

**Rating Action: Unialco S.A. Alcool e Acucar**

**Moody's downgrades Unialco to B3; remains on review for possible further downgrade**

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Sao Paulo, August 21, 2008 -- Moody's downgraded Unialco S.A. Alcool e Açúcar's ("Unialco") corporate family rating to B3 from B2. The rating remains on review for possible further downgrade.

The downgrade reflects primarily the deterioration of Unialco's liquidity profile, credit metrics and operating performance, due primarily to the impact of lower than expected sugar and ethanol prices for the fiscal year ending on March 31, 2008. Moody's observes that the proposed guaranteed USD 150 million senior unsecured note issuance announced by the company in October 2007 was never placed with investors due to adverse market conditions, thus resulting in a weaker liquidity profile.

Unialco's reported net sales of BRL 237 million and EBITDA of BRL 36 million for its FY ending on March 31, 2008 dropped 20.3% and 53.3%, respectively compared to FY 2007. Meanwhile, total financial debt increased to BRL 408 million in FY 2008 from BRL 206 million in FY 2007, resulting in an increase in Debt to EBITDA to 11.3 times from 2.7 times in 2007. Due to this increase in leverage, Unialco has been forced to request waivers on its bank loan financial covenants. This comes at a time when the company recently changed its senior management team leading to possible changes in operating strategy.

The review for further downgrade will focus on the company's business plan and projections to be provided by Unialco's new management team, as well as its ability to improve its debt maturity profile and renegotiate financial covenants.

Headquartered in São Paulo, Brazil, Unialco is a sugar and an ethanol producer.

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