

International Conference Call

COSAN S.A.

4th Quarter and Year 2015 Earnings Results

February 19, 2016

Operator: Good afternoon ladies and gentlemen. At this time we would like to welcome everyone to COSAN's S.A. 2015 results conference call. Today with us we have Mr. Nelson Gomes, CEO and Investor Relations Officer; Mr. João Arthur Souza, CFO and Mr. Phillipe Casale, Investor Relations Manager of COSAN S.A.

We would like to inform you that this event is recorded and all participants will be in a listen-only mode during the Company's presentation. After COSAN's remarks, there will be a question and answer session for industry analysts. At that time further instructions will be given. Should any participant need assistance during this call, please press star zero to reach the operator.

The audio and slide show of this presentation are available through live webcast at ir.cosan.com.br. The slides can also be downloaded from the webcast platform.

Before proceeding, let me mention that forward-looking statements will be made under the Safe Harbor of the Securities Litigation Reform Act of 1996. Forward-looking statements are based on the beliefs and assumptions of COSAN's management and on information currently available to the Company. They involve risks, uncertainties and assumptions, because they relate to future events and therefore depend on circumstances that may or may not occur in the future.

Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of COSAN and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I will turn the conference over to Mr. Nelson. Mr. Nelson, you may begin the call.

Mr. Nelson Gomes: Good afternoon everyone and thanks for attending 4Q conference call of COSAN SA. We will discuss today all the business we have under the COSAN S.A. company, which are Raízen fuels; the energy business; gas distribution; lubricants and Radar. We will go through each one of the businesses talking about 4Q results and also YTD results and now at the end of the presentation we will provide the guidance for 2016 and for the next crop season.

Now turning the page to page 4 starting with Raízen fuels business now talking about volume Raízen volume on this quarter was more resilient than the market dropping only 1% even with the economy slowdown we are facing in Brazil.

The Otto cycle Raízen volume in the quarter remained stable when compared with the previous quarter and also better than the market.

Diesel volumes were also stable in the quarter even though we faced lower economic activity in the period partially offset by new B2B customers and higher demand for the agricultural segment.

On aviation the volumes sold were down 8% in the quarter when compared with the last one impacted mainly by the flight activity reduction in Brazil.

Now talking about the year of 2015 Raízen presented growth of 1% helped by the network expansion and also some volume maturation outperforming the market.

On the Otto cycle Raízen volumes in the year were up 4% also supported by higher ethanol volumes that went up 41%.

Diesel volumes went down only 1% in 2015 while the market went down 5%.

Volumes sold on the aviation segment in 2015 went down 3% impacted by the main reasons that I mentioned before: the flight activity reduction in the country.

The service station network ended 2015 with a little under 5700 units and net 326 stations added in the year.

The adjusted Ebitda on the quarter excluding effects from assets divestments and inventory gains was 771 million, up 23% versus last year which is mainly due to an efficiency or is reflecting the efficiency of the fuel supply and commercialization strategy.

It is important to remind once again that part of our contract model with the retail network is based on rebates, so in this period, this quarter, the rebate reaches 39 million BRL according to the number on the graphic highlight it in gray.

The adjusted Ebitda for the year reached 2.4 billion, 15% higher than the last year. The rebate represented 161 million for the year of 2015.

Now turning the page to page 5 and talking about the sugar and methanol business - and again as a reminder we are talking about 3Q of the crop season here, which is 4Q of the calendar year last year - starting with the crushing since we extended the production until mid-December YTD crushing volume reached 60,000,000 tons of sugar cane and that is higher... the higher-end of our guidance.

The agriculture productivity remained at a higher level compared to the last crop year and posted an increase of 15% or 9.3 to 10.7 tons of total recoverable sugar/ha.

Now talking about volume and prices sugar volumes sold in 4Q 15 were 3% lower when compared to the SQLY and the average price reached 30% increase. It is worth to mention that the average prices impacted by the hedge accounting effect on the net revenue in 4Q 14, there was no effect in 4Q 15.

On the ethanol the volumes sold including trade and resale were 25% higher and the average price increased 21% when compared to 4Q 14 supported mainly by higher demand on ethanol in the domestic market as well as higher export volumes.

On energy cogeneration the volumes increased by 42% due to higher crushing but on the other hand average sales price fell 37% when compared to SQLY due to the sharp drop in the spot energy prices.

The adjusted Ebitda, which excludes the biological assets variation and hedge account impact, had an increase of 51% reaching 1.1 billion this quarter impacted by the higher ethanol volumes sold and better unit prices of both sugar and ethanol.

Capex in this quarter reached almost 350,000,000, a 34% reduction compared to 4Q 14. The reduction was mainly due to: one, the optimization of investments in replanting sugarcane fields; two, the smaller treating area due to the higher agricultural productivity as we mentioned before; and finally the conclusion of some of the expansion projects we had in place.

Talking about now our hedge position at the end of the quarter we had for this crop season 2015-2016 fixed 100% of the export volume with an average price of 0.442 BRL/lb and for the next crop season (2016-17) at the end of the year we had approximately 50% of the total volume to be exported fixed at an average price of 0.554 BRL/lb.

Now turning the page to page 6 and talking about Comgás starting with the volumes the positive highlight of the quarter was once again the commercial segment which increased 3% the volumes sold. The volumes sold under the residential segment also increased 2%, while the industrial segment remained impacted by the economic slowdown and went down 10% when compared to SQLY.

In the year 2015 the volumes of the commercial segment grew 5% mainly due to the new connections during the year, just over 1100 new customers connected. The volumes of the residential segment ended the year stable when compared to the previous year reflecting from one side the water crisis that São Paulo State is going through offset by over 110,000 new customers connected.

The industrial segment was directly impacted by the economic scenario and the year ended with volumes sold 6% lower than 2014.

Now as presented in the previous quarters the chart on the right shows each segment relevance on total volume sold and their contribution margin. The expansion focus are obviously on both commercial and residential segments, the ones as you can see with higher unit margins.

Now talking about the normalized Ebitda, normalized by the current account, on the quarter it was 3% lower than SQLY impacted mainly by the drop in the industrial volume as I mentioned before.

Now talking about the year of 2015 Ebitda was up 7% versus the previous year due to mainly one, a better sales mix combined with a tariff adjustment; and two, better expense control.

On the regulatory account this quarter Comgás recovered 94 million BRL and in the period of 2015 with a balance of 117 million BRL in our favor.

Now turning the page to page 7 talking about the other businesses starting with lubricants. The lubricants business was also impacted by the lower economic activity and the market went down 9% YoY while our volume and Brazil went down 6%. So we gained market share again last year.

Even with the lower economic activity the company managed to show higher Ebitda, went up 22% versus last year due to better results from the international operations and better sales mix.

Radar presented Ebitda of 106 million BRL in 2015, lower than last year due to a lower appreciation of our own land portfolio.

Now talking about other businesses the main components of G&A costs are consulting services and fees as well as payroll expenses. There were some extraordinary effects in 2015: in 1Q as you well remember we had 100 million BRL has an extraordinary expense related to the deal of Rumo ALL and in this quarter (4Q 15) we had a positive impact of roughly 300,000,000 BRL related to a credit on a severance action.

Now turning the page to page 8 we will go over the pro forma COSAN consolidated results which includes 50% of both Raízen fuels and sugar ethanol and 100% of our controlled businesses.

Starting on Ebitda the pro forma reported Ebitda was 1.8 billion in this quarter, 80% higher than 4Q 14. When including all the adjustments that I mentioned before in each one of the businesses the pro forma adjusted Ebitda went up 19% and reached 1.3 billion BRL.

In the year the pro forma reported Ebitda was 22% higher than last year reaching 4.6 billion, which is above the guidance we provided the market; but if we adjust the Ebitda with all the effects that were mentioned before the number is 4.2 billion, up 12% versus last year.

On Capex the quarter was 450 million, which represents a reduction of 22% when compared to SQ 14. The reason for this decrease is mainly due to the lower Capex in both Raízen Energia and Comgás. Looking at the year Capex was 1.9 billion, a 21% drop when compared to the previous year.

The free cash flow to equity on the quarter reached 1.6 billion reflecting mainly the better operational performance on Raízen.

Now turning the page to page 9 talking about debt and leverage COSAN's gross debt finished 4Q 10% higher mainly due to new debt raised mostly in both Raízen Energia... Raízen and Comgás. The consolidated debt profile is mostly concentrated in the mid and long-term as we can see on the graph in the middle of this slide, and the cost equivalent remained at 93% of CDI, which includes all the hedge costs for the dollar-denominated debt.

The pro forma cash and cash equivalents was 5.3 billion by the end of the quarter and the pro forma debt was 11.5 billion. So the leverage on the quarter reached 2.5x Ebitda as we expected and as we mentioned in the previous calls with the market.

Now turning the page to page 10 on the business management - now we are going to go through the guidance for 2015 - on the business manage on the calendar year for the sixth consecutive year we delivered the consolidated guidance even in a very challenging year.

Now talking about Raízen let us now turn the page to page 11. Raízen Energia in addition to disclosing the preliminary guidance for the 2016-2017 crop year we are updating the guidance for 15-16 once we already went through nine months of the crop year and we have now much more visibility on the results that we will deliver. This review is mainly due to one, better sugar and ethanol prices; two, a higher FX variation; and three, stable inter-crop prices on ethanol.

Now before presenting the guidance for 2016 please note that the guidance for Raízen is still preliminary both on the Energia, sugar and ethanol and the fuels distribution business because the company follows the crop year, as you know, and its budget process is still ongoing. So we will confirm these numbers on the next Q.

Now going through an overall comment on the 2016 guidance this guidance for this year points to an improvement in results when compared to the previous year, compared to 2016, and so in the year 2016 we still face the very challenging macroeconomic scenario as you know; however all the companies

remained focused on capturing all the operational efficiencies that certainly will contribute to better results.

Now with that I finish the presentation and we are here, myself João Arthur and Philippe to the Q&A session thank you.

Q&A Session

Operator: We will now begin the question-and-answer session for investors and analysts. If you have a question please press star one on your telephone or if you prefer to send your question over the Internet click on the sender question to the speaker button on the webcast platform.

Our first question comes from Mr. Alexandre Falcão with HSBC.

Mr. Alexandre Falcão: Thanks for the call and good morning or good afternoon. I just wanted to go a little bit further on the fuel distribution margin in the guidance for the next year.

It is clear that we are going to see a challenging environment in terms of volumes and so I just wanted to know given your mid-point in the range flat Ebitda for this year are you counting on any import opportunities? Is this a follow-through from the margin that we had in 4Q with lower volumes? So how do you get to this flat Ebitda in this period? I just want to make sure, to understand how you construct the rationale behind it thank you.

Mr. Gomes: Falcão if you look at the guidance for the fuels distribution business in 2006 and you take the midpoint of the guidance you are going to see a slight increase on the Ebitda numbers.

And basically the range of the guidance that we are providing for 2016 it has a potential downside that covers all the instability in the macroeconomic scenario that we are going through in Brazil; but on the other hand it provides you with an upside that includes all the other opportunities that may occur during the 2016 year - including imports, including a potential price increase by Petrobrás; a potential tax increase.

So all the other opportunities that we may have when going through 2016 it is already covered in the high-end of the guidance. That said it is important to remind this is a preliminary guidance because the budget process for Raízen as you know is not finished yet, and so we will confirm this guidance on the next conference call.

Mr. Falcão: my question is do you think it is maintaining the same margins we are seeing right now and with lower volumes? Is that more or less the... Because I am working with the midpoint of the range right, which is as you said a little bit above... Over 2015. So is this the best way to go about it?

Mr. Gomes: it is about right. Just remind that 4Q unit margin does not reflect the average year unit margin, there is a hike on the margin in 4Q by seasonal effects. So if you make the calculations using the midpoint of the guidance you are going to see that the margins will be around stable.

Mr. Falcão: okay perfect thank you.

Operator: our next question comes from Juan Tavares with Citigroup.

Mr. Juan Tavares: Hi thank you good morning everyone. Just two questions on my side, the first one is regarding your cash flows. As you begin to generate this better cash flow can you tell us how you plan to prioritize the use of that cash regarding Capex, leverage, dividends, like how do you expect to spend that incremental cash flow?

And second just to get your overall perception on what is your take on the potential developments in Brazil of fuel prices and overall taxes across the businesses and products you produce? Thanks.

Mr. Gomes: starting with cash generation the priority for this year 2015 as we shared with the market at the beginning of the year and we follow that up across the calls is really deleveraging the company - that we really achieved by the end of the year 2.5x net debt/Ebitda.

So if you look in the long run our target is really to go a little further down with that leverage to 2x Ebitda. So by the end of the year we expect - by the end of the year 2016 - we expect to be around 2.3x Ebitda and continue going into that direction in deleveraging the company.

With that said with all the cash we are generating mainly in Raízen and Comgás we may decide to pay dividends as we did this time; but also we have as you well pointed out the option of better manage the debt portfolio that we have not only on the operational company's level but also at the holding's company level that are less efficient in terms of tax.

With that just a remind that we do not have any liquidity problems and we do not have any kind of leverage problems. So it is really a choice of how to better balance the payment of the current debt and deleverage the company even further or to pay dividends to the shareholders.

Mr. Tavares: okay thanks.

Operator: our next question comes from Talia Fernandez with CredCorp Capital.

Ms. Talia Fernandez: Hello everyone. On your earnings release on page number 14 there is the IFRS accounting and you posted a reduction of more than 1 billion BRL; compared to last year figures and it is like almost 2x the amount you reported in 2014. What is the hike, like what is the reason the company reported such growth?

Mr. Gomes: Talia I am sorry we could not get your question, the call is breaking up; can you please repeat?

Ms. Fernandez: in your earnings release on page 14 under the IFRS accounting you reported 1.2 billion BRL in Ebitda; compared to last year's figures it is almost 2x the number you reported in 2014. Where does the growth come from?

Mr. Gomes: Talia, João Arthur is the Finance Director who will take the question.

Mr. João Arthur Souza: Talia this is the statutory figure for COSAN S.A. We have a number of one-time events that are listed in the same report and that is basically the reason for the improvements at the COSAN S.A. level.

Mr. Philippe Casale: and Talia this this is Philippe, IR Manager of COSAN. Just to give you a better sense here it is better for you to analyze the pro forma figures of the company, and specifically on the release you can see each segment statement and so you can see how the businesses are performing.

And then you do the consolidated figures, which actually you can see on the same earnings release on page 4: you see segment by segment all the results and the performance of each business and that will give you a better sense and a better analysis of the company's performance.

Ms. Fernandez: thank you.

Operator: once again if you would like to pose a question please press star one.

Our next question comes from Juan Tavares with Citigroup.

Mr. Juan Tavares: hi thanks. Just a follow-up on the second question I had asked, if you can just give us your sense on the potential developments locally in Brazil on fuel prices and if you foresee any potential tax hikes or tax movements within the different businesses.

And maybe if I can follow up with a second question there on in the other businesses when you were discussing you mentioned you had a 300 million

BRL gain due to severance actions; could you just explained that? Because I am just surprised that it is a gain; what exactly was the event that took place? Thanks.

Mr. Gomes: Juan I will go through the fuels question and I will turn to João to get to the second question all right? What we are planning here, what we have as of now in our clients for next year on the fuels prices is really stable prices for both gasoline, ethanol and also diesel. So we are not including in our plans for next year any fuel prices increase from Petrobrás.

The same for any tax increase. We realize that there is a potential out there to increase both of them, both prices and taxes; but we have not included in our plan so far and so the guidance that you see for 2016 does not include these potential upsides.

Mr. Souza: Juan this is João Arthur. The company has moved in the past a number of legal actions against the federal government seeking indemnification from losses we had with price control that the government placed on sugar and... - I am talking about the 80s and the 90s and so this is a very long time ago - and one of these actions we had a favorable decision to the company, this happened during 2H 15 and we recognized that.

Net of the success fees and lawyer fees that we pay to our lawyers we recognized 268 million BRL. It is important to notice that this is a non-cash event; we are probably going to see the cash only in 2017 or 18.

Mr. Tavares: okay great thanks, very clear.

Operator: our next question comes from Alexandre Falcão with HSBC.

Mr. Alexandre Falcão: Thanks for the follow-up. I just wanted to clarify the derivative gains that you guys had this quarter. I understand this is a cash event; but looking forward you probably renewed your hedge on the perp and I just wanted to know if we are going to see something like that as cash generation or cash consumption, when is that, when is the next hedge coming due? Is it last quarter 2016, is it a different timeframe? I just wanted to know if we are going to see - if and when - we are going to see a cash effect like that thank you.

Mr. Souza: Falcão, 100% of COSAN debt is hedged, the principal and the interests. The gains we had we had from the liquidation of certain derivative instruments and we had this in 1Q, we had this in 4Q and we continue to have 100% of our debt hedged; but it all depends on whether the exchange rate goes to see if we are going to have again favorable or negative gain or loss on this.

So answering your question in a simple way yes we are hedged, we could have gains but it all depends on what happens to the exchange rate.

Mr. Falcão: I am not concerned... that I understand; I just wanted to understand if this is a yearly hedge that you guys just put in November and so it is for next November; or if FX goes to 5 two months from now we are going to see this next quarter as an impact again on cash in operations.

Mr. Souza: for the perpetual we did in 2015 we used a short-term hedge and right now we are hedged again, it goes into the middle of March; but we are going to keep hedging it. It is not our intention to not have the perpetual or the other debts unhedged.

Mr. Falcão: okay that is clear thank you.

Operator: This concludes the question-and-answer session for investors and analysts for today. I would like to invite Mr. Nelson Gomes to proceed with his closing statements. Please go ahead sir.

Mr. Gomes: Once again thank you for attending the COSAN conference call this quarter. Just a friendly reminder that we will have our COSAN today here in São Paulo on March 21 and in New York on March 23, so see you all then, thank you.

Operator: That does conclude COSAN's audio conference for today. Thank you very much for your participation and have a good day.
