations to prevent the full development of the biofuels market in Europe.



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Thank you !

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