



# Financial Letter

2<sup>o</sup> Quarter of Fiscal Year 2012 – July, August, September

## Consistent margins and consolidated Net Revenue of R\$ 6.8 billion in 2Q'12

São Paulo, November 9<sup>th</sup>, 2011 - COSAN LIMITED (NYSE: CZZ; BM&FBovespa: CZLT11) and COSAN S.A. INDUSTRIA E COMÉRCIO (BM&FBovespa: CSAN3) announce today their results for the second quarter of fiscal year 2012 (2Q'12), ended September 30, 2011. The results for 2Q'12 are presented on a consolidated basis in accordance with Brazilian (BRGAAP) and international accounting principles (IFRS).

### Highlights 2Q'12

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- Raízen Energia EBITDA margin of 31.3%
- EBITDA margin of R\$ 55.7/cbm in Raízen Combustíveis
- 57.1% growth in Rumo's transportation revenue
- Net revenue of R\$ 267.2 million for the quarter of Cosan Alimentos' formation

#### Definitions:

**2Q'12** - quarter ended September 30<sup>th</sup>, 2011  
**2Q'11** - quarter ended September 30<sup>th</sup>, 2010  
**FY'12** - fiscal year beginning on April 1<sup>st</sup> 2011 and closing on March 31<sup>st</sup>, 2012  
**FY'11** - fiscal year beginning on April 1<sup>st</sup> 2010 and closing on March 31<sup>st</sup>, 2011  
**YTD'12** – period started on the same date of FY'12 and finished by the end of 2Q'12  
**YTD'11** – period started on the same date of FY'11 and finished by the end of 2Q'11

Summary of Financial Information – Cosan Consolidated				
2Q'12	2Q'11	Amounts in R\$ MM	YTD'12	YTD'11
<b>6,804.3</b>	<b>4,716.1</b>	<b>Net Operating Revenue</b>	<b>11,992.3</b>	<b>8,715.7</b>
<b>761.9</b>	<b>720.9</b>	<b>Gross Profit</b>	<b>1,349.9</b>	<b>1,197.8</b>
11.2%	15.3%	Gross Margin	11.3%	13.7%
<b>293.6</b>	<b>278.3</b>	<b>Operating Profit</b>	<b>3,807.5</b>	<b>416.2</b>
<b>659.2</b>	<b>678.8</b>	<b>EBITDA</b>	<b>4,476.7</b>	<b>1,107.2</b>
9.7%	14.4%	EBITDA Margin	37.3%	12.7%
<b>677.3</b>	<b>678.8</b>	<b>Adjusted EBITDA<sup>1</sup></b>	<b>1,179.7</b>	<b>1,107.2</b>
10.0%	14.4%	Adjusted EBITDA Margin	9.8%	12.7%
86.9	240.8	<b>Net Income before Minority Shareholders</b>	2,389.3	243.0
<b>63.2</b>	<b>251.5</b>	<b>Net Income</b>	<b>2,362.5</b>	<b>252.0</b>
0.9%	5.3%	Net Margin	19.7%	2.9%
2Q'12	2Q'11		YTD'12	YTD'11
<b>360.3</b>	<b>510.7</b>	<b>CAPEX</b>	<b>1,069.6</b>	<b>1,219.1</b>
<b>4,853.9</b>	<b>4,735.1</b>	<b>Net Debt</b>	<b>4,853.9</b>	<b>4,735.1</b>
<b>9,270.6</b>	<b>6,412.1</b>	<b>Equity and Non-controlling Interests</b>	<b>9,270.6</b>	<b>6,412.1</b>

Note 1: Excluding the effects of the Raízen's formation

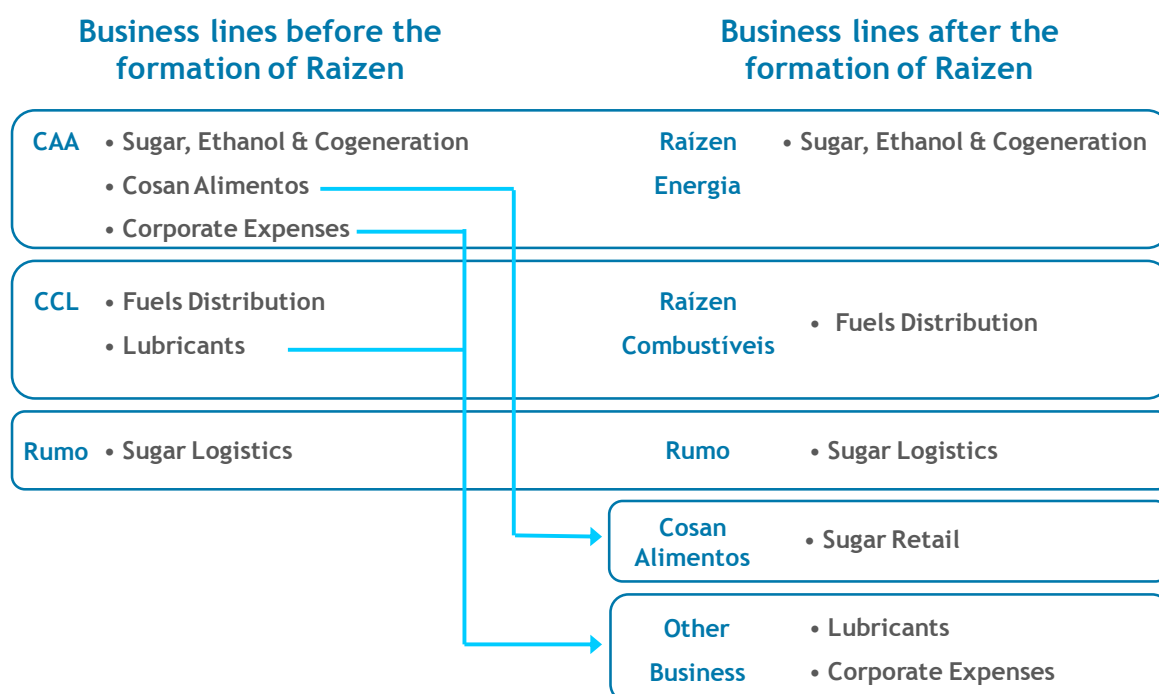


## A. Cosan Alimentos' Formation

On July, 1<sup>st</sup> 2011 was formed Cosan Alimentos, a company responsible for the purchase, packaging and distribution of sugar in the Brazilian retail market. Previously considered a part of Raízen Energia, the successor to Cosan Açúcar e Álcool, Cosan Alimentos is now managed as an independent business unit separate from other Cosan Group's business units.

Cosan Alimentos has very strong brands in the market for packaged sugar and tabletop sweeteners, among which are União and Da Barra, national market leaders and Neve, Duçula and Dolce, regional leaders in their markets.

Thus, as we presented in our 1Q'12 Financial Letter, the new framework with the distribution of our business units is shown below:



## B. Business Units

Following is EBITDA for the second quarter of FY'2011/12 for all Cosan Group business units. Besides Raízen Energia, Raízen Combustíveis, Rumo and Other Businesses, we present the results of the newly created business unit Cosan Alimentos. All information reflects 100% of our business units' financial performance, regardless of its participation on the Cosan Group. Specifically for YTD'12, which represents April to September 2011, Raízen Combustíveis and Cosan Alimentos results are presented in a pro forma basis.

EBITDA and EBITDA Margin by Business Unit		2Q'12				
Amounts in R\$ MM	Raízen Energia	Raízen Combustíveis	Cosan Alimentos	Rumo	Other Business	
<b>Net Operating Revenue</b>	<b>2,665.8</b>	<b>9,901.1</b>	<b>267.2</b>	<b>213.7</b>	<b>289.9</b>	
Cost of Goods and Services	(2,160.8)	(9,356.0)	(200.1)	(136.8)	(197.0)	
<b>Gross Profit</b>	<b>504.9</b>	<b>545.1</b>	<b>67.0</b>	<b>76.9</b>	<b>92.9</b>	
Gross Margin	18.9%	5.5%	25.1%	36.0%	32.1%	
Selling Expenses	(172.5)	(270.7)	(30.5)	-	(43.2)	
General and Administrative Expenses	(89.7)	(122.3)	(5.5)	(10.4)	(36.3)	
Other Operating Revenues (Expenses)	(9.0)	60.7	0.0	0.3	(22.9)	
Effect from creation of Raízen	-	-	-	-	(18.2)	
Depreciation and amortization	599.6	84.2	0.6	10.3	12.8	
<b>EBITDA</b>	<b>833.3</b>	<b>296.9</b>	<b>31.7</b>	<b>77.1</b>	<b>(14.7)</b>	
EBITDA Margin	31.3%	3.0%	11.9%	36.1%	-5.1%	
<b>Adjusted EBITDA<sup>2</sup></b>	<b>833.3</b>	<b>296.9</b>	<b>31.7</b>	<b>77.1</b>	<b>3.4</b>	
Adjusted EBITDA Margin	31.3%	3.0%	11.9%	36.1%	1.2%	
Adjusted EBITDA Margin (R\$/cbm)	-	55.7	-	-	-	

EBITDA and EBITDA Margin by Business Unit		YTD'12				
Amounts in R\$ MM	Raízen Energia	Raízen Combustíveis (Pro forma)	Cosan Alimentos (Pro Forma)	Rumo	Other Business	
<b>Net Operating Revenue</b>	<b>4,303.1</b>	<b>19,626.6</b>	<b>267.2</b>	<b>354.7</b>	<b>531.0</b>	
Cost of Goods and Services	(3,445.8)	(18,608.2)	(200.1)	(230.9)	(349.5)	
<b>Gross Profit</b>	<b>857.2</b>	<b>1,018.4</b>	<b>67.0</b>	<b>123.8</b>	<b>181.5</b>	
Gross Margin	19.9%	5.2%	25.1%	34.9%	34.2%	
Selling Expenses	(314.5)	(530.8)	(30.5)	-	(97.9)	
General and Administrative Expenses	(206.2)	(183.3)	(5.5)	(19.4)	(55.1)	
Other Operating Revenues (Expenses)	(19.4)	121.8	0.0	6.6	(20.6)	
Effect from creation of Raízen	-	-	-	-	3,297.0	
Depreciation and amortization	927.5	180.4	0.6	20.4	22.4	
<b>EBITDA</b>	<b>1,244.7</b>	<b>606.4</b>	<b>31.7</b>	<b>131.4</b>	<b>3,327.3</b>	
EBITDA Margin	28.9%	3.1%	11.9%	37.0%	626.6%	
<b>Adjusted EBITDA<sup>2</sup></b>	<b>1,244.7</b>	<b>606.4</b>	<b>31.7</b>	<b>131.4</b>	<b>30.4</b>	
Adjusted EBITDA Margin	145.2%	3.1%	11.9%	37.0%	5.7%	
Adjusted EBITDA Margin (R\$/cbm)	-	58.2	-	-	-	

Note 2: Excluding effects of the formation of Raízen



## B.1 Raízen Energia

Following are the results for Raízen Energia, which core business are the production and selling of a variety of products derived from sugarcane, including raw sugar (Very High Polarization - VHP), anhydrous and hydrous ethanol, as well as activities related to energy cogeneration from sugarcane bagasse.

From this quarter on, the results of Cosan Alimentos, business unit responsible for purchase, packaging and distribution of sugar in the Brazilian retail market, will no longer be reported as part of this segment.

This release covers three months (July, August and September 2011) of Raízen Energia full operations after its effective formation in June, 1<sup>st</sup> 2011.

### Production Figures

In 2Q'12, Raízen Energia operated 24 mills with a crushing capacity of 65 million tons per crop year to produce sugar, ethanol and energy cogeneration.

Operational Figures				
2Q'12	2Q'11		YTD'12	YTD'11
<b>26,355.0</b>	<b>23,072.0</b>	<b>Crushed Sugarcane</b>	<b>44,740</b>	<b>42,940</b>
12,416	10,534	Own ('000 tons)	22,431	20,430
13,939	12,538	Suppliers ('000 tons)	22,309	22,510
<b>143.0</b>	<b>149.6</b>	<b>Sugarcane TSR (kg/ton)</b>	<b>135.4</b>	<b>139.9</b>
<b>87.4%</b>	<b>79.3%</b>	<b>Mechanization (%)</b>	<b>86.1%</b>	<b>79.3%</b>
Production				
<b>2,130</b>	<b>1,843</b>	<b>Sugar</b>	<b>3,313</b>	<b>3,111</b>
1,303	1,169	Raw Sugar ('000 tons)	2,023	2,030
827	674	White Sugar ('000 tons)	1,290	1,081
<b>967</b>	<b>990</b>	<b>Ethanol</b>	<b>1,596</b>	<b>1,745</b>
386	316	Anhydrous Ethanol ('000 cbm)	587	512
581	674	Hydrous Ethanol ('000 cbm)	1,009	1,233

The volume of cane crushed in 2Q'12 was 26.4 million tons, representing an increase of 14.2% compared to the volume crushed in 2Q'11, of which 47.1% were from owned cane and 52.9% were from supplier's cane. The higher production was mainly due to the increase in crushing capacity at Jataí and Caarapó units, representing an additional 4.4% quarterly crushing capacity usage over a total annual capacity of 339,000 tons/day.

Raízen Energia achieved an 87.4% mechanization level on harvesting process of its own sugarcane, reflecting the investments made in recent years, thus increasing operational efficiency. On 2Q'12, sugarcane TSR level was 143.0 kg/ton, representing a reduction of 4.4% compared to 2Q'11, which was 149.6 kg/ton. This reduction in sugarcane productivity was mainly due to dry weather conditions, which impacted sugarcane crops industry wide.

### Net Revenue



2Q'12	2Q'11	Sales Breakdown Amounts in R\$ MM	YTD'12	YTD'11
<b>2,665.8</b>	<b>1,758.5</b>	<b>Net Operating Revenue</b>	<b>4,303.1</b>	<b>3,032.1</b>
<b>1,485.7</b>	<b>1,107.0</b>	<b>Sugar Sales</b>	<b>2,359.6</b>	<b>1,936.3</b>
304.6	338.3	Domestic Market	648.2	648.3
1,181.1	768.7	Foreign Market	1,711.4	1,288.1
<b>981.8</b>	<b>532.4</b>	<b>Ethanol Sales</b>	<b>1,625.6</b>	<b>889.3</b>
817.5	453.4	Domestic Market	1,400.9	760.1
164.2	79.0	Foreign Market	224.6	129.2
<b>111.1</b>	<b>79.3</b>	<b>Energy Cogeneration</b>	<b>180.8</b>	<b>132.7</b>
<b>87.2</b>	<b>39.7</b>	<b>Other Products and Services</b>	<b>137.1</b>	<b>73.9</b>

In 2Q'12 Raízen Energia's net revenue was R\$ 2.7 billion, an increase of 51.6% compared to 2Q'11, when reported revenue was R\$ 1.8 billion. The increase was mainly due to higher prices, both for sugar and ethanol, as well as the increase in the volume sold.

## Sugar Sales

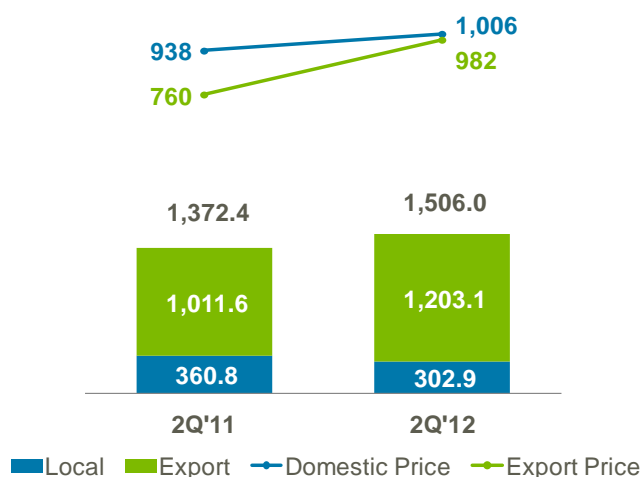
Net revenue from sugar sales in 2Q'12 was R\$ 1.5 billion, an increase of 34.2% compared with the same period last year when net revenue was R\$ 1.1 billion. Sugar sales accounted for 55.7% of total net revenue of Raízen Energia. The average price per ton of sugar was R\$ 986.5 in 2Q'12.

Revenue from sugar sales to the export market in 2Q'12 represented 79.5% of total revenue compared to 69.5% in 2Q'11. This increase is primarily due to the rise in sugar prices on the international market, which increased 29.2% compared to the previous quarter, with the sales mix more focused on the export market. Further, there was a 9.7% increase on total volume of sugar sold in the period between 2Q'12 and 2Q'11.

This increase in volume sold was due to the company's strategy to optimize sales at relatively high prices period. Part of this volume should be considered as an anticipation of following quarters, since the volume of 2011/12 crop will be negatively affected in comparison to the previous harvest.

## Sugar

Volume (thousand tons) and Unit Average Price (R\$/ton)



## Sugar Inventories

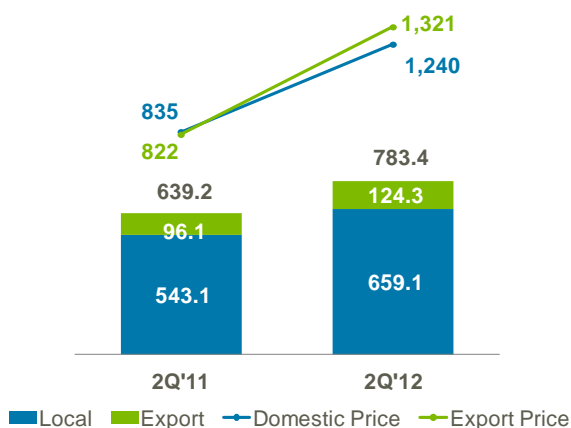
Sugar Inventories		
	2Q'12	2Q'11
'000 ton	1,028.8	1,089.6
R\$'MM	668.6	569.5
R\$/ton	649.9	522.7

### Ethanol Sales

During 2Q'12, revenue from ethanol sales were R\$ 981.8 million, representing a growth of 84.4% over 2Q'11, which totaled R\$ 532.4 million. As noted during 1Q'12, the high price of ethanol was the main reason for the significant increase in revenue. In a comparison between 2Q'11 and 2Q'12, the average price of ethanol rose from R\$ 832.9/cbm to R\$ 1,253.1/cbm, an increase of 50.5%. In addition, there was an increase in the volume sold of 22.6% in the comparison between 2Q'12 and 2Q'11.

## Ethanol

Volume (million liters) and Unit Average Price (R\$/thousand liters)



## Ethanol Inventories

Ethanol Inventories		
	2Q'12	2Q'11
'000 cbm	510.5	733.1
R\$'MM	561.3	561.6
R\$/cbm	1,099.6	766.1

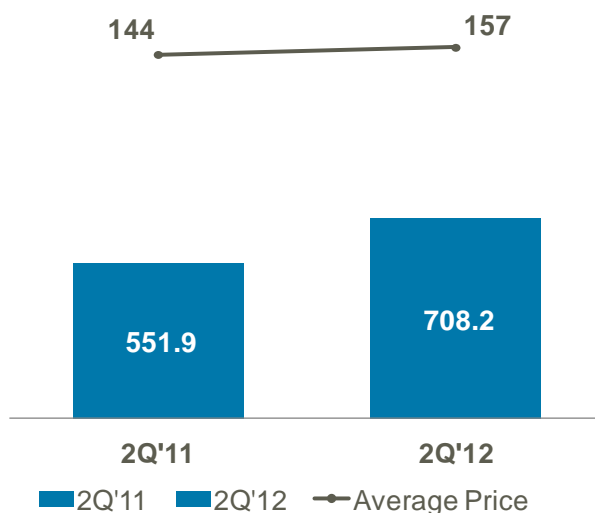
### Energy Cogeneration

During 2Q'12, net revenue from energy totaled R\$ 111.1 million from the sale of 708,200 MWh of energy at an average price of R\$ 157/MWh, an increase of 40.1% in comparison to 2Q'11. This increase was the result of a larger quantity of energy traded during 2Q'12 due to harvest crushing peak.



## Electric Energy

Volume ('000 MWh) and Unit Average Price (R\$/MWh)



### Other Products and Services

Revenue from other products and services from Raízen Energia totaled R\$ 87.2 million during 2Q'12, representing an increase of 119.6% in comparison with 2Q'11, mainly due to (i) steam sales totaling R\$ 2.5 million, (ii) an increase in sales of molasses, and (iii) sale of other raw materials to service providers in the agricultural sector.

### Cost of Goods Sold

		COGS per Product			
2Q'12	2Q'11	Amounts in R\$ MM		YTD'12	YTD'11
<b>(2,160.8)</b>	<b>(1,265.2)</b>	<b>Cost of Goods Sold (COGS)</b>		<b>(3,445.8)</b>	<b>(2,283.6)</b>
(1,046.2)	(710.4)	Sugar		(1,725.7)	(1,244.7)
(909.3)	(493.5)	Ethanol		(1,432.5)	(915.6)
(205.3)	(61.3)	Other and Energy Cogeneration		(287.7)	(123.2)
		Average Unitary Cost <sup>3</sup>			
<b>(516.7)</b>	<b>(406.9)</b>	<b>Cash cost of sugar (R\$/ton)</b>		<b>(528.2)</b>	<b>(430.7)</b>
<b>(781.0)</b>	<b>(523.2)</b>	<b>Cash cost of ethanol (R\$/'000 liters)</b>		<b>(780.4)</b>	<b>(584.1)</b>

Note3: The average unitary costs represent the cash cost, in which are not considered depreciation and amortization of planting, agricultural depreciation (machinery and equipment), industrial depreciation and harvest inter-season maintenance.

In addition to the cost of goods sold by Raízen Energia, also are presented the average unit costs, excluding the effects of depreciation and amortization (cash cost) in order to analyze the changes in these items over the quarters.

The effects of investments in mechanization harvesting, maintenance of the industrial park and the acceleration of sugarcane planting to return to historical levels are reflected in the average unit costs through the portions of depreciation and amortization.



The cost of goods sold by Raízen Energia totaled R\$ 2.2 billion during 2Q'12, representing an increase of 70.8% in comparison to 2Q'11. Among the factors that most contributed to this increase in costs are (i) the larger volume of sugar and ethanol sold contributing R\$ 179.5 million to costs, and (ii) an increase of R\$ 244.4 million in depreciation and amortization.

In addition to the factors previously mentioned, other items that contributed to the rise in the cost of goods sold by Raízen Energia are:

- Lower TSR levels, which in 2Q'11 were 149.6 kg/ton compared to 2Q'12 of 143.0 kg/ton;
- An increase in the cost of supplier's sugarcane due to higher cost of TSR/kg that rose from R\$ 0.3524 in 2Q'11 to R\$ 0.4951 for 2Q'12, representing an increase of 40.5% and elevating the total in approximately R\$ 240.0 million;
- An increase in the cost of own sugarcane due to an increase in the cost of leasing during 2Q'12 that totaled R\$ 17.3 per ton of sugarcane, while in 2Q'11 this cost was R\$ 8.3 per ton mainly related to the higher TSR price during the period;
- Lower dilution of planting and crop treatment cost during the period due to the reduction in productivity, reflected in the reduction of TCH (tons of cane per hectare), which in 2Q'11 was 83.6, compared to 2Q'12, which was 72.9.





## Gross Profit

Gross Profit and Gross Margin per Product				
2Q'12	2Q'11	Amounts in R\$ MM	YTD'12	YTD'11
<b>504.9</b>	<b>493.3</b>	<b>Gross Profit</b>	<b>857.2</b>	<b>748.5</b>
<b>439.5</b>	<b>396.5</b>	<b>Sugar</b>	<b>633.9</b>	<b>691.6</b>
29.6%	35.8%	Sugar Gross Margin (%)	26.9%	35.7%
47.6%	49.6%	Sugar (Cash) Gross Margin (%)	45.7%	48.7%
<b>72.4</b>	<b>38.9</b>	<b>Ethanol</b>	<b>193.1</b>	<b>(26.4)</b>
7.4%	7.3%	Ethanol Gross Margin (%)	11.9%	-3.0%
37.7%	37.2%	Ethanol (Cash) Gross Margin (%)	39.0%	28.2%
<b>(7.0)</b>	<b>57.8</b>	<b>Other and Energy Cogeneration</b>	<b>30.2</b>	<b>83.3</b>

Gross profit for Raízen Energia totaled R\$ 504.9 million in 2Q'12, representing an increase of 2.4% in comparison with 2Q'11, which were R\$ 493.3 million. The gross profit for ethanol increased by 86.1% in the comparison between the quarters, and sugar sales was the main responsible for Raízen Energia's profit in 2Q'12, totaling R\$ 439.5 million. The gross cash margins for sugar and ethanol remained stable between the quarters, after elimination of depreciation and amortization effects.

## Selling, General and Administrative Expenses

Selling, General and Administrative Expenses				
2Q'12	2Q'11	Amounts in R\$ MM	YTD'12	YTD'11
<b>(172.5)</b>	<b>(169.0)</b>	<b>Selling Expenses</b>	<b>(314.5)</b>	<b>(280.7)</b>
<b>(89.7)</b>	<b>(102.7)</b>	<b>General and Administrative Expenses</b>	<b>(206.2)</b>	<b>(184.1)</b>

Selling expenses in 2Q'12 were R\$ 172.5 million, representing an increase of 2.1% over 2Q'11. This increase reflects higher unit cost of sugar elevation at the port caused by anticipation of shipments due to greater volume of sugar sold, partially offset by the reduction in expenses as a result of a change in the sales mix, given that in 2Q'11 the company merged the retail business into Raízen Energia.

General and administrative expenses declined by 12.7% in comparison with 2Q'12 and the same quarter of the previous year. This reduction is mainly due to the optimization of corporate structures and the standardization of processes under the control of the Shared Services Center.



## EBITDA

		EBITDA			
2Q'12	2Q'11	Amounts in R\$ MM		YTD'12	YTD'11
<b>833.3</b>	<b>527.8</b>	<b>EBITDA</b>		<b>1,244.7</b>	<b>837.1</b>
31.3%	30.0%	Margin EBITDA		28.9%	27.6%

During 2Q'12, Raízen Energia's EBITDA was R\$ 833.3 million, representing a 57.9% increase in comparison to the same quarter of the previous year. The EBITDA margin in 2Q'12 increased 1.3 p.p. over 2Q'11, ending the quarter at 31.3%.

## Hedge

Volume positions and fixed sugar prices with trading or through derivative financial instruments on September 30<sup>th</sup>, 2011, as well as the exchange derivative contracts, contracted by Raízen Energia, executed for purposes of protection of future cash flows, are summarized as follows:

Summary of hedge Operations at September 30 <sup>th</sup> , 2011		
	2011 / 2012	2012 / 2013
<b>Sugar</b>		
<b>NY #11</b>		
Volume ('000 tons)	<b>665.8</b>	<b>427.7</b>
Average Price (¢US\$/lb)	<b>26.38</b>	<b>24.86</b>
<b>London #5</b>		
Volume ('000 tons)	<b>33.7</b>	-
Average Price (US\$/lb)	<b>729.04</b>	-
<b>Exchange rate</b>		
<b>US\$</b>		
Volume (US\$ million)	<b>447.75</b>	<b>276.3</b>
Average Price (R\$/US\$)	<b>1.8204</b>	<b>1.8645</b>
<b>Volume to be sold / Hedged ('000 tons)</b>	<b>843.8</b>	<b>3,045.0</b>
<b>% Sale Protected Sugar / Fixed</b>	<b>82.9%</b>	<b>14.0%</b>

## Hedge Accounting Impacts

The Company has been using the cash flow hedge accounting to certain derivative financial instruments to cover price risk of sugar and exchange variation risk on sugar export revenues.

The table below indicates the transfer expectation of gains/losses balance of the shareholders' equity on September 30<sup>th</sup>, 2011 to net operating income of Raízen Energia<sup>4</sup> in future years, according to the coverage period of the designated hedge instruments.



Derivative	Market	Risk	Expiration Period - (R\$MM)		
			2011/12	2012/13	Total
<b>Futures</b>	OTC/NYBOT	<b>NY#11</b>	(173.1)	34.1	(139.0)
<b>NDF</b>	<b>OTC/CETIP</b>	<b>USD</b>	(34.8)	(31.2)	(65.9)
<b>(=) Hedge Accounting impact</b>			<b>(207.8)</b>	<b>2.9</b>	<b>(204.9)</b>
(-) Deferred Income Tax			70.7	(1.0)	69.7
<b>(=) Asset Valuation Adjustment</b>			<b>(137.2)</b>	<b>1.9</b>	<b>(135.3)</b>

Note 4: The chart above shows 100% of gains/losses reclassified to equity under the hedge accounting. Because Cosan proportionately consolidated Raízen Energia, these effects will impact only 50% of the consolidated financial results of Cosan.

## CAPEX

		CAPEX		
2Q'12	2Q'11	Amounts in R\$ MM	YTD'12	YTD'11
<b>508.8</b>	<b>358.4</b>	<b>Total Capex</b>	<b>1,116.5</b>	<b>924.7</b>
<b>347.8</b>	<b>302.7</b>	<b>Operating Capex</b>	<b>727.4</b>	<b>612.1</b>
247.5	198.1	Biological assets	464.7	392.7
14.6	3.4	Inter-harvest maintenance costs	129.0	65.4
56.3	67.6	SSMA and Sustaining	60.4	76.4
29.4	33.6	Mechanization	73.3	77.6
<b>161.0</b>	<b>55.7</b>	<b>Expasion Capex</b>	<b>389.1</b>	<b>312.6</b>
133.7	15.0	Cogeneration projects	270.4	113.8
-	18.2	Greenfield	-	42.6
-	22.5	Expasion	55.5	74.7
27.3	-	Others	63.2	81.5

During 2Q'12 Raízen Energia's Capex was 42.0% higher than the same quarter of previous year.

Investments in biological assets represented 48.6% of total Capex and reflects the high level of investments designed to expand the planted area, crop treatment and the renewal of sugarcane fields at rates above the industry average for the 2011/12 crop.

Expansion projects represented 26.3% of Raízen Energia's total investments and correspond, mainly to expenses for cogeneration projects in the amount of R\$ 133.7 million in order to expand installed capacity in Barra, Ipaussu and Univalem units by approximately 150 MW.

In addition, there was R\$ 27.0 million in industrial investments for enhancement of logistics and operational process and modernization of plants.



## B.2 Raízen Combustíveis

In this section are presented the results for Raízen Combustíveis, the business unit that represents the fuel distribution sales through a network of service stations under the brand names “Shell” and “ESSO”, industry and wholesale markets and aviation jet fuel distribution.

In this quarter, the results for Raízen Combustíveis are presented on two different basis, accounting and pro forma, in order to provide comparability between periods.

The main differences between the two basis presented are shown below:

- Book Base (Accounting)
  - 2Q'12 – three months (July, August and September of 2011) of Raízen Combustíveis operations
  - YTD'12 – four months (June to September of 2011) of Raízen Combustíveis operations and two months (April to May of 2011) of operation of the fuel business under management of Cosan (CCL not including the Lubricants business)
  - 2Q'11 - three months (July, August and September of 2010) of operations of the fuels business under Cosan management (CCL not including the Lubricants results)
  - YTD'11 – six months (April to September 2010) of the operations of the fuel business under Cosan management (CCL not including the Lubricants results)
  
- Pro Forma Base
  - YTD'12 – four months (June to September of 2011) of Raízen Combustíveis operations and two months (April to May of 2011) of carve-out combination of fuel assets of both CCL and Shell
  - 2Q'11 - three months (July, August and September of 2010) of carve-out combination of fuel assets of both CCL and Shell
  - YTD'11 – six months (April to September 2010) of carve-out combination of fuel assets of both CCL and Shell

Except where otherwise indicated, all of the following analysis compares the results from 2Q'12 (book base) with 2Q'11 (pro forma base) and represent the entire operations of Raízen Combustíveis.

In 2Q'12 the volume of fuel sold by Raízen Combustíveis remained stable, showing only a slight reduction of 0.4% when compared with 2Q'11. When compared with 1Q'12, the volume sold presented an increase a 4.8%.



## Net Revenue

Book 2Q'12	Proforma 2Q'11	Proforma YTD'12	Proforma YTD'11	Sales Breakdown Amounts in R\$ MM	Book 2Q'12	Book 2Q'11	Book YTD'12	Book YTD'11
9,901.1	8,918.9	19,626.6	17,363.8	<b>Net Operating Revenue</b>	9,901.1	2,810.8	15,030.9	5,389.2
9,901.1	8,909.9	19,604.7	17,335.5	<b>Fuel Sales</b>	9,901.1	2,801.7	15,009.0	5,360.8
640.1	723.3	1,192.4	1,355.2	Ethanol	640.1	203.2	972.6	373.0
3,940.7	3,092.5	8,127.1	6,160.7	Gasoline	3,940.7	1,102.8	6,178.4	2,177.5
4,146.4	4,107.0	7,964.8	7,870.8	Diesel	4,146.4	1,467.0	6,286.0	2,758.5
1,013.1	750.7	2,020.0	1,475.2	Jet Fuel	1,013.1	-	1,339.5	-
160.9	236.4	300.5	473.5	Others	160.9	28.7	232.5	51.8
-	9.0	21.9	28.4	<b>Other services</b>	-	9.0	21.9	28.4

With an increase of 11.0%, Raízen Combustíveis net revenue rose to R\$ 9.9 billion, due to the change in the mix of products. The volume of gasoline sold increased by 20.8%, while the volume of ethanol declined by 36.4% when comparing 2Q'12 with 2Q'11.

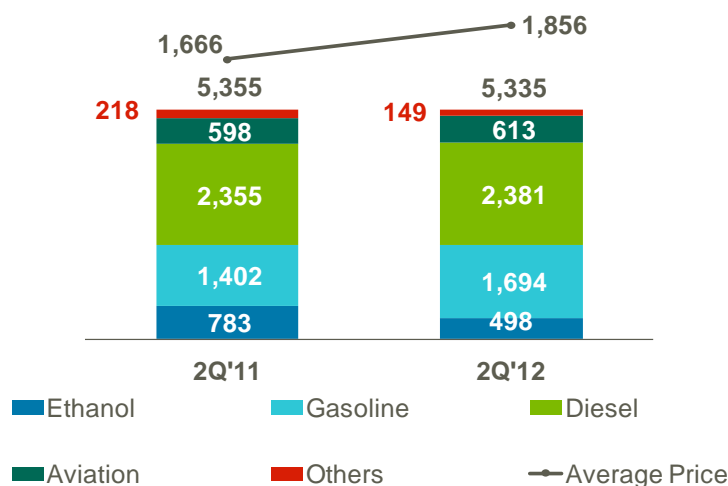
The change in the mix is due to the larger number of drivers of flex fuel automobiles choosing to use gasoline rather than hydrous ethanol, since the average price of ethanol increased from R\$ 924.1/cbm in 2Q'11 to R\$ 1,285.9/cbm in 2Q'12, representing an increase of 39.2%. The use of gasoline remained more attractive even though there was a 5.4% increase in its average price during this period.

The average parity of the price of hydrous ethanol in comparison to gasoline, weighted by the vehicle fleet, according to the National Petroleum Agency (ANP) was approximately 75.7% at the end of 2Q'12, and only three states reported levels of below 70.0%.

Despite the stability of volume sold in 2Q'12 the increase in the average unit price by 12.0% reflected an increase in net revenue when compared to 2Q'11.

## Fuels

Volume (Million liters) and Average Unit Price (R\$/million liters)



## Fuels Inventories

Fuels Inventories	Book 2Q'12	Book 2Q'11
000 cbm	470.8	325.8
R\$MM	845.3	557.0
R\$/cbm	1,795.6	1,709.7

Inventories increased by 44.5%, although when analyzing in terms of days of sale, there was no significant change, continuing at the level of approximately 6 days.

## Cost of Good Sold

Book 2Q'12	Proforma 2Q'11	Proforma YTD'12	Proforma YTD'11	COGS Amounts in R\$ MM	Book 2Q'12	Book 2Q'11	Book YTD'12	Book YTD'11
(9,356.0)	(8,480.2)	(18,608.2)	(16,462.6)	Fuel Sales	(9,356.0)	(2,697.5)	(14,296.9)	(5,167.5)
				Average unitary cost R\$/000 liters				
(1,754)	(1,584)	(1,785)	(1,577)	Fuel Sales	(1,754)	(1,715)	(1,779)	(1,716)

The cost of goods sold by Raízen Combustíveis in 2Q'12 was R\$ 9.4 billion, an increase of 10.3% in comparison with 2Q'11 mainly due to the result of a change in the mix of products that have a higher cost.

The average unit cost showed an increase of 10.7% in 2Q'12, mostly as a result of the rising cost of ethanol due to the lack of availability of the product, in addition to aviation fuel, which also showed an increase in cost during this period.

## Gross Profit

Book 2Q'12	Proforma 2Q'11	Proforma YTD'12	Proforma YTD'11	Gross Profit Amounts in R\$ MM	Book 2Q'12	Book 2Q'11	Book YTD'12	Book YTD'11
545.1	438.7	1,018.4	901.2	Gross Profit	545.1	113.2	733.9	221.7
102.2	81.9	97.7	86.3	Gross margin (R\$/000 liters)	102.2	72.0	91.3	73.6
5.5%	4.9%	10.4%	10.4%	Gross Margin (%)	5.5%	4.0%	4.9%	4.1%

Gross profit during 2Q'12 was 24.3% higher than 2Q'11, reaching R\$ 545.1 million, an increase of 15.2% compared to 1Q'12.

The gross margin for the segment was 5.5%, 0.6 p.p greater than the margin reported during 2Q'11 and 1.0 p.p compared to 1Q'12, which was 4.9%.

The gross margin in Reais per cbm (or thousand liters) showed a significant increase of 24.8% and 9.9% when compared to 2Q'11 and 1Q'12 respectively, reaching R\$ 102.2/cbm during the quarter.



## Selling, General and Administrative Expenses

Book 2Q'12	Proforma 2Q'11	Proforma YTD'12	Proforma YTD'11	Selling, General and Administrative Expenses Amounts in R\$ MM	Book 2Q'12	Book 2Q'11	Book YTD'12	Book YTD'11
(270.7)	(235.0)	(530.8)	(543.2)	<b>Selling Expenses</b>	(270.7)	(69.8)	(409.7)	(138.0)
(122.3)	(99.3)	(183.3)	(164.5)	<b>General and Administrative Expenses</b>	(122.3)	(20.5)	(151.1)	(45.7)

Selling expenses for Raízen Combustíveis increased during the period by 15.2%, totaling R\$ 270.7 million, an amount higher than the R\$ 235.0 million reported in 2Q'11. The main reason for this increase was allocation change of freight expenses that on previous periods were allocated as cost of goods sold and now is considered as a selling expense. Comparing the selling expenses in unit terms, we observed an increase of 15.5%, from R\$ 43.9/cbm in 2Q'11 to R\$ 50.7/cbm in 2Q'12.

General and administrative expenses totaled R\$ 122.3 million, an amount 23.2% higher than 2Q'11, which were R\$ 99.3 million due to allocation of Shared Services Center expenses.

## EBITDA

Book 2Q'12	Proforma 2Q'11	Proforma YTD'12	Proforma YTD'11	EBITDA Amounts in R\$ MM	Book 2Q'12	Book 2Q'11	Book YTD'12	Book YTD'11
296.9	172.7	606.4	302.0	<b>Ebitda</b>	296.9	56.1	451.2	90.7
3.0%	1.9%	3.1%	1.7%	Margin (%)	3.0%	2.0%	3.0%	1.7%
55.7	32.2	58.2	28.9	Margin (R\$/cbm)	55.7	35.7	56.1	30.1

Raízen Combustíveis reported an EBITDA of R\$ 296.9 million in 2Q'12, and a margin of R\$ 55.7/cbm.

This amount represents an increase of 71.9% in total EBITDA and 73.0% in EBITDA margin (R\$/cbm) in the comparison of 2Q'12 with 2Q'11, reflecting an improvement in the composition of sales and the successful process of integration after the formation of Raízen, which led to gains from operational efficiency due to the unification of “Esso” and “Shell” platforms.

## Capex

Book 2Q'12	Proforma 2Q'11	Proforma YTD'12	Proforma YTD'11	CAPEX Amounts in R\$ MM	Book 2Q'12	Book 2Q'11	Book YTD'12	Book YTD'11
76.7	46.4	122.0	75.8	<b>CAPEX</b>	76.7	25.3	114.4	40.2

Raízen Combustíveis investments during the quarter were R\$ 76.7 million and included (i) maintenance, (ii) expansion and rebranding of new service stations with the “Shell” brand, (iii) rebranding the “Esso” service stations into “Shell”, and (iv) investments in health, safety and environment and (v) market assistance programs.



## B.3 Rumo Logística

Responsible for providing logistics services in transportation, storage and port elevation of sugar and other agricultural commodities, both for Raízen as well as for third parties, Rumo is the logistics arm of Cosan.

### Net Revenue

		Sales breakdown		
2Q'12	2Q'11	Amounts in R\$ MM	YTD'12	YTD'11
<b>213.7</b>	<b>144.6</b>	<b>Net Operating Revenue</b>	<b>354.7</b>	<b>249.9</b>
154.3	98.2	Transportation	250.4	168.5
52.2	38.8	Loading	93.9	73.8
7.3	7.5	Others	10.3	7.6

Rumo net revenue in 2Q'12 reached R\$ 213.7 million, 47.8% higher than R\$ 144.6 million reported in 2Q'11 and 51.6% higher than the R\$ 141.1 million reported for 1Q'12.

The main factors that led to the increase in revenue for Rumo were (i) a higher volume of elevation, 8.9% higher than the 2Q'11, and (ii) a larger volume of sugar transported in the period.

Average unit revenue, measured by the total revenue divided by elevated volume, was R\$ 77.8/ton and the total volume elevated in 2Q'12 was 2.7 million tons. Net revenue from transportation and elevation showed significant growth of 57.1% and 34.5% respectively. The volume transported was responsible for 72.2% of total net revenue for Rumo, both through its partnership with ALL – America Latina Logística and from the volume originating directly through Rumo. In 2Q'12, net revenue from transportation was equivalent to 67.2% of the total.

Important to highlight that the improvement in performance during the quarter and in comparison with the same period of last year is a result of the investments made to improve performance on port terminals and hubs centers as well as a reflect of some mills strategy to optimize sales in highly prices period. Part of this volume can be considered as an anticipation of shipments of following quarters of 2011/12 harvest, that should be relatively weaker due to the harvest disruption.

Rumo has made the necessary investments to operate with other kinds of products — for example, soybeans. This decision was taken to mitigate the risk of weaker volumes of sugar in the market during the inter-harvest period, as well as to optimize its operating structure.

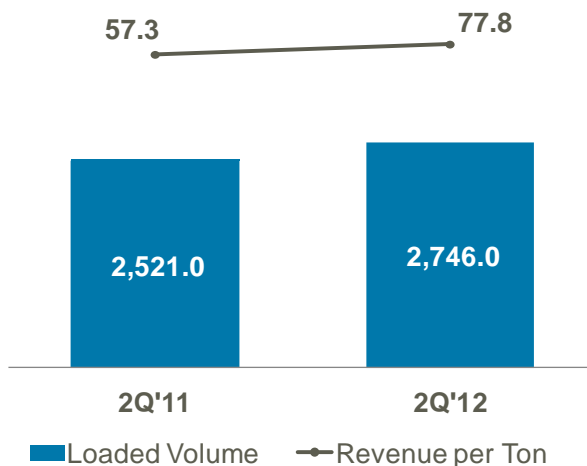
During 2Q'12, Raízen Energia was responsible for approximately 40% of the volume of sugar elevated, which is equal to approximately 1.1 million tons.





## Average Revenue per ton<sup>5</sup>

### Volume (thd tons) and Average Single Revenue (R\$/ton)



Note 5: Net Revenue divided by the elevation volume.

## Cost of Services Provided

2Q'12		2Q'11		Costs of Services Amounts in R\$ MM		YTD'12	YTD'11
(136.8)	(103.7)			<b>Cost of Services Provided</b>		<b>(230.9)</b>	<b>(179.5)</b>

The cost of services provided by Rumo are composed of rail and highway freight transportation, port elevation, transshipment and storage costs in the interior of the state of São Paulo and the Port of Santos.

In 2Q'12, the cost of services provided showed an increase in comparison with 2Q'11 due to the higher volume transported and elevated during the period, reaching R\$ 136.8 million, 31.9% above the cost reported the same period last year. However, in comparison with the net revenue of the segment, there was a dilution of costs (from 71.7% to 64.0%) due to improved efficiency in transporting sugar in the Port and in the hubs centers.

## Gross Profit

2Q'12		2Q'11		Gross profit and gross margin Amounts in R\$ MM		YTD'12	YTD'11
<b>76.9</b>	<b>40.9</b>			<b>Gross Profit - Rumo</b>		<b>123.8</b>	<b>70.5</b>
36.0%	28.3%			Gross Margin (%)		34.9%	28.2%

During the quarter, Rumo reached R\$ 76.9 million in gross profit, 88.0% higher than in 2Q'11, and 64.3% higher than in 1Q'12. The gross margin also recorded an increase, of 7.7 p.p, reaching 36.0% in comparison to the same quarter in the previous year, showing an improvement in operations and higher dilution of fixed operation costs.



## Selling, General and Administrative Expenses

Selling, General and Administrative Expenses				
2Q'12	2Q'11	Amounts in R\$ MM	YTD'12	YTD'11
-	-	<b>Selling Expenses</b>	-	-
<b>(10.4)</b>	<b>(8.5)</b>	<b>General and Administrative Expenses</b>	<b>(19.4)</b>	<b>(15.0)</b>

General and administrative expenses totaled R\$ 10.4 million in this quarter, an increase of 22.4% compared to 2Q'11. In August and September of 2011, Rumo had nonrecurring provision for IT expenses, which if not considered would have taken G&A to the same level of 2Q'11.

## EBITDA

EBITDA				
2Q'12	2Q'11	Amounts in R\$ MM	YTD'12	YTD'11
<b>77.1</b>	<b>43.9</b>	<b>EBITDA</b>	<b>131.4</b>	<b>80.1</b>
36.1%	30.3%	Margin	37.0%	32.0%

The EBITDA reported by Rumo of R\$ 77.1 million and the margin of 36.1%, is 5.8 p.p. higher than in 2Q'11. Despite the fact that depreciation and amortization during 2Q'12 remained stable in comparison with the previous quarter - R\$ 10.3 million for the period - the EBITDA margin was slightly affected by the increase in costs and expenses. In 1Q'12 Rumo's operations presented a margin of 38.5%.

## CAPEX

CAPEX				
2Q'12	2Q'11	Amounts in R\$ MM	YTD'12	YTD'11
<b>48.1</b>	<b>127.0</b>	<b>Capex</b>	<b>156.4</b>	<b>250.9</b>

Following its plan of investments of R\$ 1.3 billion over a four-year period, Rumo has already invested more than 50% of this amount. Investments in locomotives and wagons have already been completed. Remaining investments are basically in permanent ways (approximate 40% of which has already been invested) and in new transshipment centers in the port terminal (approximately 20% already invested), including the cover over one of the berths that will make it possible for Rumo to load sugar even in days of rain.

For the quarter, investments by Rumo totaled R\$ 48.1 million, mainly invested in rail ways and improvements in the port and terminals for transshipment in the interior of the state of São Paulo.



## B.4 Cosan Alimentos

The results for Cosan Alimentos, the company created on July 1<sup>st</sup>, 2011 that is responsible for the purchase, packaging and distribution of sugar in the Brazilian retail market are presented below.

In order to provide a comparable basis for analysis of the performance of this business unit, we present the results in two different basis, book base (accounting) and pro forma, as described below:

- Book Base (Accounting)
  - 2Q'12 – three months (July, August and September 2011) of Cosan Alimentos operations
  
- Pro Forma base
  - 2Q'11 – three months (July, August and September 2010) of Cosan Alimentos operations recorded on a management basis according to currently principles
  - YTD'11 – six months (April to September 2010) of Cosan Alimentos operations recorded on a management basis according to currently principles
  - YTD'12 - six months (April to September 2011) of Cosan Alimentos operations recorded on a management basis according to currently principles

### Net Revenue

Book 2Q'12	Proforma 2Q'11	Sales breakdown Amounts in R\$ MM	Proforma YTD'12	Proforma YTD'11
<b>267.2</b>	<b>213.5</b>	<b>Net Operating Revenue</b>	<b>495.0</b>	<b>430.3</b>
240.8	191.0	Refined sugar sales	445.5	384.9
13.3	12.5	Cristal sugar sales	24.8	27.0
13.1	10.0	Special sugar sales	24.7	18.4

The net revenue for Cosan Alimentos in 2Q'12 totaled R\$ 267.2 million, representing an increase of 25.2% in comparison with 2Q'11. Refined sugar sales were responsible for 90.1% of sales and also showed growth in comparison with previous quarters.

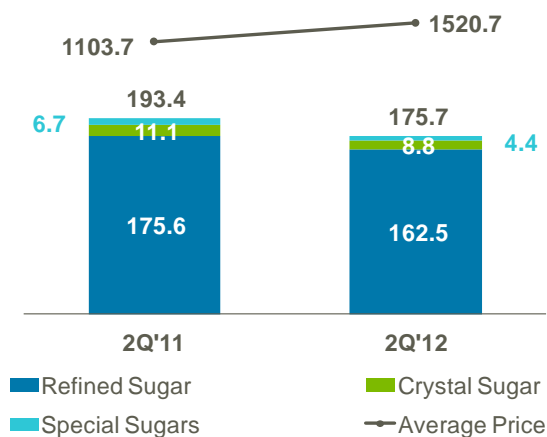
Special sugars contributed R\$ 13.1 million to the results for the quarter and represented the sale of products such as União Light Sugar, Orgânico, Premium, Sachets, and others.

Despite a reduction in the volume sold of 9.2%, the 37.8% increase in prices during the period more than offset the reduction in the amount sold, and for this reason the company's total revenues increased R\$ 53.7 million. In addition, Cosan Alimentos' pricing strategy makes it possible to capture a premium over the market price, contributing to the increase in revenues.



## Sugar

Volume (thousand tons) and Unit Average Price (R\$/ton)



## Sugar Inventories

Sugar Inventories	
	2Q'12
'000 ton	29.1
R\$'MM	34.7
R\$/ton	1,190.7

## Cost of Goods Sold

Book 2Q'12	Proforma 2Q'11	COGS Amounts in R\$ MM	Proforma YTD'12	Proforma YTD'11
(200.1)	(161.3)	<b>Cost of Goods Sold (COGS)</b>	<b>(375.3)</b>	<b>(317.9)</b>
(178.1)	(143.6)	Refined sugar	(336.9)	(282.4)
(11.9)	(12.0)	Cristal sugar	(21.4)	(24.7)
(10.1)	(5.7)	Special sugar	(17.0)	(10.8)

Cost of goods sold increased by 24.1%, up from R\$ 161.4 million in 2Q'11 to R\$ 200.1 million in 2Q'12. The majority of Cosan Alimentos' raw materials are guaranteed through long-term contracts, which accounts for roughly 80% of total raw material volume, being Raízen the main supplier. Therefore, the cost of goods sold varies basically according to a price formula which aims to cushion the volatility in the market, taking the sugar price in the domestic market, in Reais, as a reference.

## Gross Profit

Book 2Q'12	Proforma 2Q'11	Gross Profit Amounts in R\$ MM	Proforma YTD'12	Proforma YTD'11
67.0	52.2	<b>Gross Profit</b>	<b>119.7</b>	<b>112.4</b>
25.1%	24.4%	<b>Gross Margin (%)</b>	24.2%	26.1%

Cosan Alimentos' gross profit in 2Q'12 totaled R\$ 67.0 million, up 28.6% compared to the same quarter a year earlier, with consolidated margin of 25.1%.

## Selling, General and Administrative Expenses

Book 2Q'12	Proforma 2Q'11	Selling, General and Administrative Expenses Amounts in R\$ MM	Proforma YTD'12	Proforma YTD'11
(30.5)	(31.3)	<b>Selling Expenses</b>	(58.3)	(56.3)
(5.5)	(4.5)	<b>General and Administrative Expenses</b>	(10.0)	(8.4)

In 2Q'12, Cosan Alimentos' sales expenses totalled R\$ 30.5 million, remaining roughly unchanged compared to 2Q'11. This reflects the company's focus on rationalizing its freight costs, focusing on strategic clients, and optimizing sales efforts.

General and administrative expenses in 2Q'12 amounted to R\$ 5.5 million, up 25.0% compared to 2Q'11, which is explained by the formation of this business unit, and the consequent need to carry out adjustments to its administrative structure.

## EBITDA

Book 2Q'12	Proforma 2Q'11	EBITDA Amounts in R\$ MM	Proforma YTD'12	Proforma YTD'11
<b>31.7</b>	<b>15.8</b>	<b>EBITDA</b>	<b>51.3</b>	<b>46.7</b>
11.9%	7.4%	Margin	10.4%	10.8%

Based on the results mentioned above, Cosan Alimentos reported an EBITDA of R\$ 31.7 million, up 86.5% over the pro forma EBITDA reported in 2Q'11 of R\$ 17.0 million. EBITDA margin rose, to 11.9% in 2Q'12. This significant result reflected the ability of Cosan Alimentos to capture market opportunities as a result of its developed distribution platform (approximately 10,000 distribution points and 80,000 points of sales) and premium prices arising from the positioning of its brands União and Da Barra.



## B.5 Other Business

Below are shown the results of Other Business segment, which consists of industrial activities and the distribution of lubricants under Mobil brand, investment in agricultural land and other investments, in addition to the corporate structures allocation of the business units of Cosan Group, excluding Raízen.

### Net Revenue

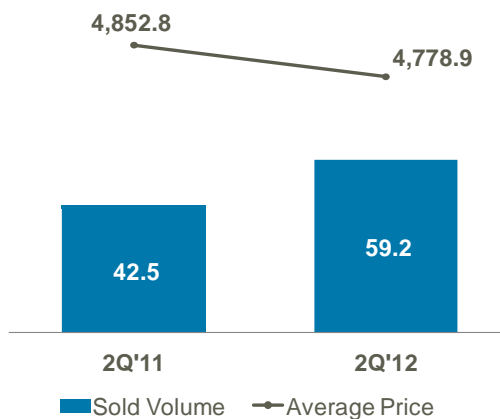
		Sales breakdown			
2Q'12	2Q'11	Amounts in R\$ MM		YTD'12	YTD'11
<b>289.9</b>	<b>206.2</b>	<b>Net Operating Revenue</b>		<b>531.0</b>	<b>409.4</b>
282.9	206.2	Lubricant Sales		513.0	407.9
7.0	-	Other Products and Services		18.0	1.5

Net revenue in Other Business segment in 2Q'12 amounted to R\$ 289.9 million, of which R\$ 282.9 refers to the lubricant business.

Comparing 2Q'12 and 2Q'11, net revenue was up 40.6%, basically due to the higher volume of lubricants sold in the quarter, which totalled 59.2 million litres. The average unit price showed a decrease of 1.5%, due to the start of the basic oil sales, which is the raw material for lubricants manufacturing.

### Lubricants

Volume (million liters) and Average Unit Price (R\$/thousand liters)



### Selling, General and Administrative Expenses

		Selling, General and Administrative Expenses			
2Q'12	2Q'11	Amounts in R\$ MM		YTD'12	YTD'11
<b>(43.2)</b>	<b>(36.1)</b>	<b>Selling Expenses</b>		<b>(97.9)</b>	<b>(70.0)</b>
<b>(36.3)</b>	<b>(6.2)</b>	<b>General and Administrative Expenses</b>		<b>(55.1)</b>	<b>(13.7)</b>

In 2Q'12, selling expenses in Other Business segment amounted to R\$ 43.2 million, compared to a total of R\$ 36.1 million in the same quarter a year earlier, mainly due to an increase in lubricant marketing activities.

General and administrative expenses in 2Q'12 amounted to R\$ 36.3 million, an increase of R\$ 30.1 million, of which approximately 65% represented Cosan's corporate cost structure.

## EBITDA

		EBITDA		
2Q'12	2Q'11	Amounts in R\$ MM	YTD'12	YTD'11
<b>(14.7)</b>	<b>42.8</b>	<b>Ebitda</b>	<b>3,327.4</b>	<b>91.1</b>
18.2	-	Effects from Joint Venture (Raízen)	(3,297.0)	-
<b>3.4</b>	<b>42.8</b>	<b>Adjusted Ebitda margin</b>	<b>30.4</b>	<b>91.1</b>
1.2%	20.8%	Adjusted Ebitda margin	5.7%	22.3%

Also in 2Q'12, the impact of the formation of Raízen affected the EBITDA, which amounted to R\$ 18.2 million. Therefore, excluding this effect, the EBITDA for Other Business was R\$ 3.4 million, with EBITDA margin of 1.2%.



## C. Consolidated Results

### Financial Result

		Financial Results			
2Q'12	2Q'11	Amounts in R\$ MM		YTD'12	YTD'11
(156.9)	(138.6)	Gross Debt Charges		(341.7)	(279.6)
44.8	18.3	Income from Financial Investments		72.5	63.2
<b>(112.1)</b>	<b>(120.3)</b>	<b>(=) Subtotal: Gross Debt Interests</b>		<b>(269.2)</b>	<b>(216.4)</b>
(4.8)	(16.0)	Other Charges and Monetary Variation		(17.7)	(25.6)
(311.8)	187.7	Exchange Rate Variation		(186.8)	155.5
(8.2)	15.5	Gains (losses) with Derivatives		9.2	23.3
43.3	19.5	Others		82.1	19.0
<b>(393.6)</b>	<b>86.4</b>	<b>(=) Financial, net</b>		<b>(382.4)</b>	<b>(44.1)</b>

The net financial result on 2Q'12 presented a net expense of R\$ 393.6 million compared to a net revenue of R\$ 86.4 million on 2Q'11 (a negative net variation of R\$ 479.9 million). The exchange rate variation over assets and liabilities denominated in dollar amounted R\$ 499.5 million and was the main responsible for this variation followed by R\$ 23.7 million from derivatives expenses and R\$ 18.3 million of gross debt charges that were partially compensated by R\$ 26.5 million of income from financial investments and additional R\$ 35.0 million from other net financial revenues.

In 2Q'12 the devaluation of Brazilian Real against US Dollar was approximately 19.0% (R\$ 1.5611/US\$ in 06/30/2011 and R\$ 1.8544/US\$ in 09/30/2011) while in 2Q'11 the Brazilian Real appreciated 6.0% against US Dollar (R\$ 1.8015/US\$ in 06/30/2010 and R\$ 1.6942/US\$ in 09/30/2010).

Therefore, besides the reduction of the average dollar denominated debt, as a function of Raízen's formation which caused a proportional consolidation of Raízen's debt (50%) as well as the 50% amount of Shell receivable in Raízen, both exposed to exchange rate variation, the foreign exchange negative impact totaled R\$ 311.8 million on 2Q'12.

The financial expense on the gross debt increased 13% in comparison to the same quarter of last year, besides the reduction in the average balance of the total consolidated debt (which amounted to R\$ 5,727 million on 09/30/10 and R\$ 4,854 million on 09/30/11). This increase has occurred due to higher average Brazilian interest rates (CDI was 0.39 p.p higher than the same quarter of last year) and also due to the change in overall consolidated debt profile.

The financial income on investments amounted R\$ 44.8 million in this quarter, compared to R\$ 18.3 million in the same quarter of last year, mainly due to an higher average investment balance over the quarters as well as due to an increase of 15% on the Brazilian average interest rate (CDI).

The derivatives included in the net financial result reflects the gains/losses on derivatives instruments not used for hedge accounting purposes or ineffective part of such hedge accounting instruments.





## ***Net Income***

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In 2Q'12, Cosan reported a net income of R\$ 63.2 million, with a net margin of 0.9%, compared to R\$ 251.5 million in 2Q'11. This reduction is basically explained by the impact of the negative financial result, as a consequence of exchange-rate devaluation on foreign denominated debt.



## D. Indebtedness

During 2Q'12, Cosan's consolidated gross debt rose to R\$ 5.2 billion, compared to R\$ 4.3 billion in 1Q'12. Below we show Raízen's debts on a segregated basis, 50% of which are shown in the consolidated results for Cosan, while the other debts of Cosan Group are fully consolidated.

### Raízen

Raízen's total gross debt amounted R\$ 6.0 billion at the period ending September 30<sup>th</sup>, 2011, up 10.2% compared to the balance as of June 30<sup>th</sup>, 2011.

During the period, R\$ 219.5 million was raised through the following lines of financing:

- (i) R\$ 156.9 million in advances of foreign-exchange agreements;
- (ii) R\$ 65.1 million in BNDES credit lines and other loans taken out for energy cogeneration projects and mechanization of sugarcane harvesting, among others.

The amortization of interest and principal in the period amounted to approximately R\$ 357.9 million. As a result of the exchange rate variation in the quarter of R\$ 1.8544/US\$ as of September 30<sup>th</sup>, 2011, compared to R\$ 1.5611/US\$ on June 30<sup>th</sup>, 2011, there was an increase in the total debt balance of R\$ 653.9 million.

This exchange rate variation had the most impact on the Senior Notes 2014 and 2017, export pre-payments, advances on foreign-exchange agreements and working capital, all of which are designated in foreign currency (U.S. Dollar).

It should be pointed out that Raízen is due receivables from its shareholder Shell of US\$ 1.1 billion, due for payment on the 1<sup>st</sup> and 2<sup>nd</sup> anniversaries of its formation, June 1<sup>st</sup>, 2012 and June 1<sup>st</sup>, 2013, respectively, which will result in increasing the capacity and improving the debt profile of the subsidiary as a whole.

Both the debt and the amount receivable from Shell are consolidated on a 50% basis in the results of Cosan.

### Cosan and subsidiaries

Gross financial debt in 2Q'12 amounted to R\$ 1.8 billion, up 41% compared to 1Q'12, mainly due to the raising of US\$ 200.0 million in July 2011, following the reopening of the Perpetual Bonds.

In addition, during the period approximately R\$ 52.0 million was raised in credit lines from Finame for Rumo, Cosan's subsidiary, for investment in railroad assets and port terminals, in addition to the impact of the exchange rate change in the quarter on the US\$ 500.0 million in Perpetual Bonds – US\$ 300 million of which was raised in the 2010/11 harvest and the US\$ 200 million already mentioned.



# Financial Letter

2<sup>o</sup> Quarter of Fiscal Year 2012 – July, August, September



Debt by type	2Q'12	1Q'12	% ST	Var. %
Amounts in R\$ MM				
Senior Notes 2014	656.7	565.9	1%	16%
Expenses with Debt Placement	(8.0)	(7.3)	35%	9%
BNDES	1,412.0	1,369.4	10%	3%
Working Capital	846.5	715.4	1%	18%
Prepaid Exports	737.8	662.5	17%	11%
Senior Notes 2017	750.3	642.5	1%	17%
Advances on Exchange Contracts	729.6	596.5	100%	22%
Credit Notes	349.3	291.2	33%	20%
Finame	236.9	253.8	29%	-7%
Finem	229.1	238.7	21%	-4%
Rural credit	95.5	93.9	100%	2%
PROINFA	29.9	31.2	12%	-4%
CDCA	31.5	30.8	99%	2%
PASS	-	-	-	0%
Expenses with Placement of Debt	(11.6)	(10.6)	22%	10%
<b>Total Raizen</b>	<b>6,085.4</b>	<b>5,473.9</b>	<b>23%</b>	<b>11%</b>
Consolidation ( 50% RAIZEN after 01-05)	3,042.7	2,736.9	23%	11%
	-	-	0%	0%
	-	-	0%	0%
Finame	554.1	503.9	9%	10%
Expenses with Placement of Debt	(1.0)	(1.0)	12%	-3%
Guaranteed Account	-	-	-	0%
Perpetual Bonds	947.8	475.0	1%	100%
Credit Notes	322.7	311.7	0%	4%
Expenses with Placement of Debt	(12.6)	(7.5)	17%	66%
<b>Other Businesses</b>	<b>1,811.2</b>	<b>1,282.1</b>	<b>3%</b>	<b>41%</b>
<b>Total Cosan</b>	<b>4,853.9</b>	<b>4,019.1</b>	<b>15%</b>	<b>21%</b>
<b>Availability</b>	<b>1,471.7</b>	<b>1,278.2</b>	<b>100%</b>	<b>15%</b>
<b>Net Debt</b>	<b>3,382.2</b>	<b>2,740.9</b>	<b>-21%</b>	<b>23%</b>

Cosan's cash and equivalents at the end of 2Q'12 totaled R\$ 1.5 billion, reducing net debt to R\$ 3.4 billion, equivalent to 2.1 times EBITDA over the last 12 months.

It is worth mentioning that is not included in this calculation the US\$ 1.1 billion to be made by Shell in Raizen over the next two years.

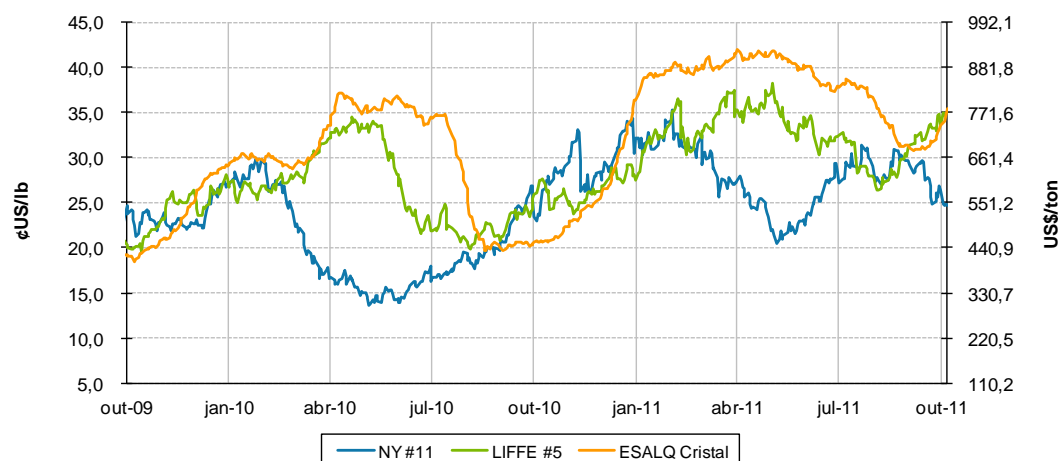


## E. Market Overview

According to data from UNICA, through the first half of October, the Center-South (CS) region crushed 436.5 million tons of sugarcane, 7.3% less than for the same period in the previous harvest year. The decline in crushing is mainly the result of the lack of raw material, since the 2011/12 harvest suffered from lower agricultural productivity than the previous harvest because of unexpected events such as lack of rainfall, flowering and frost whose impacts were magnified by the age of the cane fields. The production mix remains more focused on sugar with 48.4% of the crop allocated to the production of sugar, compared to 45.0% in the previous season, a reflection of higher sugar prices in domestic and international markets. Thus, 27.7 million tons of sugar and 18.2 billion liters of ethanol were produced, reductions of 3.1% and 15.7%, respectively, compared with the 2010/11 harvest.

Despite the lower production of sugar in the CS region of Brazil, from July to September exports were only slightly lower than the same period last year, with 8.7 million tons exported compared to 8.9 million tons last year, representing reduction of 2.2% over the same period of the 2010/11 harvest.

### Sugar



Sources: ESALQ, Bloomberg, Cosan

China was the leading importer of Brazilian sugar with about 1.5 million tons imported in the quarter, or 17% of Brazil's exports of the product, ahead of Russia, the traditional destination of exports from Brazil.

Besides China, Russia will continue as a net importer of 1.2 million tons, despite having a 70% increase in agricultural productivity over the previous harvest, reaching 4.6 million tons of sugar produced as a function of the combination of favorable weather conditions and an increase in planted areas.

Also among the top importers are Algeria, where the Ministry of Agriculture intends to continue the suspension of import tariffs on raw and refined sugar, and Japan, which despite the expectation of greater production of beets, will import about 1.3 million tons.



Further, the period shows signs of growth in production in Western Europe with production in France and Germany totaling 9 million tons, up 13% and 28%, respectively. In Eastern Europe, the Ukraine will report an increase in sugar production of 36% to 2.2 million tons.

The 2010/11 harvest in India ended with production of about 24.2 million tons, 28% above the previous harvest. For the 2011/12 harvest an increase in production of about 8% is forecast due mainly to the expansion of the area in the region where the climate is favorable, raising the estimated total production to 26.1 million tons.

The projections for Thailand indicate production of 10.7 million tons of sugar, an increase of 10% compared to the previous crop, which should not change even with the flooding that occurred. The only possibility is that the heavy volume of rain may delay the start of the harvest.

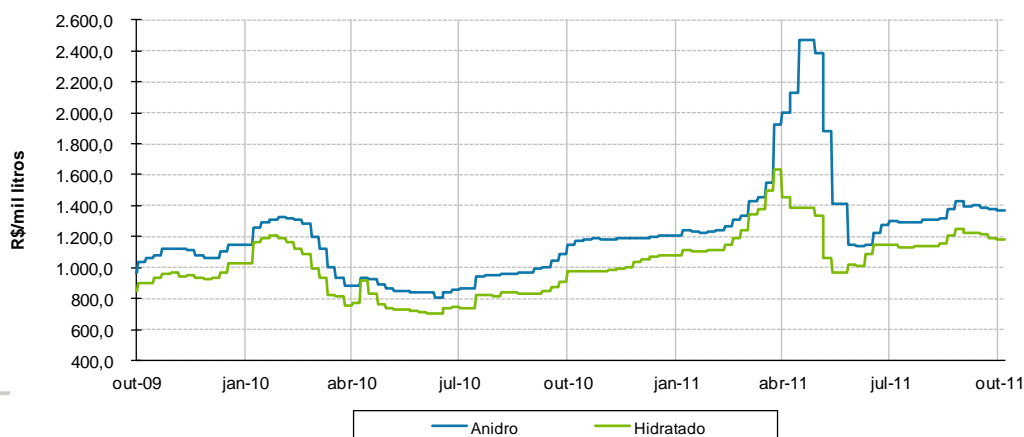
Because of this outlook, the price of raw sugar continues to be quite high, with an average of ¢\$ 28.67/lb. in 2Q'12, 42.5% higher than 2Q'11 and 17.3% higher than the average price of ¢US\$ 24.45/lb. of 1Q'12, when the price reached a maximum of ¢US\$ 29.28/lb.

On the international market, the average price of refined sugar was US\$ 756.88/ton in the period, 30.2% higher than in 2Q'11 and 13.2% higher than 1Q'12, respectively, with a premium on the white sugar selling on average for US\$124.84/ton compared to US\$ 137.78/ton in 2Q'11 and US\$ 129.85/ton in 1Q'12.

In 2Q'12, the Real depreciated against the Dollar, quoted at an average of R\$ 1.64/US\$, 2.6% higher than the previous quarter. Over this period, the Real reached R\$1.90/US\$, because of the continuing debt crisis with Portugal, Italy, Greece and Spain in Europe and also because of the economic instability in the US. The Real was quoted at the end of the quarter at R\$1.85/US\$, compared to R\$ 1.69/US\$ in September 2010 and R\$ 1.56/US\$ in June 2011.

In the domestic market for sugar, the average price of the crystal in 2Q'12, ESALQ base was R\$ 66.30 per 50 kg/sack, or ¢US\$ 36.89/lb, an increase of 7.6% over the previous quarter and up 48.1% compared to 2Q'11.

## Ethanol



The total supply of ethanol of only 17 billion liters is short of the amount obtained from the 2010/11 harvest, a loss of over 16% through September of this year compared to the same period during the



previous harvest year. This is due to a decline of approximately 30% in the volume of hydrous ethanol, because the production of anhydrous ethanol is 18% above last year due to the commitment by the industry to the government to supply anhydrous ethanol during the inter-harvest in order to avoid a reduction in the mandatory blend with gasoline. Despite the efforts of the sector, the mixture was reduced from 25% to 20% effective on October 1, 2011. However, even with the change of the mixture, the allocation of sugarcane to anhydrous ethanol remains strong with production of 7.1 billion liters according to UNICA.

Ethanol prices have risen from July to August, the month in which prices peaked before declining in September. The average price for hydrous ethanol, ESALQ base, was R\$1,175.2/cbm in 2Q'12, 42.3% higher than during the same quarter last year and 0.6% below the 1Q'12. The average price of anhydrous ethanol was R\$1,344.1/m<sup>3</sup>, an increase of 39.4% compared to 2Q'11 and reduction of 21.0% compared to the previous quarter.

The average parity of the price of hydrous ethanol relative to the price of gasoline in Brazil, weighted by the vehicle fleet, according to the National Petroleum Agency (ANP), was approximately 75.7% at the end of 2Q'12, with levels below the 70% parity only in the states of São Paulo, Mato Grosso and Goiás, where approximately 39.8% of the *flex* fleet of Brazil is registered.

## Fuels

According to data from ANFAVEA during the quarter more than 734,000 flex fuel cars were sold, 2.9% less than the amount sold in the same period last year. According to SINDICOM, 11.7 billion liters of diesel fuel were sold, 7.9% more than last year.

On the other hand, ethanol, above parity levels in 24 states, saw its sales volume decline by 35.7%, to a level of 1.6 billion liters. In the same month, the sales volume of "C" gasoline was 6.6 billion liters, up 21.2%, showing the continued migration of consumers from ethanol to gasoline as a function of the price dynamics.



## F. Material Facts

- On July 11, Cosan announced that its subsidiary Cosan Overseas Limited, set a price on July 6, 2011 for the sale of US\$200 million to reissue their Perpetual "Senior Notes" issued on October 29, 2010, under regulation "Reg S". The perpetual notes were issued at a price of 103% of face value which corresponds to an effective interest rate of 7.429% and are guaranteed by Cosan SA Indústria e Comércio and Cosan Lubrificantes e Especialidades S.A. They were rated Ba2 by Moody's , BB (stable) by Standard and Poor's and BB (stable) by Fitch.
- On July 29, Cosan announced to shareholders that, as proposed by the Board of Directors at a meeting held on June 29, 2010, and approved at General and Special Shareholder's Meetings held on July 29, 2011, there would be a distribution of dividends for the fiscal year 2011, ending March 31, 2011, totaling R\$ 200,000,000 (two hundred million reais), corresponding to R\$ 0.492271565 per share, without income taxes withheld at the source.
- On August 12, Cosan announced that, as stated in the Notice to Shareholders of 29 July 2011, it was decided at a meeting of the Board of Directors of the Company held on that date, that with regard to dividends for the fiscal year ended March 31, 2011, totaling R\$ 200,000,000 (two hundred million reais), corresponding to R\$ 0.492271565 per share, without income taxes withheld at the source, that would be distributed on August 31, 2011. Shareholders who have escrow accounts will have their amounts available to them according to the procedures adopted by the Stock Exchanges.
- On August 26, Cosan announced today that it approved at a meeting of the Board of Directors of the Company held on August 18, 2011, the first program for Granting Options for the Purchase or Subscription of shares under the Company's Stock Purchase Option Plan, approved at the Special General Meeting held on July 29, 2011 ("2011 Program"), a limit of up to 12,000,000 (twelve million) common shares issued by the Company (CSAN3) the exercise price of R\$ 22.80 per share, which will be updated for inflation by the IPCA - National Index of Consumer Prices, calculated and published by the IBGE, until the effective date of subscription or purchase. The exercise period for the 2011 program extends for a period of between 5 to 10 years from the date of the grant.
- On August 30, Cosan Limited announced to shareholders, in addition to and as an amendment to the Notice to Shareholders of August 12, 2011, that the announced value for distribution of dividends for the fiscal year 2011, of US\$ 76,097,326.26, corresponding to US\$ 0.281126238 per Class A / B share or the equivalent in Reais to holders of Certificate of Share Deposit (BDR), represents the gross amount of dividends, which would be subject to any deductions by the escrow agent for the BDR, in accordance with applicable law.
- On September 26, Cosan Limited announced that the Board of Directors, as stated in the Minutes sent to CVM on 09/16/2011, renewed its Common Stock Repurchase Program. Repurchases of common stock will be made in accordance with Rule 10b5-1 ("Rule 10b5-1 plan") of the Securities Exchange Commission (SEC) of the United States of America. The repurchase program does not obligate the Company to acquire a specific number of shares and may be suspended, modified or discontinued by the Company at any time at the Company's discretion without prior notice.
- On October 13, Cosan Limited, in accordance with section 203.01 of the NYSE's Listed Company Manual, announced that it has filed its Form 20-F for the fiscal year ended March 31, 2011 the SEC - Securities and Exchange Commission and provided the document in the English version on the Company's website [www.cosan.com.br/ir](http://www.cosan.com.br/ir) .



- On October 20, Cosan and Cosan Limited reported that its subsidiary, Cosan Lubrificantes e Especialidades S.A., signed on October 13, 2011, a Purchase and Sale of Assets ("Agreement") with ExxonMobil Lubricants Trading Company for the distribution and sale of Lubricants in Bolivia, Paraguay and Uruguay and became the exclusive distributor of Mobil brand products in these countries. Cosan will take over these operations beginning November 14, 2011. The markets of Bolivia, Paraguay and Uruguay will be supplied with the Mobil brand product line, which is produced in the Company's lubricants plant located in Rio de Janeiro. Cosan has estimated that this acquisition would provide an increase of 5% in annual sales and considered this business to be part of its business strategy to increase its presence outside of Brazil.





## G. Guidance

This section contains guidance figures for the range of variation of some key parameters in the consolidated results of Cosan for the fiscal year 2012, which began on April 1 2011 and ended on March 31 2012. In addition to this, the other parts of this Financial Letter may also contain forecasts. These forecasts and guidance figures are only estimates and indications, being no guarantee of future results.

These guidance figures take into consideration the operations held by the Cosan Group today, which include Raízen Energia, Raízen Combustíveis, Rumo, Cosan Alimentos and Other Businesses.

		FY 2011	FY 2012	1st Revision 2012 FY	2nd Revision 2012 FY
Cosan Consolidado	Net Revenue (R\$MM)	18.063	25.000 ≤ Δ ≤ 27.500	25.000 ≤ Δ ≤ 27.500	25.000 ≤ Δ ≤ 27.500
	EBITDA (R\$MM)	2.671	1.800 ≤ Δ ≤ 2.200	1.800 ≤ Δ ≤ 2.200	1.800 ≤ Δ ≤ 2.200
	Net income (R\$MM)	772	-	-	-
	CAPEX (R\$MM)	2.500	2.000 ≤ Δ ≤ 2.300	2.000 ≤ Δ ≤ 2.300	2.000 ≤ Δ ≤ 2.300
		FY 2011	FY 2012	1st Revision 2012 FY	2nd Revision 2012 FY
Raízen Energia	Volume of crushed sugarcane ('000 tons)	54.238	56.000 ≤ Δ ≤ 60.000	53.000 ≤ Δ ≤ 56.000	53.000 ≤ Δ ≤ 54.000
	Volume of sugar sold ('000 tons)	4.291	4.200 ≤ Δ ≤ 4.600	3.900 ≤ Δ ≤ 4.300	3.900 ≤ Δ ≤ 4.100
	Volume of ethanol sold (millions of liters)	2.247	2.100 ≤ Δ ≤ 2.300	2.000 ≤ Δ ≤ 2.300	1.900 ≤ Δ ≤ 2.000
	Volume of energy sold ('000 MWh)	1.254	1.400 ≤ Δ ≤ 1.600	1.200 ≤ Δ ≤ 1.400	1.200 ≤ Δ ≤ 1.400
	EBITDA (R\$MM)	2.130	1.900 ≤ Δ ≤ 2.300	1.900 ≤ Δ ≤ 2.100	1.850 ≤ Δ ≤ 2.050
		FY 2011	FY 2012	1st Revision 2012 FY	2nd Revision 2012 FY
Raízen Combustíveis	Volume of fuel sold (millions of liters)	-	21.000 ≤ Δ ≤ 23.000	21.000 ≤ Δ ≤ 23.000	21.000 ≤ Δ ≤ 22.000
	EBITDA (R\$MM)	-	850 ≤ Δ ≤ 1.050	900 ≤ Δ ≤ 1.200	1.000 ≤ Δ ≤ 1.200
		FY 2011	FY 2012	1st Revision 2012 FY	2nd Revision 2012 FY
Rumo	Volume of loading ('000 tons)	7.841	9.000 ≤ Δ ≤ 11.000	9.000 ≤ Δ ≤ 11.000	7.500 ≤ Δ ≤ 9.500
	Volume of transportation ('000 tons)	-	6.000 ≤ Δ ≤ 8.000	6.000 ≤ Δ ≤ 8.000	5.000 ≤ Δ ≤ 7.000
		FY 2011	FY 2012	1st Revision 2012 FY	2nd Revision 2012 FY
Cosan Alimentos	Volume of sugar sold ('000 tons)	-	550 ≤ Δ ≤ 650	550 ≤ Δ ≤ 650	550 ≤ Δ ≤ 650
	EBITDA (R\$MM)	-	65 ≤ Δ ≤ 85	65 ≤ Δ ≤ 85	65 ≤ Δ ≤ 85
		FY 2011	FY 2012	1st Revision 2012 FY	2nd Revision 2012 FY
Other Business	Volume of lubricants sold (millions of liters)	166	170 ≤ Δ ≤ 190	170 ≤ Δ ≤ 190	170 ≤ Δ ≤ 190

## About Cosan

Cosan is one of the largest private-sector groups in Brazil and the only fully integrated company in the renewable energy segment, with businesses in the areas of energy, food, logistics, infrastructure and farmland development and management. Through Raízen, a joint venture between Cosan and Shell, produces sugar and ethanol and distributes fuels through a network of 4,500 service stations with Shell and Esso brands. In sugar retail, Cosan operates with the leading brands União and Da Barra, among others. With the Mobil brand, Cosan produces in Brazil and distributes nationwide and in 3 more countries in South America automotive and industrial lubricants. In logistics, operates the Rumo Logística, the largest company specialized in transporting and loading of sugar and grains in the world.

## Disclaimer

This document contains forward-looking declarations and estimates. These forward-looking declarations and information are only forecasts, and constitute no guarantee of future performance. We advise all stakeholders that these declarations and information are and will be, depending on the case, subject to risks, uncertainties and factors related to the operations and business environment of Cosan and its subsidiaries, due to the fact that the actual results of these companies may differ significantly from the results forecast or implied in the declarations and estimates given.



## F. Cosan S.A.

### Financial Statements

Income Statement (in R\$ million)	Jun'10 1Q'11	Sept'10 2Q'11	Dec'10 3Q'11	Mar'10 FY'11	Jun'11 1Q'12	Set'11 2Q'12
<b>(=) Net Operating Revenue</b>	<b>3,999.6</b>	<b>4,716.1</b>	<b>4,738.4</b>	<b>18,063.5</b>	<b>5,188.0</b>	<b>6,804.3</b>
(-) Cost of Goods Sold and Services Rendered	(3,522.7)	(3,995.2)	(4,160.0)	(15,150.1)	(4,600.0)	(6,042.4)
<b>(=) Gross Profit</b>	<b>476.9</b>	<b>720.9</b>	<b>578.5</b>	<b>2,913.4</b>	<b>588.0</b>	<b>761.9</b>
<i>Margin</i>	11.9%	15.3%	12.2%	16.1%	0.1	0.1
<b>(-) Operating Income (Expenses):</b>	<b>(339.0)</b>	<b>(442.6)</b>	<b>(407.9)</b>	<b>(1,600.8)</b>	<b>2,925.9</b>	<b>(468.3)</b>
(-) Selling	(216.1)	(265.5)	(271.9)	(1,026.0)	(261.2)	(295.3)
(-) General and Administrative	(120.6)	(137.9)	(132.4)	(541.0)	(150.0)	(158.2)
(±) Other Operating Income (Expenses), Net	(2.3)	(39.1)	(3.6)	(33.8)	22.0	3.2
(±) Gain on tax recovery program	-	-	-	-	-	-
(±) Joint Venture formation income (expenses)	-	-	-	-	3,315.1	(18.2)
<b>(=) Operating Income (Loss)</b>	<b>137.9</b>	<b>278.3</b>	<b>170.5</b>	<b>1,312.6</b>	<b>3,513.9</b>	<b>293.6</b>
<b>(±) Non-Operating Income (Expenses):</b>	<b>(124.7)</b>	<b>88.8</b>	<b>(81.5)</b>	<b>(121.5)</b>	<b>13.2</b>	<b>(394.9)</b>
(±) Financial Income (Expenses), Net	(130.5)	86.4	(89.4)	(146.7)	11.2	(393.6)
(±) Earnings (Losses) on Equity Investments	5.8	2.4	7.8	25.2	2.0	(1.3)
<b>(=) Income (Loss) Before taxes</b>	<b>13.2</b>	<b>367.1</b>	<b>89.0</b>	<b>1,191.1</b>	<b>3,527.1</b>	<b>(101.3)</b>
<i>Margin</i>	0.3%	7.8%	1.9%	6.6%	0.7	(0.0)
(±) Income and Social Contribution Taxes	(11.0)	(126.2)	(42.3)	(414.5)	(1,224.6)	188.2
(±) Minority Interest	(1.7)	10.7	(8.0)	(5.0)	(3.1)	(23.7)
<b>(=) Net Income</b>	<b>0.4</b>	<b>251.5</b>	<b>38.7</b>	<b>771.6</b>	<b>2,299.3</b>	<b>63.2</b>
<i>Margin</i>	0.0%	5.3%	0.8%	4.3%	0.4	0.0



## Balance Sheet

Balance Sheet (in R\$ million)	Jun'10 1Q'11	Sept'10 2Q'11	Dec'10 3Q'11	Mar'10 FY'11	Jun'11 1Q'12	Set'11 2Q'12
Cash and Cash Equivalents	1,054.9	988.4	1,136.9	1,254.1	1,278.2	1,471.7
Restricted Cash	51.3	76.0	276.2	187.9	60.2	52.5
Trade Accounts Receivable	619.1	760.0	657.5	594.9	825.2	983.7
Derivative Financial Instruments	144.5	166.0	180.0	55.7	60.2	29.4
Inventories	1,066.3	1,626.8	1,642.7	670.3	1,002.0	1,361.8
Advances to Suppliers	323.5	293.9	268.6	229.3	172.2	141.9
Related Parties	50.5	21.8	20.8	14.7	680.3	599.7
Recoverable Taxes	355.4	396.4	401.1	375.0	411.7	416.0
Other Assets	46.7	51.3	81.8	80.4	98.9	108.1
<b>Current Assets</b>	<b>3,712.2</b>	<b>4,380.5</b>	<b>4,665.5</b>	<b>3,462.3</b>	<b>4,588.9</b>	<b>5,164.9</b>
Deferred Income and Social Contribution Taxes	680.0	744.3	823.5	715.3	1,026.4	959.7
Advances to Suppliers	52.5	65.1	85.5	46.0	27.5	39.6
Related Parties	79.6	77.8	76.0	92.0	1,215.4	1,176.6
Recoverable Taxes	38.8	36.6	36.0	55.1	124.5	123.6
Judicial Deposits	168.9	173.6	180.9	218.4	372.5	491.1
Other financial assets	367.3	378.2	392.3	420.4	290.3	418.6
Other Assets	459.6	464.5	498.4	443.8	1,103.6	966.5
Investments	267.4	287.5	294.7	304.1	333.9	358.1
Biological Assets	932.8	873.6	894.8	1,561.1	795.1	717.0
Property, Plant and Equipment	6,360.3	6,432.0	6,799.9	7,980.5	8,260.0	7,928.8
Intangible	3,379.2	3,370.0	3,355.7	3,445.7	4,125.3	4,531.1
<b>Non-current Assets</b>	<b>12,786.4</b>	<b>12,903.4</b>	<b>13,437.6</b>	<b>15,282.4</b>	<b>17,674.4</b>	<b>17,710.7</b>
<b>Total Assets</b>	<b>16,498.6</b>	<b>17,283.8</b>	<b>18,103.2</b>	<b>18,744.7</b>	<b>22,263.4</b>	<b>22,875.6</b>
Loans and Financings	854.3	1,052.5	1,124.0	916.4	627.1	758.7
Derivatives Financial Instruments	37.4	96.1	379.0	132.3	94.3	29.3
Trade Accounts Payable	716.3	832.1	754.4	558.8	621.6	757.5
Salaries Payable	219.9	225.5	175.6	183.6	183.3	191.5
Taxes and Social Contributions Payable	197.4	239.2	218.8	245.3	247.1	328.9
Dividendos a pagar	116.6	7.0	7.0	190.3	195.7	21.2
Related Parties	120.1	66.0	74.6	41.2	186.8	163.2
Other Liabilities	189.4	198.4	180.3	189.6	273.1	306.4
<b>Current Liabilities</b>	<b>2,451.3</b>	<b>2,716.7</b>	<b>2,913.8</b>	<b>2,457.4</b>	<b>2,428.9</b>	<b>2,556.7</b>
Loans and Financing	5,322.7	5,310.8	5,961.7	6,274.9	3,699.4	4,407.8
Taxes and Social Contributions Payable	597.3	605.8	618.2	639.1	1,123.0	1,180.0
Provision for Legal Proceedings	625.0	642.9	650.1	666.3	940.8	975.8
Earn-out provision	-	-	225.0	-	-	-
Related Parties	-	-	-	4.4	371.2	546.3
Pension Fund	-	2.1	12.2	24.4	25.9	27.4
Deferred Income and Social Contribution Taxes	1,123.6	1,215.6	1,250.9	1,511.0	3,546.4	3,159.1
Other Liabilities	374.5	377.7	153.7	382.9	814.4	752.1
<b>Non-current Assets</b>	<b>8,043.0</b>	<b>8,155.0</b>	<b>8,871.7</b>	<b>9,502.9</b>	<b>10,521.0</b>	<b>11,048.4</b>
Common stock	4,687.8	4,691.1	4,691.1	4,691.8	4,691.8	4,691.8
	(4.2)	(4.2)	(19.4)	(19.4)	(19.4)	(66.3)
Capital Reserve	511.3	564.8	439.3	537.5	637.8	609.9
Profits Reserve	374.2	290.8	290.8	1,249.0	1,249.0	1,232.2
Accumulated profits (losses)	370.3	621.8	660.5	-	2,299.3	2,362.5
Shareholders' Equity	5,939.4	6,164.4	6,062.4	6,458.9	8,858.6	8,830.2
Minority Shareholders' Interest	64.9	247.8	255.3	325.5	454.9	440.3
<b>Shareholders' Equity</b>	<b>6,004.3</b>	<b>6,412.1</b>	<b>6,317.7</b>	<b>6,784.3</b>	<b>9,313.4</b>	<b>9,270.5</b>
<b>Total Shareholders' Equity and Liabilities</b>	<b>16,498.6</b>	<b>17,283.8</b>	<b>18,103.2</b>	<b>18,744.7</b>	<b>22,263.4</b>	<b>22,875.6</b>



## Cash Flow

Statement of Cash Flows (in R\$ million)	Jun'10 1Q'11	Sept'10 2Q'11	Dec'10 3Q'11	Mar'11 FY'11	Jun'11 1Q'12	Set'11 2Q'12
<b>Net Income</b>	<b>0.4</b>	<b>251.5</b>	<b>38.7</b>	<b>771.6</b>	<b>2,299.3</b>	<b>63.2</b>
<b>Non-cash Adjustments:</b>	-	-	-	-	-	-
Depreciation & Amortization	290.9	400.0	380.9	1,359.0	303.7	365.5
Biological Assets	42.2	28.7	(21.2)	(381.9)	(20.9)	38.8
Earnings (Losses) from Equity Investments	(5.8)	(2.4)	(7.8)	(25.2)	(2.0)	1.3
Losses (Gains) in Fixed Assets Disposals	3.1	(11.8)	2.1	(35.3)	17.0	(11.5)
Deferred Income and Social Contribution Taxes	(0.7)	104.4	16.4	329.1	1,197.8	(277.7)
Judicial demands' provision	10.7	18.9	(3.3)	26.9	33.1	(33.1)
Minority Shareholders' Interest	1.7	(10.7)	8.0	5.0	3.1	23.7
Interest, monetary and exchange variations, net	167.0	(62.2)	53.2	238.5	(33.7)	562.3
Joint Venture formation income (expenses)	-	-	-	-	(3,315.1)	18.2
Gain on tax recovery program	-	-	-	-	-	-
Capital gains	-	(223.1)	-	-	-	-
Other Non-cash Items	19.4	199.2	(0.9)	7.5	5.2	(5.2)
<b>Variation on Assets and Liabilities</b>	<b>78.4</b>	<b>(734.3)</b>	<b>(239.7)</b>	<b>42.0</b>	<b>(595.2)</b>	<b>595.2</b>
Trade Accounts receivable	153.3	(153.4)	135.5	164.7	(123.3)	(105.6)
Restricted Cash	-	-	-	(143.0)	113.5	7.7
Inventory	(304.0)	(440.8)	(19.4)	84.6	(326.6)	(311.8)
Related Parties	-	-	-	(50.1)	(1,747.4)	142.6
Advances to Suppliers	(76.7)	16.9	4.9	16.8	(122.1)	18.2
Trade Accounts payable	146.9	115.8	(77.7)	(32.4)	241.2	125.0
Salaries payable	78.3	5.6	(49.9)	36.2	110.9	5.1
Derivative Financial Instruments	70.7	(214.6)	(108.4)	13.3	(79.8)	(62.1)
Taxes and Social Contributions Payable	(29.0)	34.2	(23.2)	-	908.8	15.5
Other assets and liabilities, net	39.0	(98.2)	(101.6)	(48.3)	429.6	(6.8)
<b>Cash Flow from Operating Activities</b>	<b>607.3</b>	<b>(41.9)</b>	<b>226.3</b>	<b>2,379.1</b>	<b>(702.8)</b>	<b>1,168.4</b>
Aquisitions, net of aquired cash and advances for	-	-	-	(157.3)	-	-
Contributed cash to Raízen's formation	-	-	-	-	(173.1)	-
Dividends	-	-	-	-	-	-
Additions on Investments, Net of Cash Received	(3.7)	(12.7)	-	-	-	(99.1)
Additions on Property, Plant and Equipment	(513.9)	(312.6)	(533.0)	(2,291.6)	(491.5)	(237.6)
Biological Assets expenses	(194.6)	(198.1)	(174.8)	(745.6)	(217.2)	(123.6)
Cash Received on Sale of aviation fuels business	-	-	-	-	-	-
Cash Received on Sale of other Fixed Assets	0.7	17.2	2.2	48.8	-	42.3
Cash Received on Aquisitions or Mergers	-	-	-	-	-	-
<b>Cash Flow from Investment Activities</b>	<b>(711.5)</b>	<b>(506.2)</b>	<b>(705.5)</b>	<b>(3,145.7)</b>	<b>(881.8)</b>	<b>(418.0)</b>
Additions of Debt	642.4	495.9	1,101.2	2,719.5	1,281.1	483.8
Payments of Principal and Interest on Debt	(561.6)	(224.7)	(458.2)	(1,967.9)	(407.5)	(206.0)
Capital Increase	-	-	-	4.0	-	-
Capital Increase by noncontrolling interests	-	403.3	-	400.0	139.9	-
Treasury Stock	-	-	(15.2)	(15.2)	-	(46.9)
Dividends	-	(193.0)	-	(193.1)	-	(192.7)
Related Parties	-	-	-	37.1	-	-
<b>Cash Flows from Financing Activities</b>	<b>80.7</b>	<b>481.5</b>	<b>627.8</b>	<b>984.3</b>	<b>1,013.5</b>	<b>38.2</b>
<b>Total Cash Flow</b>	<b>(23.5)</b>	<b>(66.5)</b>	<b>148.5</b>	<b>175.7</b>	<b>24.1</b>	<b>788.7</b>
Cash & Equivalents, Beginning	1,078.4	1,054.9	988.4	1,078.4	1,254.1	1,278.2
Cash & Equivalents, Closing	1,054.9	988.4	1,136.9	1,254.1	1,278.2	1,471.7

## G. Cosan Ltd.

### Financial Statements

Income Statement (in R\$ million)	Jun'10 1Q'11	Sept'10 2Q'11	Dec'10 3Q'11	Mar'10 FY'11	Jun'11 1Q'12	Set'11 2Q'12
<b>(=) Net Operating Revenue</b>	<b>3,999.6</b>	<b>4,716.1</b>	<b>4,738.4</b>	<b>18,063.5</b>	<b>5,188.0</b>	<b>6,804.3</b>
(-) Cost of Goods Sold and Services Rendered	(3,522.7)	(3,995.2)	(4,160.0)	(15,150.1)	(4,600.0)	(6,042.4)
<b>(=) Gross Profit</b>	<b>476.9</b>	<b>720.9</b>	<b>578.5</b>	<b>2,913.4</b>	<b>588.0</b>	<b>761.9</b>
<i>Margin</i>	11.9%	15.3%	12.2%	16.1%	0.1	0.1
<b>(-) Operating Income (Expenses):</b>	<b>(339.7)</b>	<b>(443.9)</b>	<b>(409.2)</b>	<b>(1,605.3)</b>	<b>2,481.6</b>	<b>(469.7)</b>
(-) Selling	(216.1)	(265.5)	(271.9)	(1,026.0)	(261.2)	(295.3)
(-) General and Administrative	(121.3)	(139.3)	(133.7)	(545.5)	(150.5)	(159.5)
(±) Other Operating Income (Expenses), Net	(2.3)	(39.1)	(3.6)	(33.8)	22.0	3.2
(±) Gain on tax recovery program	-	-	-	-	-	-
(±) Joint Venture formation income (expenses)	-	-	-	-	2,871.2	(18.2)
<b>(=) Operating Income (Loss)</b>	<b>137.2</b>	<b>277.0</b>	<b>169.3</b>	<b>1,308.1</b>	<b>3,069.5</b>	<b>292.2</b>
<b>(±) Non-Operating Income (Expenses):</b>	<b>(129.0)</b>	<b>87.9</b>	<b>(81.2)</b>	<b>(126.0)</b>	<b>13.5</b>	<b>(395.8)</b>
(±) Financial Income (Expenses), Net	(134.8)	85.6	(89.0)	(151.1)	11.6	(394.5)
(±) Earnings (Losses) on Equity Investments	5.8	2.4	7.8	25.2	2.0	(1.3)
<b>(=) Income (Loss) Before taxes</b>	<b>8.2</b>	<b>364.9</b>	<b>88.1</b>	<b>1,182.2</b>	<b>3,083.1</b>	<b>(103.6)</b>
<i>Margin</i>	0.2%	7.7%	1.9%	6.5%	0.6	(0.0)
(±) Income and Social Contribution Taxes	(11.0)	(126.2)	(42.3)	(414.5)	(1,224.6)	188.2
(±) Minority Interest	(1.9)	(85.2)	(22.7)	(296.8)	(873.0)	(47.4)
<b>(=) Net Income</b>	<b>(4.7)</b>	<b>153.4</b>	<b>23.1</b>	<b>470.9</b>	<b>985.5</b>	<b>37.2</b>
<i>Margin</i>	-0.1%	3.3%	0.5%	2.6%	0.2	0.0



## Balance Sheet

Balance Sheet (in R\$ million)	Jun'10 1Q'11	Sept'10 2Q'11	Dec'10 3Q'11	Mar'10 FY'11	Jun'11 1Q'12	Set'11 2Q'12
Cash and Cash Equivalents	1,083.4	1,009.0	1,155.6	1,271.8	1,295.3	1,482.9
Restricted Cash	51.3	76.0	276.2	187.9	60.2	52.5
Trade Accounts Receivable	619.1	760.0	657.5	594.9	825.2	983.7
Derivative Financial Instruments	144.5	166.0	180.0	55.7	60.2	29.4
Inventories	1,066.3	1,626.8	1,642.7	670.3	1,002.0	1,361.8
Advances to Suppliers	323.5	293.9	268.6	229.3	172.2	141.9
Related Parties	50.5	21.8	20.8	14.7	680.3	599.7
Recoverable Taxes	355.4	396.4	401.1	375.0	411.7	416.0
Other Assets	47.5	51.6	82.5	81.0	99.0	108.1
<b>Current Assets</b>	<b>3,741.5</b>	<b>4,401.3</b>	<b>4,685.0</b>	<b>3,480.6</b>	<b>4,606.2</b>	<b>5,176.1</b>
Deferred Income and Social Contribution Taxes	680.0	744.3	823.5	715.3	1,026.4	959.7
Advances to Suppliers	52.5	65.1	85.5	46.0	27.5	39.6
Related Parties	79.6	77.8	76.0	92.0	1,215.4	1,176.6
Recoverable Taxes	38.8	36.6	36.0	55.1	124.5	123.6
Judicial Deposits	168.9	173.6	180.9	218.4	372.5	491.1
Other financial assets	367.3	378.2	392.3	420.4	290.3	418.6
Other Assets	464.4	470.9	504.4	449.3	1,108.3	972.1
Investments	267.4	287.5	294.7	304.1	333.9	358.1
Biological Assets	932.8	873.6	894.8	1,561.1	795.1	717.0
Property, Plant and Equipment	6,360.3	6,432.0	6,799.9	7,980.5	8,260.0	7,928.8
Intangible	3,823.1	3,813.9	3,799.6	3,889.6	4,125.3	4,531.1
<b>Non-current Assets</b>	<b>13,235.1</b>	<b>13,353.7</b>	<b>13,887.6</b>	<b>15,731.8</b>	<b>17,679.2</b>	<b>17,716.4</b>
<b>Total Assets</b>	<b>16,976.6</b>	<b>17,755.0</b>	<b>18,572.6</b>	<b>19,212.4</b>	<b>22,285.3</b>	<b>22,892.5</b>
Loans and Financings	899.4	1,094.9	1,165.7	957.1	666.1	805.1
Derivatives Financial Instruments	37.4	96.1	379.0	132.3	94.3	29.3
Trade Accounts Payable	716.3	832.1	754.4	558.8	621.6	757.5
Salaries Payable	219.9	225.5	175.6	183.6	183.3	191.5
Taxes and Social Contributions Payable	197.4	239.2	218.8	245.3	247.1	328.9
Dividendos a pagar	44.0	2.2	2.0	72.2	82.9	9.1
Related Parties	120.1	66.0	74.6	41.2	186.8	163.2
Other Liabilities	190.0	199.2	181.1	190.4	273.8	307.3
<b>Current Liabilities</b>	<b>2,424.4</b>	<b>2,755.1</b>	<b>2,951.2</b>	<b>2,380.8</b>	<b>2,355.9</b>	<b>2,591.8</b>
Loans and Financing	5,322.7	5,310.8	5,961.7	6,274.9	3,699.4	4,407.8
Taxes and Social Contributions Payable	597.3	605.8	618.2	639.1	1,123.0	1,180.0
Provision for Legal Proceedings	625.0	642.9	650.1	666.3	940.8	975.8
Earn-out provision	-	-	-	-	-	-
Related Parties	-	-	-	4.4	371.2	546.3
Pension Fund	0.0	2.1	12.2	24.4	25.9	27.4
Deferred Income and Social Contribution Taxes	1,123.6	1,215.6	1,250.9	1,511.0	3,546.4	3,159.1
Other Liabilities	374.5	377.7	378.7	382.9	814.4	752.1
<b>Non-current Assets</b>	<b>8,043.0</b>	<b>8,155.0</b>	<b>8,871.7</b>	<b>9,502.9</b>	<b>10,521.0</b>	<b>11,048.4</b>
Common stock	5.3	5.3	5.3	5.3	5.3	5.3
	-	-	-	-	-	-
Capital Reserve	3,667.1	3,695.7	3,608.5	3,668.2	3,725.5	3,718.8
Profits Reserve	-	-	-	-	1,872.5	1,773.6
Accumulated profits (losses)	531.0	565.1	588.2	887.3	-	-
Shareholders' Equity	4,203.4	4,266.2	4,202.0	4,560.9	5,603.3	5,497.7
Minority Shareholders' Interest	2,305.9	2,578.7	2,547.7	2,767.8	3,805.0	3,754.5
<b>Shareholders' Equity</b>	<b>6,509.3</b>	<b>6,844.9</b>	<b>6,749.7</b>	<b>7,328.7</b>	<b>9,408.4</b>	<b>9,252.2</b>
<b>Total Shareholders' Equity and Liabilities</b>	<b>16,976.6</b>	<b>17,755.0</b>	<b>18,572.6</b>	<b>19,212.4</b>	<b>22,285.3</b>	<b>22,892.5</b>



# Financial Letter

2<sup>o</sup> Quarter of Fiscal Year 2012 – July, August, September



## Cash Flow

Statement of Cash Flows (in R\$ million)	Jun'10 1Q'11	Sept'10 2Q'11	Dec'10 3Q'11	Mar'11 FY'11	Jun'11 1Q'12	Set'11 2Q'12
<b>Net income</b>	<b>(4.7)</b>	<b>153.4</b>	<b>23.1</b>	<b>470.9</b>	<b>985.2</b>	<b>37.2</b>
Non-cash Adjustments:	-	-	-	-	-	-
Depreciation & Amortization	290.9	400.0	380.9	1,359.0	303.7	365.5
Biological Assets	42.2	28.7	(21.2)	(381.9)	(20.9)	38.8
Earnings (Losses) from Equity Investments	(5.8)	(2.4)	(7.8)	(25.2)	(1.9)	1.3
Losses (Gains) in Fixed Assets Disposals	3.1	(11.8)	2.1	(35.3)	17.0	(11.5)
Goodwill write off aviation business	-	-	-	-	-	-
Deferred Income and Social Contribution Taxes	(0.7)	104.4	16.4	329.1	1,197.8	(277.7)
Judicial demands' provision	10.7	18.9	(3.3)	26.9	33.1	(33.1)
Minority Shareholders' Interest	1.9	85.2	22.7	296.8	872.9	47.4
Interest, monetary and exchange variations, net	167.5	(64.9)	52.5	238.5	(27.6)	596.6
Joint Venture formation income (expenses)	-	-	-	-	(2,871.2)	18.2
Gain on tax recovery program	-	-	-	-	-	-
Capital gains	-	(220.9)	-	-	-	-
Other Non-cash Items	19.4	197.0	(0.9)	7.5	3.5	13.4
Variation on Assets and Liabilities	78.9	(728.0)	(240.1)	41.0	(599.8)	599.8
Trade Accounts receivable	153.3	(153.4)	135.5	164.7	(123.3)	(105.6)
Restricted Cash	-	-	-	(143.0)	113.5	7.7
Judicial Deposits	-	-	-	-	(108.1)	108.1
Inventory	(304.0)	(440.8)	(19.4)	84.6	(326.6)	(311.8)
Related Parties	-	-	-	-	(1,747.4)	142.6
Advances to Suppliers	(76.7)	16.9	4.9	16.8	(122.1)	18.2
Trade Accounts payable	146.9	115.8	(77.7)	(32.4)	241.2	125.0
Salaries payable	78.3	5.6	(49.9)	36.2	110.9	5.1
Derivative Financial Instruments	70.7	(214.6)	(108.4)	13.3	908.8	(1,050.0)
Taxes and Social Contributions Payable	(29.0)	34.2	(23.2)	(50.1)	(79.2)	1,003.4
<b>Other assets and liabilities, net</b>	<b>39.6</b>	<b>(91.9)</b>	<b>(102.0)</b>	<b>(49.2)</b>	<b>532.4</b>	<b>(120.7)</b>
Cash Flow from Operating Activities	603.4	(40.4)	224.3	2,368.2	(108.2)	591.0
Aquisitions, net of acquired cash and advances for	-	-	-	(157.3)	-	-
Contributed cash to Raizen's formation	-	-	-	-	(173.1)	0.0
Dividends	-	-	-	-	-	100.6
Additions on Investments, Net of Cash Received	(3.7)	(12.7)	-	-	(491.5)	392.5
Additions on Property, Plant and Equipment	(513.9)	(312.6)	(533.0)	(2,291.6)	(217.2)	(511.9)
Sugarcane planting and growing costs	(194.6)	(198.1)	(174.8)	(745.6)	-	(340.8)
Cash Received on Sale of aviation fuels business	-	-	-	-	-	-
<b>Cash Received on Sale of other Fixed Assets</b>	<b>0.7</b>	<b>17.2</b>	<b>2.2</b>	<b>48.8</b>	<b>-</b>	<b>42.3</b>
Cash Received on Aquisitions or Mergers	-	-	-	-	-	-
Cash Flow from Investment Activities	(711.5)	(506.2)	(705.5)	(3,145.7)	(881.8)	(317.3)
Additions of Debt	642.4	495.9	1,101.2	2,719.5	1,281.1	483.8
Payments of Principal and Interest on Debt	(561.6)	(224.7)	(458.2)	(1,971.6)	(407.5)	(206.0)
Capital Increase	-	-	-	4.0	-	-
Capital Increase by noncontrolling interests	-	403.3	-	400.0	139.9	0.0
Treasury Stock	-	-	(15.2)	(15.2)	-	(54.4)
<b>Dividends</b>	<b>-</b>	<b>(192.4)</b>	<b>-</b>	<b>(193.1)</b>	<b>-</b>	<b>(328.8)</b>
Related Parties	-	-	-	37.1	-	-
<b>Exchange rate variation excluding Cash and Cash Equivalents</b>	<b>0.0</b>	<b>(3.8)</b>	<b>0.2</b>			
Cash Flows from Financing Activities	80.8	478.3	627.9	979.5	1,013.5	(105.5)
<b>Total Cash Flow</b>	<b>(27.4)</b>	<b>(68.3)</b>	<b>146.7</b>	<b>202.0</b>	<b>23.5</b>	<b>187.6</b>
Cash & Equivalents, Beginning	1,110.8	1,083.4	1,009.0	1,110.8	1,271.8	1,295.3
Cash & Equivalents, Closing	1,083.4	1,015.1	1,155.6	1,271.8	1,295.3	1,482.9

