

Quarterly Financial Information

Cosan Limited

December 31, 2011

Quarterly information with independent auditors review report
“a free translation of the Original Issued in Portuguese”

COSAN S.A. INDÚSTRIA E COMÉRCIO

Quarterly information

December 31, 2011

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A free translation from Portuguese into English of Independent Auditor's Review Report

INDEPENDENT AUDITOR'S REVIEW REPORT

The Board of Directors and Shareholders of
Cosan Limited
Bermuda

Introduction

We have reviewed the accompanying consolidated interim financial information, contained in the Quarterly Financial Information (ITR) of Cosan Limited, as of December 31, 2011, comprising the statement of financial position and the related statements of income, comprehensive income for the three-month and nine-month periods then ended, changes in equity and cash flows for the nine-month period then ended, including the explanatory notes.

Management is responsible for the consolidated interim financial information in accordance with IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the fair presentation of this information in conformity with specific rules issued by the Brazilian Securities Commission (CVM) applicable to the preparation of Quarterly Financial Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information included in the quarterly information referred to above is not prepared, in all material respects, in accordance with IAS 34 applicable to the preparation of quarterly information (ITR), consistently with the rules issued by the Brazilian Securities Commission (CVM).

São Paulo, February 08, 2012

ERNST & YOUNG TERCO
Auditores Independentes S.S.

Luiz Carlos Nannini
Accountant CRC 1SP171638/O-7

Antonio C. M. Lage
Accountant CRC 1MG077995/O-1-S-SP

Uma empresa-membro da Ernst & Young Global Limited

COSAN LIMITED

Statements of Financial Position
December 31, 2011 and March 31, 2011
(In Thousands of Reais)

	Note	December 31, 2011	March 31, 2011
Current			
Cash and cash equivalents	4	1,283,364	1,271,780
Restricted cash	5	88,051	187,944
Accounts receivable	7	1,022,292	594,857
Derivatives		59,586	55,682
Inventories	8	1,354,432	670,331
Advances to suppliers		110,248	229,325
Related parties	10	655,837	14,669
Recoverable taxes	9	325,010	374,991
Other current assets		115,926	81,023
		<u>5,014,746</u>	<u>3,480,602</u>
Non-current			
Deferred income taxes		1,108,211	715,333
Advances to suppliers		49,747	46,037
Related parties	10	1,195,796	91,954
Recoverable taxes	9	122,173	55,066
Judicial deposits		495,628	218,371
Other financial assets	6	415,508	420,417
Other non-current assets		971,917	449,284
Equity method investments	12	368,638	304,142
Biological assets	13	767,853	1,561,132
Property, plant and equipment	14	7,835,194	7,980,524
Intangible assets	15	4,593,778	3,889,575
		<u>17,924,443</u>	<u>15,731,835</u>
Total Assets		<u>22,939,189</u>	<u>19,212,437</u>

COSAN LIMITED

Statements of Financial Position
December 31, 2011 and March 31, 2011
(In Thousands of Reais)

	Note	December 31, 2011	March 31, 2011
Liabilities			
Current			
Current portion of long-term debt	16	773,647	957,134
Derivatives	24	15,654	132,289
Trade accounts payable		765,440	558,766
Salaries payable		158,206	183,560
Taxes payable	17	282,433	245,284
Dividends payable		8,696	72,229
Related parties	10	228,544	41,163
Other current liabilities		215,912	190,381
		<u>2,448,532</u>	<u>2,380,806</u>
Non-current			
Long-term debt	16	4,589,891	6,274,895
Taxes payable	17	1,184,763	639,071
Legal proceedings	19	1,026,652	666,282
Related parties	10	468,490	4,444
Pension		28,928	24,380
Deferred income taxes	18	3,116,483	1,510,965
Other non-current liabilities		777,137	382,897
		<u>11,192,344</u>	<u>9,502,934</u>
Equity			
Common Stock		5,328	5,328
Treasury shares		(109,394)	-
Reserves		3,750,315	4,555,554
Retained earnings		1,824,875	-
Equity attributable to owners of the Company		<u>5,471,124</u>	<u>4,560,882</u>
Equity attributable to non-controlling interests		<u>3,827,189</u>	<u>2,767,815</u>
Total Equity	20	<u>9,298,313</u>	<u>7,328,697</u>
Total Liabilities and Equity		<u>22,939,189</u>	<u>19,212,437</u>

See accompanying notes to quarterly financial information.

COSAN LIMITED

Income Statements

Period ended December 31, 2011 and 2010

(In thousands of Reais, except otherwise stated)

	Nota	01.10.11 a 31.12.2011	01.04.11 a 31.12.11	01.10.10 a 31.12.2010	01.04.10 a 31.12.10
Net sales	22	6,310,682	18,302,945	4,738,433	13,454,142
Cost of goods sold		<u>(5,670,853)</u>	<u>(16,313,215)</u>	<u>(4,159,952)</u>	<u>(11,677,842)</u>
Gross profit		639,829	1,989,730	578,481	1,776,300
Selling		(281,965)	(838,433)	(256,453)	(719,161)
General and administrative		(148,695)	(458,943)	(149,111)	(428,608)
Other operational income (expenses), net		29,601	54,862	(3,647)	(45,107)
Gain of formation joint venture		-	2,853,057	-	-
		<u>(401,059)</u>	<u>1,610,543</u>	<u>(409,211)</u>	<u>(1,192,876)</u>
Income before financial results, equity income of associates and income taxes		<u>238,770</u>	<u>3,600,273</u>	<u>169,270</u>	<u>583,424</u>
Equity income of associates		11	639	7,838	15,955
Financial results, net	23	<u>(70,639)</u>	<u>(453,613)</u>	<u>(89,037)</u>	<u>(138,264)</u>
		<u>(70,628)</u>	<u>(452,974)</u>	<u>(81,199)</u>	<u>(122,309)</u>
Income before income taxes		168,142	3,147,299	88,071	461,115
Current		5,918	(110,471)	(25,862)	(59,397)
Deferred	18	<u>(69,726)</u>	<u>(989,780)</u>	<u>7,838</u>	<u>(120,122)</u>
		<u>(63,808)</u>	<u>(1,100,251)</u>	<u>(18,024)</u>	<u>(179,519)</u>
Net income for the year		<u>104,334</u>	<u>2,047,048</u>	<u>70,047</u>	<u>281,596</u>
Net income attributable to non-controlling interests		(48,160)	(968,508)	(22,659)	(109,784)
Net income attributable to Cosan		56,174	1,078,540	47,388	171,812

See accompanying notes to quarterly financial information.

COSAN LIMITED

Statements of Changes in Equity

Period ended December 31, 2011 and 2010

(In thousands of Reais, except otherwise stated)

See accompanying notes to quarterly financial information.

	Capital reserves					Total	Non-controlling interests	Total equity
	Capital stock	Treasury shares	Recognized options granted	Other Components of equity	Retained earnings (accumulated losses)			
Balance at March 31, 2011	5,328	-	3,943,881	(275,663)	887,336	4,560,882	2,767,815	7,328,697
Hedge accounting	-	-	-	31,092	-	31,092	18,742	49,834
Equity Adjustment - unconsolidation of subsidiaries contributed to joint ventures	-	-	-	40,563	-	40,563	24,683	65,246
Current Translation Adjustment – CTA	-	-	-	12,620	-	12,620	3,882	16,502
Stock option conspensation plan	-	-	2,999	-	-	2,999	1,801	4,800
Change in the non-controlling interest due to the formation of JV	-	-	-	-	-	-	9,036	9,036
Acquisition of treasury shares	-	(109,394)	-	-	-	(109,394)	-	(109,394)
Effect of repurchase of shares from non-controlling interests in subsidiaries	-	-	(2,584)	-	-	(2,584)	(45,672)	(48,256)
Net income for the period	-	-	-	-	1,078,540	1,078,540	968,508	2,047,048
Rumo corporate reorganization	-	-	(1,989)	-	-	(1,989)	77,780	75,791
Effect of non controlling interest on subsidiaries	-	-	(604)	-	-	(604)	5,845	5,241
Complementary dividends	-	-	-	-	(141,001)	(141,001)	-	(141,001)
Effect of dividends distribution to non-controlling interests	-	-	-	-	-	-	(5,231)	(5,231)
Balance at December 31, 2011	5,328	(109,394)	3,941,703	(191,388)	1,824,875	5,471,124	3,827,189	9,298,313

	Capital reserves					Total	Non-controlling interests	Total equity
	Capital stock	Treasury shares	Recognized options granted	Other Components of equity	Retained earnings (accumulated losses)			
Balance at March 31, 2010	5,328	-	3,824,681	(170,235)	535,723	4,195,497	2,296,428	6,491,925
Treasury shares	-	-	(9,465)	-	-	(9,465)	(5,754)	(15,219)
Share based compensation	-	-	275	-	-	275	5,928	6,203
Hedge accounting	-	-	-	(154,399)	-	(154,399)	(93,871)	(248,270)
Equity adjustments - Current Translation Adjustment (CTA)	-	-	-	(3,433)	-	(3,433)	36	(3,397)
Effect of common shares	-	-	(522)	-	-	(522)	(821)	(1,343)
Net income for the period	-	-	-	-	171,812	171,812	109,784	281,596
Pension Plan	-	-	-	(6,791)	-	(6,791)	(4,128)	(10,919)
Issuance of common shares of Rumo to non-controlling interest	-	-	128,363	-	-	128,363	271,637	400,000
Dividends	-	-	-	-	(119,295)	(119,295)	(31,545)	(150,840)
Balance at December 31, 2010	5,328	-	3,943,332	(334,858)	588,240	4,202,042	2,547,694	6,749,736

COSAN LIMITED

Statements of Comprehensive Income

Period ended December 31, 2011 and 2010

(In thousands of Reais, except otherwise stated)

	<u>10.01.11 to 12.31.11</u>	<u>04.01.11 to 12.31.11</u>	<u>10.01.10 to 12.31.10</u>	<u>04.01.10 to 12.31.10</u>
Net income of the period	104,334	2,047,048	45,801	281,596
Other Comprehensive Income (Loss):				
Exchange differences on translation of foreign operations – CTA	3,402	16,502	247	(3,397)
Net movement on cash flow hedges	59,711	174,364	(176,989)	(376,167)
Actuarial gains and losses on defined benefit plans	-	-	(12,904)	(16,544)
Income tax effects	(20,302)	(59,284)	64,564	133,521
Other Comprehensive Income (Loss) for the period, net of tax	<u>42,811</u>	<u>131,582</u>	<u>(125,082)</u>	<u>(262,587)</u>
Total Comprehensive Income for the period, net of tax	<u>147,145</u>	<u>2,178,630</u>	<u>(79,281)</u>	<u>19,009</u>
Total Comprehensive Income attributed:				
Owners of the Company	81,166	1,163,668	(54,553)	7,189
Non-controlling interests	65,979	1,014,962	(24,728)	11,820

See accompanying notes to quarterly financial information.

Cosan Limited

Notes to quarterly financial information

December 31, 2011

(in thousands of Reais, unless otherwise stated)

	<u>04.01.2011 to 12.31.2011</u>	<u>04.01.2010 to 12.31.2010</u>
Operating activities		
Net income of the period	1,078,540	171,812
Depreciation and amortization	923,953	1,056,462
Biological assets	37,845	49,580
Income from equity investments	(639)	(15,955)
Stock option	4,800	-
Profit/loss of Property, plant and equipment disposal	(22,089)	(6,626)
Deferred income taxes	989,780	120,122
Non-controlling interests	968,508	109,784
Interest, monetary variations and foreign exchange variation, net	678,384	141,821
Joint Ventures formation effects	(2,853,057)	-
Others	<u>12,274</u>	<u>2,255</u>
	1,818,299	1,629,255
Changes in assets and liabilities		
Accounts receivable	(267,376)	135,383
Restricted cash	85,668	-
Inventories	(673,142)	(764,284)
Recoverable taxes	(17,126)	(64,178)
Related parties	(1,692,582)	-
Advances to suppliers	(82,397)	(54,780)
Suppliers	374,190	218,942
Salaries payable	82,722	34,045
Legal proceedings	118,935	20,089
Derivatives	(145,623)	(252,251)
Taxes and Contributions Payable	865,274	(17,991)
Others Asstes and liabilities, net	<u>310,501</u>	<u>(98,199)</u>
	(1,040,956)	(843,224)
Net cash flows from operating activities	777,343	786,031

Cosan Limited

Notes to quarterly financial information

December 31, 2011

(in thousands of Reais, unless otherwise stated)

	04.01.2011 to 12.31.2011	04.01.2010 to 12.31.2010
Cash flows from investing activities		
Acquisitions of sugar retail business	(72,780)	-
Addition of investment in affiliates	(27,123)	(21,426)
Purchase of property, plant and equipment, software and other intangible assets	(1,081,156)	(1,359,476)
Sugarcane planting and growing costs	(442,012)	(567,384)
Cash contributed in the formation of Raízen	(173,116)	-
Proceeds from the sale of other investments and property, plant and equipment	96,114	20,105
Net cash flows used in investing activities	(1,700,073)	(1,928,181)
Financing activities		
Proceeds from long-term debt	2,100,739	2,239,488
Payment of long-term debt	(931,957)	(1,244,593)
Capital increase	-	403,309
Capital increase in subsidiaries by non-controlling interests in joint venture	139,925	-
Acquisition of treasury shares	(155,658)	(15,219)
Dividends paid	(233,020)	(192,413)
Acquisition of shares of subsidiary	(4,579)	-
Net cash flows from financing activities	915,450	1,190,572
Current Translation Adjustment (CTA)	18,864	(3,568)
Net increase in cash and cash equivalents	11,584	44,854
Cash and cash equivalents at the beginning of the year	1,271,780	1,110,766
Cash and cash equivalents at the end of the year	1,283,364	1,155,620
Net increase in cash and cash equivalents	11,584	44,854
Supplemental disclosure of cash flow information::		
Financial interest expenses paid	203,754	312,680
Income taxes paid	129,854	39,056

Cosan Limited

Notes to quarterly financial information

December 31, 2011

(in thousands of Reais, unless otherwise stated)

1. Operations

Cosan Limited ("Cosan" and "the Company") was incorporated in Bermuda on April 30, 2007. Its shares are traded on the New York Stock Exchange (NYSE – CZZ) and in the São Paulo Stock Exchange (Bovespa – CZLT11). Mr. Rubens Ometto Silveira Mello is the ultimate controlling shareholder of the Company. Cosan Limited controls Cosan S.A. Indústria e Comércio and its subsidiaries ("Cosan S.A.") with a 62.47% interest.

Cosan S.A. is a Brazilian Company with its shares traded on Novo Mercado of São Paulo Stock Exchange ("Bovespa") under the ticker CSAN 3. Its registered office is located in the city of São Paulo, Brazil.

Cosan S.A., through its subsidiaries and jointly controlled subsidiaries, primary activities are in the following business segments (i) Sugar & Ethanol: the production of sugar and ethanol, as well as the energy cogeneration produced from sugar cane bagasse, through its joint venture named Raízen Energia Participações S.A. ("Raízen Energia") (ii) Fuel Distribution through its joint venture named Raízen Combustíveis S.A. ("Raízen Combustíveis") (iii) Logistics services including transportation, port lifting and storage of sugar (iv) Production and distribution of lubricants licensed by Mobil trademark and, (v) since July 1, 2011, the purchase and sale of sugar in the retail segment, activity that was previously developed by its joint venture Raízen Energia, now under the name of a business segment "Cosan Alimentos".

On June 1st 2011, the Company completed, jointly with Royal Dutch Shell ("Shell"), the establishment of two controlling companies ("joint ventures"): (i) Raízen Combustíveis S.A. ("Raízen Combustíveis"), in the fuel distribution segment, and (ii) Raízen Energia Participações SA ("Raízen Energia"), in the segment of sugar and ethanol. Cosan and Shell share control of the two entities, with each company holding 50% of the economic control. Cosan recorded its investments in the joint ventures using the equity method of accounting for the purposes of its individual financial information, and through proportionate consolidation in the consolidated financial information.

Cosan contributed with their business of sugar, ethanol, cogeneration and fuel distribution in the formation of joint ventures. Shell contributed its business of distributing fuel in Brazil and participation in business research and development of second generation ethanol (logen and Codexis), the license to use the Shell brand in the amount of R\$ 530,498 and a contribution of money determined valued at approximately R\$ 1.8 billion over a period of 2 years. The accounting effects arising from the formation of Raízen Combustíveis and Raízen Energia are presented in Note 21.

The logistics of sugar and lubricants business, together with investment in Radar Propriedades Agrícolas S.A. ("Radar") were not contributed to the joint ventures.

Cosan Limited

Notes to quarterly financial information

December 31, 2011

(in thousands of Reais, unless otherwise stated)

2. Presentation of quarterly financial information and accounting policies

The financial information of the Company have been prepared and are presented in accordance with the IAS 34 issued by Internacional Financial Reporting Standards ("IFRS"), issued by the IASB, which do not differ from accounting practices adopted in Brazil and in accordance with the rules of the CVM and the CPCs.

Information in the notes to the financial information that have not had any significant changes or present immaterial information in comparison to those included in the annual report dated March 31, 2011, have not been included in this financial information

As of April 1, 2011, the following pronouncements and interpretations took effect: IAS 24 - Disclosure Requirements for State Entities and Definition of Related Party (Revised), IFRIC 14 - Prepayments of a Minimum Funding Requirement, and IFRIC 19 - Extinguishment of Financial Liabilities to Equity Instruments. The adoption of these pronouncements and interpretations did not impact the financial information for December 31, 2011.

On November 3, 2011, the Company's Board of Directors approved this financial information and authorized its issuance.

Certain reclassifications have been made for presentation purposes of certain quarterly financial information.

These financial statements are presented in Real, however the company's functional currency is the US dollar. The Real (R\$) is the currency used in the economic environment that Cosan S.A., controlled and jointly controlled are inserted, except for the subsidiaries abroad, whose functional currency is the US dollar. Conversion effects are recorded into equity of subsidiaries.

The conversion rates from Real (R\$) to u.s. dollar (US\$) were R\$1.8758 = US\$1.00 on December 31, 2011 and R\$1.6287 = US\$1.00 in March 31, 2011.

Company's jointly controlled subsidiaries

Cosan holds stakes in two joint ventures (Raizen Combustiveis, Raizen Energia and Raizen S.A.), which, together with Shell, have a contractual arrangement that establishes joint control of the company's activities. Cosan recognizes their participation in these joint ventures through proportionate consolidation of the consolidated information and through the equity method applied in the individual information.

Cosan Limited

Notes to quarterly financial information

December 31, 2011

(in thousands of Reais, unless otherwise stated)

2. Presentation of quarterly financial information and accounting policies - (Cont)

Consolidation of quarterly financial information

The consolidated quarterly financial information include information from Cosan, its subsidiaries and jointly controlled subsidiaries for the quarter ended December 31, 2011 and year ended March 31, 2011. The Subsidiaries and jointly controlled subsidiaries are listed below:

	12.31.2011	03.31.2011
Subsidiaries (direct interest)		
Cosan S.A. Indústria e Comercio	62.47%	62.20%
Indirect interest		
Administração de Participações Aguassanta Ltda.	57.16%	56.91%
Bioinvestments Negócios e Participações S.A.	62.47%	56.91%
Vale da Ponte Alta S.A.	62.47%	56.91%
Cosan Cayman II Limited	62.47%	-
Águas da Ponte Alta S.A.	62.47%	56.91%
Proud Participações S.A.	62.47%	62.14%
Cosan Distribuidora de Combustíveis Ltda.	-	62.14%
Cosan Overseas Limited	62.47%	62.20%
Pasadena Empreendimentos e Participações S.A.	62.47%	62.20%
Cosan Cayman Finance Limited	62.47%	62.20%
Cosan Lubrificantes e Especialidades S.A. (Before called "Cosan Combustíveis e Lubrificantes S.A.")	62.47%	62.20%
CCL Cayman Finance Limited	62.47%	62.20%
Copsapar Participações S.A.	56.22%	55.98%
Novo Rumo Logística S.A.	58.04%	57.78%
Rumo Logística S.A.	-	43.35%
Docelar Alimentos e Bebidas S.A.	62.41%	62.14%
Cosan Operadora Portuária S.A.	43.54%	43.35%
Teaçu Armazéns Gerais S.A.	-	43.35%
Logisport Armazéns Gerais S.A.	22.18%	22.08%
Handson Participações S.A.	62.47%	-
Jointly-controlled subsidiaries (indirect)		
Raízen S.A. (1)	31.24%	-
Raízen Energia Participações S.A. (1)	31.24%	-
Raízen Combustíveis S.A. (1)	31.24%	-
IPUTI Empreendimentos e Participações S.A. (1)	31.24%	-

(1) Company controlled jointly with Shell

The subsidiaries are fully consolidated from the date of acquisition of control, and continue to be consolidated until the date that control ceases to exist. The jointly controlled subsidiaries are consolidated proportionally from the date of acquisition of joint control until the date that joint control ceases to exist.

Cosan Limited

Notes to quarterly financial information

December 31, 2011

(in thousands of Reais, unless otherwise stated)

2. Presentation of quarterly financial information and accounting policies – (Cont)

The quarterly financial information of subsidiaries and jointly controlled subsidiaries are prepared for the same disclosure period as that of the parent company, using consistent accounting policies. All balances held between the subsidiary companies and jointly controlled subsidiaries, income and expenses and unrealized gains and losses derived from intercompany transactions are eliminated in their entirety

Any change in the ownership interest of a subsidiary that does not result in loss of control is accounted for as an equity transaction.

3. New IFRS and IFRIC Interpretations Committee (Financial Reporting Interpretations of IASB) applicable to the consolidated financial statements

New accounting pronouncements from the IASB and IFRIC interpretations have been published and / or reviewed and have the optional adoption for the current year. These new accounting pronouncements and interpretations are described below:

- IFRS 9 Financial Instruments – Classification and measurement - It reflects the first phase of the IASBs work on the replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a simplified approach to determine whether a financial asset is measured at amortized cost or fair value, based on the manner in which an entity manages its financial instruments (business model) and the typical contractual cash flow of financial assets. The standard also requires the adoption of only one method for determining losses in recoverable value of assets. The standard is effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted. Management is still evaluating the impact on its financial position or performance in relation to IFRS 9.

- IFRS 10 Consolidated Financial Statements - IFRS 10 as issued establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12 *Consolidation—Special Purpose Entities* and IAS 27 *Consolidated and Separate Financial Statements* and is effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted. Management is still evaluating the impact on its financial position or performance from the adoption of IFRS 10.

- IFRS 11 Joint Arrangements – IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 13 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-Monetary Contributions by Ventures*, and is effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted. The main effect of this adoption of IFRS 11 will be the end of the option of proportional consolidation. Equity method will be the only option to account for interest in joint ventures entities in the consolidated financial statements.

Cosan Limited

Notes to quarterly financial information

December 31, 2011

(in thousands of Reais, unless otherwise stated)

3. New IFRS and IFRIC Interpretations Committee (Financial Reporting Interpretations of IASB) applicable to the consolidated financial statements – (Cont)

• IFRS 12 Disclosures of Interests in Other Entities – IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted. Management is still evaluating the impact on its financial position or performance from the adoption of IFRS 12.

• IFRS 13 Fair Value Measurement - IFRS 13 establishes new requirements on how to measure fair value and the related disclosures for IFRS and US generally accepted accounting principles. The standard is effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted. Management is still evaluating the impact on its financial position or performance from the adoption of IFRS 13.

There are no other issued pronouncement and interpretation not yet adopted which may, in the management's opinion, have significant impact in the income statement or in the shareholder's equity disclosed by the Company.

4. Cash and cash equivalents

	<u>12.31.2011</u>	<u>03.31.2011</u>
Cash	1,345	289
Bank account	139,072	142,790
Amounts pending foreign exchange closing	60,833	-
Highly liquid investments	<u>1,082,114</u>	<u>1,128,701</u>
	<u>1,283,364</u>	<u>1,271,780</u>

5. Restricted cash

	<u>12.31.2011</u>	<u>03.31.2011</u>
Restricted Financial Investments	28,668	61,072
Deposits in connection with derivative transactions	<u>59,383</u>	<u>126,872</u>
	<u>88,051</u>	<u>187,944</u>

Deposits in connection with derivative transactions relate to margin calls by counterparties in derivative transactions.

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6. Others financial assets

	<u>12.31.2011</u>	<u>03.31.2011</u>
Fair value of Radar option (1)	128,860	162,961
Brazilian Treasury certificates – CTN (2)	286,648	257,456
	<u>415,508</u>	<u>420,417</u>

(1) The Company holds warrants on Radar, exercisable at any time up to maturity (August 2018). Such warrants will allow Cosan to purchase additional shares at R\$41.67 per share adjusted by inflation (IPCA, consumer price index), equivalent to 20% of the total shares issued by Radar as of the date of exercise. The exercise of warrants will not change the classification of this investment as an equity investment. The fair value of these warrants was calculated based on observable market data.

(2) Represented by bonds issued by the Brazilian National Treasury under the Special Program for Agricultural Securitization - "PESA" with original maturity of 20 years in connection with the long-term debt denominated PESA (note 16). These bonds yield inflation (IGPM) plus 12% p.a.. The value of these securities at maturity is expected to be equal to the amount due to the PESA at that date. If the PESA debt is paid in advance, the Company may still keep this investment until maturity.

7. Accounts receivables

	<u>12.31.2011</u>	<u>03.31.2011</u>
Domestic	989,482	678,498
Foreign	123,126	7,556
Allowance for doubtful accounts	(90,316)	(91,197)
	<u>1,022,292</u>	<u>594,857</u>

8. Inventories

	<u>12.31.2011</u>	<u>03.31.2011</u>
Finished goods::		
Sugar	364,638	77,673
Ethanol	266,832	42,840
Fuel and Lubricants	540,137	326,634
Insumos	45,453	51,598
Raw material	2,258	5,121
Spare parts and other (included 50% of Raizen Trading inventories)	141,531	186,032
Provision for inventory realization and obsolescence	(6,417)	(19,567)
	<u>1,354,432</u>	<u>670,331</u>

9. Recoverable taxes

	<u>12.31.2011</u>	<u>03.31.2011</u>
Withholding income tax	72,928	-
Income tax and social contribution	24,641	66,274
COFINS	87,658	121,474
PIS	24,001	27,338
State VAT – ICMS	181,118	151,161
IPI	46,316	47,741
Others	10,521	16,069
	<u>447,183</u>	<u>430,057</u>
Current	(325,010)	(374,991)
Non Current	122,173	55,066

Cosan Limited

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10. Related parties

In the normal course of business the Company has operational and financing transactions with several related parties. The significant related party balances and transactions are summarized below:

- **Aguassanta:**

The jointly-controlled subsidiary Raízen Energia has land leased from entities controlled by Group Aguassanta ("Aguassanta"), which is an entity that represents the controlling group. The lease costs are paid considering the ATR price published by CONSECANA and contracts having terms expiring between 2026 and 2027.

- **Radar**

The jointly-controlled subsidiary Raízen Energia has land leased with investee Radar Propriedades Agrícolas S.A. ("Radar"). These lease costs are paid also considering the ATR price published by CONSECANA and most of the lease contracts have terms expiring in 2027.

- **Grupo Rezende Barbosa**

The Company has receivable from Rezende Barbosa are ultimately guaranteed by shares issued by the Cosan.

The jointly-controlled subsidiary Raízen Energia executed a long-term agreement with Rezende Barbosa to supply sugar-cane prior related parts. Prices paid to them are based on ATR price published by CONSECANA.

- **Vertical**

The jointly-controlled subsidiary Raízen Energia sell and buy ethanol from Vertical UK LLP ("Vertical") in the normal course of business. Vertical is a Trading Company headquartered in Switzerland which the Company has a indirect interest of 50% without exercising control over it.

- **Raízen Energia e Raízen Combustíveis**

The jointly-controlled subsidiary Raízen Energia e Raízen Combustíveis, in sequence to the contract signed upon its formation (note 21), assumed rights and obligations of certain transactions with the Company, seeking refunds or reimbursements related to certain operations prior to the formation of the joint venture.

The Company has right to a financial compensation from Raízen Energia for the tax benefit obtained by Raízen Energia due to the use of tax losses by Raízen Energia and Raízen Combustíveis for the tax benefit obtained by Raízen Combustíveis due to tax amortization of goodwill contributed by the Company.

- **Grupo Shell**

The jointly-controlled subsidiary Raízen Combustíveis has fuel sale operations for use on foreign aircrafts that have contracts with Shell Aviation Limited. Payments take place every fifteen days.

Cosan Limited

Notes to quarterly financial information

December 31, 2011

(in thousands of Reais, unless otherwise stated)

10. Related Parties – (Cont)

The jointly Raizen Combustíveis in sequence to the contract signed of the formation of the joint venture, assumed the rights to reimbursement of certain litigation from the period prior to the joint venture with Shell Brazil Holding BV.

The jointly-controlled subsidiary Raizen Energia, in response to the contract signed of the formation of the joint venture, has a certain quantity to be received due to Shell's cash contribution in the amount of R\$ 1,846,467 on December 31, 2011, being presented here only the portion equivalent to the Company, in the amount of R\$ 923,234, distributed between short and long term. This amount is indexed in U.S. dollars and has been corrected in LIBOR.

a. Balances with related parties (Summary)

	December 31, 2011	March 31, 2011
Current assets		
Shell Brazil Holding B.V.	624,043	-
Raízen Energia	3,964	-
Grupo Rezende Barbosa	8,919	7,298
Vertical UK LLP	575	6,430
Raízen Combustíveis	16,337	-
Other Related parties	1,999	941
Total Current assets	655,837	14,669
Non-current assets		
Shell Brazil Holding B.V.	795,901	-
Raízen Energia	215,302	-
Raízen Combustíveis	87,811	-
Grupo Rezende Barbosa	86,561	91,954
CTC - Centro de Tecnologia Canavieira	8,398	-
Other Related parties	1,823	-
Total Non Current assets	1,195,796	91,954
Total Assets	1,851,633	106,623

	December 31, 2011	March 31, 2011
Current Liabilities		
Raízen Energia	83,322	-
Grupo Rezende Barbosa	41,236	37,664
Shell Brazil Holding B.V.	98,145	-
Raízen Combustíveis	1,216	-
Others	4,625	3,499
Total Current Liabilities	228,544	41,163
Non-Current Liabilities		
Shell Brazil Holding B.V.	381,868	-
Raízen Energia	82,909	-
Others	3,713	4,444
Total Non Current Liabilities	468,490	4,444
Total Liabilities	697,034	45,607

10. Related Parties – (Cont)

Cosan Limited

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(in thousands of Reais, unless otherwise stated)

b. Transactions with related parties (Summary)

	December 31, 2011	December 31, 2010
Sale		
Vertical UK LLP	151,900	144,630
Others	308	36,151
	<u>152,208</u>	<u>180,781</u>
Purchase of products/ inputs		
Grupo Rezende Barbosa	270,347	303,564
Vertical UK LLP	55,207	-
Shell Western Supply and Trading	7,032	-
Grupo Rezende Barbosa	332,586	303,564
Leased land		
Aguassanta	14,115	19,677
Others	19,524	20,770
	<u>33,639</u>	<u>40,447</u>
Financial income/ (expense)		
Grupo Rezende Barbosa	1,949	-
Shell Brazil Holding B.V.	136,523	-
Others	157	-
	<u>138,629</u>	<u>-</u>

c. Officers and directors compensation

At the General and Extraordinary Assembly in 29 July 2011 was approved the total annual remuneration of the directors of the Company for the fiscal year ending on March 31, 2012 in the maximum amount until R\$ 32,000 (including fees and bonuses).

Additionally, in the same Assembly it was approved the Comany new stock options plan, which until December 31, 2011 had granted 9,825,000 options (Note 24).

11. Business combinations and acquisitions of non-controlling shareholders

a. Sugar Retail Business

On 1 July 2011, Cosan, through its indirect subsidiary Docelar Alimentos SA ("Docelar"), acquired the retail business of sugar from Raizen Energia. The preliminary fair value estimated at the acquisition date of the consideration was R\$ 175,000, wich consisted of the following:

Cash	145,560
Contingent consideration	29,440
Total	<u>175,000</u>

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(in thousands of Reais, unless otherwise stated)

11. Business combinations and acquisitions of non-controlling shareholders – (Cont)

The fair value of assets acquired and liabilities assumed preliminarily estimated on the date of acquisition of the retail sugar was as follows:

Descrição	
Accounts receivable	105,894
Inventories	33,398
Recoverable taxes	3,413
Deferred income taxes	12,956
Fixed Assets	37,114
Trade accounts payable	(21,709)
Other non-current liabilities	(6,360)
Net assets acquired	164,706
Total consideration, net of acquired cash	175,000
Goodwill preliminary	10,294

The purchase price for the acquisition of the retail sugar was allocated on a preliminary basis based on the estimated fair value of assets acquired and liabilities assumed. The goodwill was allocated to the primary segment "Cosan Alimentos."

The assets represented by retail brands, such as "União" and "DaBarra" which had not been contributed to the Raizen Energia, beyond this quarter, considered as assets of the "Cosan Alimentos."

12. Equity method investments

	Investments		Equity income (loss) of subsidiaries and associates	
	12.31.2011	03.31.2011	12.31.2011	12.31.2010
Radar Propriedades Agrícolas S.A,	265,194	260,756	4,438	7,178
Codexis Inc	51,886	-	(347)	-
Others investments	51,558	43,386	(3,452)	8,777
	368,638	304,142	639	15,955
Balance at March 31, 2011	304,142			
Equity pick up	639			
Investment on Logum and Tellus	26,270			
Effects of formation of Raizen	38,114			
Other	(527)			
Balance at December 31, 2011	368,638			

Cosan Limited

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December 31, 2011

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13. Biological assets

Changes in biological assets (sugarcane plants) is described below:

Balances at March 31,2011	1,561,132
Changes in fair value less estimated cost to sell	(37,845)
Increase due to planting and growing costs	442,012
Harvest cane transferred to inventory (*)	(393,862)
Proportional consolidation effect due to the formation of JVs (50%)	(803,584)
Balances at December 31,2011	767,853

(*)R\$ 115,042 of this amount was allocated in sugar and ethanol's inventory as of December 31, 2011.

Sugarcane plants

Areas cultivated represent only sugarcane, without considering the land where these crops are found. The following assumptions were used to determine fair value using the discounted cash flow (consolidated):

	12.31.2011	03.31.2011
Crop area (hectares) (1)	325,720	340,386
Expect productivity (tons of cane per hectare)	85	85
Total amount of recoverable sugar – ATR (kg)	138.54	138.54
Price kg ATR projected average (R\$/kg)	0.4228	0.4228

(1) The biological assets are proportionally consolidated in 50.0% in the Company.

Sugar production depends on the volume and sucrose content of sugarcane grown or supplied by farmers located near the plants. The yield of the crop and the sucrose content in sugarcane mainly depend on weather conditions such as rainfall rate and temperature, which may vary.

Historically, weather conditions have caused volatility in ethanol and sugar production, and consequently in our operating results because it cause damage to the annual harvest. Future climate conditions may reduce the amount of sugar and sugarcane that the Company will obtain in a particular season or in the sucrose content of sugarcane. Additionally, our business is subject to seasonality according to the growth cycle of sugarcane in the south-central region of Brazil.

The period of annual harvest of sugarcane in the south-central region of Brazil begins in April / May and ends in November / December. This creates variations in stock, usually high in November to cover sales between harvests (i.e. from December to April) and a degree of seasonality in gross profit as sales of ethanol and sugar are significantly lower in the last quarter of fiscal year. The seasonality and any reduction in the volume of sugar recovered could have a material adverse effect on our operating results and financial condition.

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(in thousands of Reais, unless otherwise stated)

14. Property, plant and equipment

	03.31.2011	Addition	Write-off	Transfer	Capital increase in subsidiary	12.31.2011
Cost:						
Land and rural properties	1,263,240	13,268	(36,224)	(2,514)	388,147	1,625,917
Buildings and improvements	1,122,256	2,573	(16,416)	169,652	(287,960)	990,105
Machinery, equipments and installations	4,980,432	49,951	(23,433)	752,608	(560,573)	5,198,985
Aircraft	30,903	-	(4,691)	-	-	26,212
Rail cars and locomotives	341,647	-	-	50,000	-	391,647
Boats and vehicles	323,042	3,043	(1,311)	23,736	(46,283)	302,227
Furniture, fixtures and computer equipment	137,206	255	(4,928)	18,880	(21,740)	129,673
Construction in progress	1,218,765	720,456	(4,013)	(603,427)	(512,056)	819,725
Advances for purchase of property, plant and equipment	148,947	-	(2,009)	(33,570)	(36,482)	76,886
Parts and components to be periodically replaced	1,043,342	202,019	-	(117,292)	(277,221)	850,848
Other	4,782	13,078	(11,388)	30,964	134,726	172,162
Total	10,614,562	1,004,643	(104,413)	289,037	(1,219,442)	10,584,387
Depreciation:						
Land and rural properties	(3,118)	-	-	3,118	-	-
Buildings and improvements	(287,620)	(36,892)	5,646	(50,990)	107,891	(261,965)
Machinery, equipments and installations	(1,472,512)	(265,006)	14,780	(312,865)	651,713	(1,383,890)
Aircraft	(15,195)	(1,196)	860	-	-	(15,531)
Rail cars and locomotives	(6,128)	(9,174)	-	-	-	(15,302)
Boats and vehicles	(150,146)	(21,612)	1,426	(13,448)	60,555	(123,225)
Furniture, fixtures and computer equipment	(87,460)	(8,712)	3,709	(12,366)	11,119	(93,710)
Construction in progress	-	139	-	70	-	209
Parts and components to be periodically replaced	(611,859)	(303,082)	-	129,322	37,728	(747,891)
Others	-	(5,056)	4,349	(21,503)	(85,678)	(107,888)
Total	(2,634,038)	(650,591)	30,770	(278,662)	783,328	(2,749,193)
	7,980,524	354,052	(73,643)	10,375	(436,114)	7,835,194

Capitalization of borrowing costs

During the period of nine months ended December 31, 2011, borrowing costs capitalized amounted to R\$ 71,661 (R\$ 70,543 during the year ended March 31, 2011). The weighted average interest rate, used for capitalization of interest on the balance of construction in progress, was 8.60% at 2011 (9.13% per year during the year ended March 31, 2011).

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(in thousands of Reais, unless otherwise stated)

15. Intangible assets

	At March 31, 2011	Additions	Write offs	Transfers	Capital contribution in subsidiary	At December 31, 2011
Cost						
Software	98,063	570	(1)	(72,756)	28,065	53,941
Trademarks and patents	429,671	-	(9,513)	(40,375)	230,401	610,184
Goodwill	2,697,221	-	(639,291)	10,293	789,906	2,858,129
Customer base	583,420	-	-	(57,701)	317,986	843,705
Leases	155,505	-	(232)	(14,021)	(61,333)	79,919
Distribution rights	170,291	61,753	-	-	152,337	384,381
Others	43,263	14,191	(8,647)	14,156	132,447	195,410
Total	4,177,434	76,514	(657,684)	(160,404)	1,589,809	5,025,669
Depreciation						
Software	(66,111)	(6,216)	1	68,507	(34,254)	(38,073)
Trademarks and patents	(98,710)	(28,746)	-	35,195	(2,335)	(94,596)
Customer base	(41,038)	(31,480)	-	38,383	(16,587)	(50,722)
Favorable operating leases	(15,118)	(2,701)	232	13,585	(7,559)	(11,561)
Distribution rights	(62,387)	(18,953)	-	-	(34,641)	(115,981)
Others	(4,495)	(17,288)	(222)	(5,641)	(93,312)	(120,958)
Total	(287,859)	(105,384)	11	150,029	(188,688)	(431,891)
	3,889,575	(28,870)	(657,673)	(10,375)	1,401,121	4,593,778

Intangible assets(except Goodwill)	Annual amortization		
	rate	12.31.2011	03.31.2011
Software	20%	15,869	31,952
Trademarks and patents (a)	20%	271,772	68,696
Trademark Mobil (b)	10%	159,789	176,911
Trademark União (c)	2%	84,027	85,354
Customer base (d)	3%	507,313	247,907
Operation license and customer base(e)	4%	285,669	294,475
Favorable operating leases (f)	6%	68,358	140,387
Distribution rights	Straight line over contract term	268,400	107,904
Others		74,452	38,768
Total		1,735,649	1,192,354

(a) Refers to the right to use the trademark of fuel distribution through its joint venture Raizen Combustíveis.

(b) Refers to the right to use the trademark of Mobil lubricants.

(c) Refers to the right to use the trademark sugar União arising from business combination.

(d) Refers to the relationship between Raizen Combustíveis and the gas station that maintain its flags.

(e) license and customer relations of Rumo, arising from business combination.

Intangible assets related to existing contracts of lease of land from business combination.

Cosan Limited

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15. Intangible assets – (Cont)

Impairment testing of goodwill

The Company tests annually (on March 31) the recoverable amounts of intangible assets with indefinite useful lives, consisting primarily of a portion of goodwill from expected future income resulting from business combination processes and establishment of joint ventures. The assets property, plant and equipments and intangible assets subject to amortization are reviewed whenever there are indications that the carrying amount is not recoverable.

During the quaterd ended December 31, 2011, the Company did not identify any indicators of impairment that would required another impairment test.

The combined accounting values of goodwill allocated to each unit are as follows:

Accounting value of Goodwill	<u>12.31.2011</u>	<u>03.31.2011</u>
Cash-generating unit Raizen Energia	1,580,670	1,877,883
Cash-generating unit Raizen Combustiveis	631,383	184,415
Cash-generating unit Docelar	10,294	-
Cash-generating unit Rumo	63,812	63,814
Cash-generating unit Cosan outros negócios	<u>571,970</u>	<u>571,109</u>
Total goodwill	<u>2,858,129</u>	<u>2,697,221</u>

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December 31, 2011

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16. Loans and long term debt

Description	Financial charges (1)		12.31.2011	03.31.2011	Maturity date
	Index	Avarega Annual interest rate			
Senior Notes due 2014	Dollar (USD)	9.5%	339,960	576,814	july/14
Senior Notes due 2017	Dollar (USD)	7.0%	386,030	658,954	february/17
BNDES	URTJLP	2.71%	670,940	1,308,034	october/25
	Prefixed	4.5%	177,309	242,508	july/20
	UMBND	6.54%	19,708	38,947	july/19
	Dollar (USD)	6.89%	16	-	november/12
Bank Credit Notes	CDCA	0.55%+CDI	-	31,378	december/11
ACC	Dollar (USD)	1.83%	249,447	228,229	august/12
Perpetual Notes	Dollar (USD)	8.25%	949,721	1,236,209	november/15
Resolution 2471 (PESA)	IGP-M	3.95%	313,112	674,392	april/23
	Prefixed	3.0%	53	114	october/25
Rural Credits	Prefixed	6.75%	20,129	92,352	october/12
Working capital	Dollar (USD) + Libor	2.15%	422,087	-	march/13
	IGP-M	11%	111	-	december/12
	Prefixed	13.71%	5,529	-	march/15
Pre payments	Dollar (US) + Libor	5.37%	374,691	736,472	april/16
Credit Notes	110% CDI	-	332,233	303,719	february/14
	Dollar (USD)	2.35%	175,683	314,105	february/13
	Prefixed	6.25%	-	10,142	october/12
Finame	Prefixed	4.84%	414,312	517,842	july/20
	URTJLP	2.32%	290,917	187,336	january/22
	UMBND	8.39%	23	-	october/12
Others	Diverse	Diverse	243,886	103,028	Diverse
Debt issuance costs			(22,359)	(28,546)	
			<u>5,363,538</u>	<u>7,232,029</u>	
Current			773,647	957,134	
Non-current			4,589,891	6,274,895	

(1) Financial charges as of December 31, 2011, except as indicated otherwise;

All loans and long-term debt are guaranteed by promissory notes and endorsements of the Company and its jointly-controlled subsidiaries and controlling shareholders, besides other guarantees, such as: i) Credit rights originated from energy contracts (BNDES); ii) CTN and land mortgages; and iii) underlying assets being financed (Finame).

Long-term debt has the following scheduled maturities:

	12.31.2011	03.31.2011
13 to 24 months	800,661	745,454
25 to 36 months	1,053,845	762,649
37 to 48 months	1,203,158	1,010,797
49 to 60 months	259,409	777,963
61 to 72 months	547,437	878,092
73 to 84 months	281,807	222,289
85 to 96 months	215,578	453,711
Thereafter	227,996	1,423,940
	<u>4,589,891</u>	<u>6,274,895</u>

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16. Loans and long term debt – (Cont)

PESA – Resolution 2471

From 1998 to 2000, the Company and currently the jointly-controlled Raízen Energia renegotiated their debts related to financing for agricultural costs with several financial institutions, reducing it to annual interest rates below 10%, ensuring the repayment of debt's principal with assignment and transfer of Treasury Certificates, redeemable at the debt clearing, using the incentives promoted by Central Bank resolution No. 2471 of February 26, 1998. That debt is self-cleared by CTN, as mentioned in explanatory note 5.

Senior Notes due on 2014

On August 4, 2009, the indirect subsidiary CCL Finance Limited issued Senior Notes in the international market in accordance with "Regulation S" and "Rule 144A" in the amount of US\$350 million, which are subject to interest of 9.5% per year payable semiannually in February and August each year, beginning in February 2010.

Senior Notes due on 2017

On January 26, 2007, the wholly-owned indirect controlled Cosan Finance Limited issued Senior Notes in the international market in accordance with the "Regulation S" and "Rule 144A" in the amount of US\$ 400 million, which are subject to interest at 7% per annum, payable semiannually in February and August of each year.

BNDES

Refers to the financing of cogeneration projects, greenfields (sugar and ethanol mills) and expansion of the logistics segment.

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16. Loans and long term debt (cont)

Perpetual Notes

On January 24 and February 10, 2006, the Company issued Perpetual Notes in the international market in accordance with "Regulation S" and "Rule 144A" in the amount of US\$450 million for qualified institutional investors. The Perpetual Notes were repurchased on May 2011 as part of the financial restructuring for the formation of the joint venture. In order to repurchase these notes, working capital was raised.

On November 5, 2010, the subsidiary Cosan Overseas Limited issue Perpetual Notes in the international market, in accordance with "Regulation S" in the amount of US\$300 thousand, which are subject to interest at 8.25% per year, payable quarterly. On July 2011, complementary Perpetual Notes of US\$ 200 millions were issued, which are subject to the same conditions of the previous operation.

Export Prepayment

Between 2009 and 2011, the Company and its jointly-controlled Raízen Energia signed export prepayment with several institutions. These export prepayment will be for funding of future sugar exports which will be settled between 2013 and 2016.

Working Capital

On May 16, 2011, a bank debt of US\$ 450 million was issued in favour of the jointly-controlled subsidiary Raízen Energia in order to replace (and repay) the perpetual notes issued in 2006. This bank debt matures in two years, its interest is payable quarterly and is subject to Libor + interest of 2.15% per annum.

Advances on Foreign Exchange Contracts ("ACC") and Credit Notes

ACC contracts and credit notes have been signed with several financial institutions and will be cleared through exports made from 2011 and 2014. These transactions are subject to interest payable semiannually and on maturity.

Finame

Finame borrowings are financing related to financing of machinery and equipment. These loans are subject to interest payable monthly and are secured by underlying financed assets.

Cosan Limited

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16. Loans and long term debt (cont)

Covenants

The Company, its subsidiaries and jointly-controlled subsidiaries are annually (March 31) subject to certain restrictive financial covenants set forth in existing loans and financing agreements based on certain financial indicators, which are monthly assessed by management. For the quarter ended December 31, 2011, the Company, its subsidiaries and jointly-controlled subsidiaries were in compliance with tis debt covenants

17. Taxes payable

A Cosan Limited foi constituída em Bermudas e possui isenção fiscal os impostos abaixo se referem à Cosan S.A. e suas subsidiárias.

Description	12.31.2011	03.31.2011
ICMS	30,894	72,265
IPI	3,778	30,661
INSS	12,407	25,309
PIS	5,186	7,229
COFINS	47,586	33,721
Recovery program – Refis IV (a)	1,288,265	670,645
Others	79,080	44,525
	<u>1,467,196</u>	<u>884,355</u>
Current	282,433	245,284
Non-current	1,184,763	639,071

- a) On July 2011 the subsidiary Cosan Lubrificantes e Especialides S.A., successor entity of Esso Brasileira de Petróleo Ltda. (“Essobrás”), consolidated the current tax liabilities included the special program of federal tax recovery (“Refis IV”) in the amount of 537,703, as determined by ExxonMobil Brasil Holdings BV., former owner of Essobrás and contractually responsible for these liabilities. As a result, the Company recognized an obligation and a corresponding accounts receivable of ExxonMobil Brasil Holdings BV in the same amount, under the caption “other credits”, of which R\$40,080 in the short term and the remaining balance in the long term..

Maturities of long-term taxes payable are as follows:

	Consolidated	
	12.31.2011	03.31.2011
13 to 24 months	100,330	67,848
25 to 36 months	98,373	61,205
37 to 48 months	98,085	60,396
49 to 60 months	97,568	60,008
61 to 72 months	97,182	52,243
73 to 84 months	96,039	46,707
85 to 96 months	95,923	45,799
Thereafter	501,263	244,865
	<u>1.184.763</u>	<u>639.071</u>

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18. Income taxes and social contribution

a) Reconciliation of income and social contribution tax expenses:

	04.01.11 to 12.31.11	04.01.10 to 12.31.10
Income before income tax and social contribution	3,147,299	461,115
Income tax and social contribution at nominal rate (34%)	(1,070,081)	(156,779)
Adjustments made for determining the effective rate:		
Equity pick-up	217	6,718
Valuation allowance	31,334	-
Doações e subvenções	-	(8,050)
Income not taxable of foreign subsidiary	(152,636)	-
Variação cambial sobre investimentos no exterior	101,004	(20,884)
Others	(10,089)	(524)
Total of deferred and current income taxes and social contributions	<u>(1,100,251)</u>	<u>(179,519)</u>
	<u>34,96%</u>	<u>38,93%</u>

b) Deferred income and social contribution tax assets and liabilities:

	12.31.2011				03.31.2011
	Base	IRPJ 25%	CSLL 9%	Total	
Assets					
Tax losses:					
Tax losses	1,960,006	490,002	-	490,002	273,555
Negative social contribution	1,957,940	-	176,215	176,215	99,609
Temporary differences:					
Provision for judicial demands and other temporary differences	1,299,982	324,996	116,998	441,994	342,169
		<u>814,998</u>	<u>293,213</u>	<u>1,108,211</u>	<u>715,333</u>
Liabilities					
Temporary differences:					
Exchange variation	(117,402)	(29,351)	(10,566)	(39,917)	(274,189)
Depreciation	(45,907)	(11,477)	-	(11,477)	(4,596)
Goodwill	(546,553)	(136,638)	(49,190)	(185,828)	(252,323)
Other provisions and other temporary differences:					
Business Combinations					
Property, Plant and equipment	(3,067,767)	(766,942)	(276,099)	(1,043,041)	(344,686)
Intangible assets	(1,183,198)	(295,800)	(106,487)	(402,287)	(381,558)
Other net assets	42,895	10,724	3,860	14,584	99,331
Gain of formation of Joint Venture	(3,296,959)	(824,240)	(296,726)	(1,120,966)	-
Deemed cost	(366,151)	(91,538)	(32,953)	(124,491)	(124,490)
Others	(597,236)	(149,309)	(53,751)	(203,060)	(228,454)
		<u>(2,294,571)</u>	<u>(821,912)</u>	<u>(3,116,483)</u>	<u>(1,510,965)</u>
Total deferred taxes, net		<u>(1,479,573)</u>	<u>(528,699)</u>	<u>(2,008,272)</u>	<u>(795,632)</u>

Cosan Limited

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18. Income taxes and social contribution - Cont

The assets of deferred income taxes should be realized within 10 years, according to the future profitability of the Company, its subsidiaries and joint-controlled entities.

Income tax losses carryforward and social contribution tax losses may be offset against a maximum of 30% of annual taxable income earned, with no statutory limitation period. Income tax losses carryforward and social contribution tax losses do not expire.

19. Provision for judicial demands

Description	12.31.2011	03.31.2011
Tax	600,330	418,744
Civil	177,634	82,599
Labor	248,688	164,939
	<u>1,026,652</u>	<u>666,282</u>

Changes in provision for judicial demands:

	Tributária	Cíveis	Trabalhistas	Total
Balance at March 31, 2011	418,744	82,599	164,939	666,282
Additions	44,297	33,967	64,396	142,660
Pagamentos	(3,249)	(7,196)	(6,889)	(17,334)
Write off	(933)	(20,477)	(38,472)	(59,882)
Reclassification	-	(11,678)	28,558	16,880
Effect of proportional consolidation of Raizen	118,824	91,020	22,768	232,612
Monetary variation	22,647	9,399	13,388	45,434
Balance at December 31, 2011	<u>600,330</u>	<u>177,634</u>	<u>248,688</u>	<u>1,026,652</u>

The existing judicial demands and contingencies until the formation of the joint venture will be under the responsibility of their shareholders (Cosan and Shell). Any disbursement incurred by the jointly-controlled subsidiaries will be subject to refund.

The judicial demands and contingencies which may take place after the date of the formation of the joint ventures will be under the responsibility of the jointly-controlled subsidiaries.

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19. Provision for judicial demands – (Cont)

Judicial demands deemed as probable loss

a) Tax

The major tax legal proceeding as of December 31, 2011 and March 31, 2011 are described as follows:

	<u>12.31.2011</u>	<u>03.31.2011</u>
IPC – 89 (i)	81,717	80,273
Compensation with finsocial (ii)	192,772	183,706
CIDE (iii)	93,842	-
ICMS credits (iv)	69,185	56,880
PIS and COFINS	25,855	-
IPI	15,879	-
IRPJ and CSLL	5,103	-
Others	115,977	97,885
	<u>600,330</u>	<u>418,744</u>

(i) Since 1993, the subsidiary Cosan Lubrificantes e Especialidades (“Cosan CLE”) filed a suit to challenge the balance sheet restatement index (IPC) established by the federal government in 1989, considering the such index did not reflect the actual inflation back then. The use of this index led the Company to supposedly overstate and overpay the income and social contribution taxes. Cosan CLE obtained a favorable preliminary court ruling that allowed it to recalculate the financial position, using indexes that accurately measured the inflation over the period. In doing so the company adjusted the amounts of income and social contribution taxes payable and identified that overpayments for both taxes were offset in subsequent years until 1997. Despite the favorable court rulings, tax authorities issued a notice of infringement to the Company challenging all tax offsets performed in 1993 and some offsets in 1994 and 1997. Due to this contingent scenario involving those compensations, these amounts were recorded as a provision for judicial demands. These amounts have been updated according to the SELIC variation.

(ii) From September to March 1994, the subsidiary Cosan CLE did the compensation of COFINS and other taxes with the FINSOCIAL previous paid from that period, based on a favorable court ruling which were discussed the constitutionality of FINSOCIAL.

Cosan Limited

Notes to quarterly financial information

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19. Provision for judicial demands – (Cont)

Judicial demands deemed as probable loss (cont)

In 1995, Cosan CLE was declared exempt from COFINS levies. Thus, Cosan CLE understood that the compensations done between COFINS and FINSOCIAL did not occur and, in 2003, based on a favorable final court decision to the Company related to FINSOCIAL, the Company concluded that the credits of these taxes compensated with COFINS were once again available to compensate with another taxes. Due to this contingent scenario of this compensation, Cosan CLE maintained all the amount compensated recorded as a provision for judicial demands until the Federal Revenue Service ratify this compensation.

In 2009 the Federal Revenue Service dismissed this aforementioned compensation, under the allegation that Cosan CLE had already utilized these credits to compensate with COFINS in 1994. In view of this understanding, the management decided to challenge the administrative decisions, which is pending judgement at the Taxpayers' Council. The amount of the provision for judicial demands recorded has been updated according to the SELIC variation.

(iii) The jointly-controlled subsidiary Raízen Combustíveis, while named Shell Brasil Limitada, made provisions of CIDE over services provided by operations not contributed in the process of formation of joint ventures. If the jointly-controlled subsidiary is not successful in the litigation, the shareholder Shell will reimburse the jointly-controlled subsidiary. The reimbursement which the jointly-controlled subsidiary Raízen Combustíveis is entitled to receive from Shell Group is recorded as a accounts receivable in related parties.

(iv) The amount accrued related to ICMS credits is represented by: (a) notices of violations received, despite the fact that we are defending our position in an administrative or judicial shere, our legal advisors believe that the chance of loss are probable; (b) use of credit and financial charges on issues whose understanding of the management of the Company and their tax advisors differs from the interpretations of the tax authorities.

b) Civil and labour

The Company, its subsidiaries and jointly-controlled subsidiaries are parties to a number of civil claims related to (i) indemnity for physical and moral damages; (ii) public civil claims related to sugarcane stubble burning; and (iii) environmental matters.

Cosan Limited

Notes to quarterly financial information

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19 Provision for judicial demands – (Cont)

Judicial demands deemed as probable loss (cont)

The Company, its subsidiaries and jointly-controlled subsidiaries are also parties to a number of labor claims filed by former employees and service providers challenging, among other factors, the payment of additional hours, night shift premium and risk premium, employment inclusion, reimbursement of discounts from payroll, such as social contribution, trade union charges, among others.

a) Tax claims

The main tax claims for which the unfavorable outcome is deemed possible and, therefore, no provision for legal claims was recorded, are as follows:

	<u>12.31.2011</u>	<u>03.31.2011</u>
Tax assessment - Withholding income taxes (i)	203,589	194,498
ICMS - State VAT (ii)	1,373,853	490,896
IRPJ / CSSL	185,616	-
ICMS Tax Replacement (ii)	51,357	-
IPI - Federal VAT (iii)	338,249	270,817
Compensation with IPI – IN 67/98 (iv)	188,189	181,292
Contribution to IAA - sugar & ethanol institute	2,626	-
INSS - Social security contribution (v)	70,451	72,616
PIS and Cofins (vi)	528,914	163,129
Others	354,598	197,884
	<u>3,297,442</u>	<u>1,571,132</u>

(i) Tax assessment – withholding income tax

In September 2006 the Federal Revenue Service served another notice of infringement on the Company, this time for failure to withhold and pay income tax at source on capital gains derived from the acquisition of a subsidiary. This tax assessment originated administrative demand, which loss probability is considered possible in the opinion of legal advisors of the Company and, therefore, no provision for legal claims was recorded.

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19 Provision for judicial demands – (Cont)

Refers mainly to (i) Tax Assessment filed in view of the alleged lack of payment of ICMS and non-compliance with accessory obligation, in connection with the partnership and manufacturing upon demand, with Central Paulista Açúcar e Alcool Ltda., between May to December 2006 and May to December 2007; and (ii) ICMS levied on the remittances of crystallized sugar for export purposes. In accordance with the tax agent, such product is classified as semi-finished product and that, in accordance with the ICMS regulation, would be subject to taxation, (iii) ICMS levied on possible differences in terms of sugar and alcohol inventories, arising from magnetic tax files and Inventory Registry Books and (iv) ICMS concerning rate difference due to ethanol sales to companies located in other states, which, subsequently, had their registrations revoked and (v) disallowance of credit resulting from the acquisition of diesel used in the production process.

(iii) IPI – Federal VAT

SRF Normative Instruction n° 67/98 approved the procedure adopted by the industrial establishments which performed remittances without registries and payment of the IPI rate, in regard to transfers of sugarcane carried out between July 6, 1995 and November 16, 1997 and refined sugar between January 14, 1992 and November 16, 1997. Such rule was considered in proceedings filed by the Federal Revenue Secretariat against the Company, the unfavorable outcome of which is deemed as possible, in accordance with the opinion of the Company's legal advisors.

(iv) Offsets against IPI credits – IN 67/98

SRF Normative Instruction No. 67/98 made it possible to obtain refund of IPI tax payments for sales of refined sugar from January 14, 1992 through November 16, 1997. In view of this rule, the Company applied for offsetting amounts paid during the relevant periods against other tax liabilities. However, the Federal Revenue Service denied its application for both reimbursement and offsetting of such amounts. The Company challenged this ruling in an administrative proceeding.

Upon being notified to pay tax debts resulting from offset transactions in light of certain changes introduced by IN SRF No. 210/02, the Company filed a writ of mandamus and applied for a preliminary injunction seeking to stay enforceability of offset taxes, in an attempt to prevent the tax authorities from demanding the relevant tax debts in court. The preliminary injunction was granted by court. A liminar foi deferida pelo juízo competente. The legal advisor of the Company, who sponsor this demand, considered the loss probability of this demand as possible.

Cosan Limited

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19. Provision for judicial demands – (Cont)

(v) INSS - Social Security Contribution

Refers mainly to tax assessment received and defended by the legal counsel, concerning social security contribution on: (i) stock option plan and (ii) export sales and (iii) resale of materials for companies under common control and suppliers.

(vi) PIS e COFINS

Refers mainly to the reversal of PIS and COFINS credits, provided by Laws 10.637/2002 and 10.833/2003, respectively. Those reversals arise from a differing interpretation of the laws by the Internal Revenue Service in regard to raw materials. Such discussions are still at the administrative level.

The compensated and updated amount until December 31, 2011 is R\$184,439 (R\$182,624 as of March 31, 2011). In addition, the Company has the same litigation with the Internal Revenue Service, which the compensated and updated amount totaled R\$12,479 until December 31, 2011 (R\$12,360 as of March 31, 2011). This demand is supported by the legal advisors and the Company considers that there is no need to accrue any provision for this aforementioned demand.

During December 2011, the Company received a tax assessment notice amounting R\$ 400,318, filed by the Federal Authorities in Brazil related to income tax and social contribution related to calendar years 2006 to 2009, questioning: (i) the deductibility of amortization of certain goodwills (ii) compensation of tax losses and social contribution and (iii) differences income taxes due to certain properties revaluation. The Administration presented its legal defense in January 2012 and, together with its legal counsels, are evaluating the probability of success in its legal defense.

b) Civil and labor

The main civil and labor claims for which the unfavorable outcome is deemed possible and, therefore, no provision for legal claims was recorded, are as follows::

	<u>12.31.2011</u>	<u>03.31.2011</u>
Civil	795,351	377,608
Labour	1,093,762	302,289
	<u>1,889,113</u>	<u>679,897</u>

Cosan Limited

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19 Provision for judicial demands – (Cont)

Paulínia Civil Action

The Labor public prosecution office of the 15th Region (Campinas) and two non-governmental organizations filed a public civil action (ACP) against Shell Brazil Ltda ("Shell Brazil") today the jointly controlled subsidiary Raizen Combustíveis, in March 2007. The applications are based on, at the preliminary injunction, (i) lifelong health care for all former employees of the Paulínia plant and their families and as a definite application, (i) confirmation of the application, in case it has not been granted as writ of prevention (ii) collective moral damages worth of R\$622,200 and (iii) failure to explore economic activity in that region due to environmental degradation caused by chemical contamination of soil and water. The parties attempted to negotiate an agreement between 2007 and 2009 and during this period the lawsuit was suspended.

Judicial demands deemed as probable loss (cont)

On August 19, 2010, the ruling was published, which granted the former employees of the claim, Shell, the payment of R\$20 per year of service or fraction greater than six months, as individual moral damages, plus a consistent compensation for material damages for the cost of medical treatment to each former employee and their dependents, and also R\$ 64.5 to each former employee and each dependent as a compulsory substitute indemnification of affirmative covenant, which refers to the period between the filing of action until September 30, 2010, as well as collective moral damages, which was be revised from R\$ 622,200 to R\$762,000.

Finally, the judge ruled that the total amount the cause was R\$1,100,000. In August, Shell Brazil filed an ordinary appeal.

On April 8, 2011 the decision of the Regional Labor Court - TRT was published, which did not grant the ordinary appeals lodged by Shell and BASF and fully maintained the convictions set as published on August 19, 2010. The two companies requested further clarification on the decision in order to submit applicable appeals to the Superior Labor Court - TST."

The Shell Group believes that, on a possible ultimate conviction, the amount set by the decision will be significantly lower than those decided by the TST.

It is import to mention that, according to a agreement entered into at the establishment of the joint venture, any convictions in litigation arising from events prior to the establishment of the joint venture, are the sole responsibility of the jointly controlling shareholders, in this case, the Shell Group.

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20. Equity

a) Common stock

As of December 31, 2011 Cosan Limited's share capital consists of:

<u>Shareholder</u>	<u>Class A shares and/or BDRs</u>	<u>%</u>	<u>Class B shares</u>	<u>%</u>
Queluz Holding Limited	7,941,111	4.55	66,321,766	68.85
Usina Costa Pinto S.A. Açúcar e Alcool	-	-	30,010,278	31.15
Gávea Funds	39,445,393	22.62	-	-
Others	126.968.837	72.83	-	-
Total	174,355,341	100.00	96,332,044	100.00

Class B1 shares are entitle their holders to 10 votes per share and Class A shares entitle holders to 1 vote per share.

b) Repurchase of shares

On September 16, 2011, the Board of Directors approved a stock repurchase plan for the purpose of maintenance in treasury, cancellation or disposal. The repurchase of shares is due to 365 days and the maximum amount of repurchase is US\$100 million.

During the quarter ended December 31, 2011, the Company acquired 5,076,002 shares for R\$ 104,815 including expenses. The average unit stock value acquired during the period was R\$ 20.57, which the maximum and minimum value was R\$ 22.40 and R\$ 17.58, respectively.

As of December 31, 2011, the Company has 5,306,502 treasury shares, which market value, that date, was R\$ 20.56.

c) Earnings per share

Earnings per share are computed by dividing net income by the weighted average number of common shares outstanding during the year.

Cosan Limited does not present any dilutive potential shares outstanding, therefore the table below presents the calculation of basic and diluted earnings per share to period ended December 21, 2011 and March 31, 2011:

	<u>12.31.2011</u>	<u>12.31.2010</u>
Numerator:		
Net income – attributable to Cosan	1,078,540	171,812
Denominator:		
Weighted average shares outstanding	270,687,385	270,687,385
Basic and diluted earnings per share	R\$ 3.98	R\$ 0,63

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21. Result of the formation of Joint Ventures (Raízen Energia e Raízen Combustíveis)

As mentioned in note 1, on July 1st, 2011, the Company concluded, together with Royal Dutch Shell ("Shell"), the formation of two joint ventures: (1) Raízen Combustíveis, in the fuel distribution segment, and (ii) Raízen Energia, in the sugar and ethanol segment. The Company and Shell share the control of the two entities, each one has 50% of the economic control.

The formation of Raízen Energia and Raízen Combustíveis has the objective to create one of the world's largest producers of sugar, ethanol and bioenergy produced through sugarcane and one of the largest fuel distributors in the Brazilian market.

Due to the formation of Raízen Energia and Raízen Combustíveis, the Company contributed its sugar and ethanol businesses, disconsolidating the related assets and liabilities and recording the remaining interest at fair value.

The process of disconsolidating do the contributed business, on June 1st, 2011, and the recognition of the new interest at fair value produced a gain of R\$3,296,959 recorded during the period and shown below:

Fair value of the remaining interest in the joint ventures (a)	8,059,870
Book value of the contributed businesses (assets and liabilities)	(4,207,173)
Gain on the formation of joint ventures	3,852,697
Other effects:	
Write-off of recoverable taxes not realizable (b)	(83,465)
Write-off of goodwill not contributed	(637,535)
Write-off of other comprehensive income related to hedge accounting	(98,858)
Accrual of provisions according to the joint venture's contract	(80,000)
Other expenses and write-off incurred during the formation of joint ventures	<u>(99,782)</u>
Net result on the formation of joint ventures	2,853,057

(a) According to the appraisal report prepared by independent appraisers.

(b) Recoverable taxes registered by the Parent Compan, considered not realizable, and which, if received will be reimbursed to Raízen Energia.

Considering that Cosan chose to consolidade proportionally the joint ventures, the fair value of the remaining interest was allocated to the 50% proportion of the fair value of the assets and liabilities of these entities with the purpose to determine the goodwill of the transaction, as show below:

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22. Result of the formation of Joint Ventures (Raízen Energia e Raízen Combustíveis) – (Cont.)

	Raízen Energia	Raízen Combustíveis	Total
Fair value of assets and liabilities (a):			
Cash and cash equivalents	391,663	51,636	443,299
Restricted cash	28,449	-	28,449
Accounts receivable	397,748	1,104,447	1,502,195
Derivatives	114,204	-	114,204
Inventories	750,611	864,227	1,614,838
Payment of capital receivable	1,853,969	-	1,853,969
Other assets	3,262,974	2,481,382	5,744,356
Investments	133,186	-	133,186
Biological assets	1,607,170	-	1,607,170
Property, plant and equipment	9,354,332	2,900,404	12,254,736
Intangible assets	183,588	1,740,215	1,923,803
Loans and financing	(5,579,217)	(929,471)	(6,508,688)
Suppliers	(488,209)	(452,384)	(940,593)
Taxes payable	(889,575)	(10,384)	(899,959)
Other liabilities	(3,614,147)	(3,390,876)	(7,005,023)
Non controlling interests	(133,569)	(35,527)	(169,096)
Net assets at fair value (a):	7,373,177	4,323,669	11,696,846
Cosan's interest - 50%	3,686,589	2,161,835	5,848,424
Goodwill allocated (a)	1,580,670	631,383	2,212,053
Fair value of the remaining interest in the joint ventures	5,267,258	2,793,218	8,060,477

(a) Preliminary values.

The preliminary goodwill of the transaction (R\$2,212,053) was allocated to the segments Raízen Energia and Raízen Combustíveis in the proportion of net assets at fair value of each of these investments.

(*) The result from the formation of Raizen occurred only and exclusively due to the adoption of the new accounting rules from IFRS/ CPCs. Therefore, the net effect arising from the revaluation of the contributed net assets to the JV is not been considered as taxable until they are effectively realized.

22. Gross sales

	Consolidated			
	Oct 1 to Dec, 31 2011	April 1 to Dec 31, 2011	Oct 1 to Dec, 31 2010	April 1 to Dec 31, 2010
Gross revenue from Sales of products and services	6,819,563	19,718,413	5,192,925	14,762,052
Indirect taxes and deductions	(508,881)	(1,415,468)	(454,492)	(1,307,910)
Net revenue	6,310,682	18,302,945	4,738,433	13,454,142

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23. Financial results, net

	10.01.11 to 12.31.11	04.01.11 to 12.31.11	10.01.10 to 12.31.10	04.01.10 to 12.31.10
Financial expenses				
Interest	(119,447)	(503,075)	(149,385)	(433,865)
Monetary variation	(3,711)	(15,076)	(25,756)	(58,641)
Bank charges	(3,378)	(8,239)	-	-
Others	-	-	(2,298)	(4,843)
	(126,536)	(526,390)	(177,439)	(497,349)
Financial income	-	-	-	-
Interest	22,089	143,710	15,253	54,254
Monetary variation	5,319	3,864	8,073	23,421
Investment income	28,070	101,647	22,641	59,776
Others	78	770	103	929
	55,556	249,991	46,070	138,380
Foreign exchange variation, net	7,291	(179,487)	59,324	214,843
Gain/Loss of foreign Exchange variation	7,291	(179,487)	59,324	214,843
Derivatives, net	-	-	-	-
Commodities	6,093	22,263	(31,769)	(35,568)
Commodities - Hedge Accounting	822	14,246	14,777	41,430
	6,915	36,509	(16,992)	5,862
Subscription Bonuses Radar	(13,729)	(34,102)	-	-
Others	(136)	(134)	-	-
	(70,639)	(453,613)	(89,037)	(138,264)

(1) Include gain (losses) of foreign exchange rate over assets and liabilities denominated in foreign currency; and

(2) Include realized results and unrealized results on operations in future market, options, swaps and NDFs, in addition to effects from non-designated instruments and from the ineffective portion of hedge accounting.

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24. Financial instruments

Financial risk management

a) Overview

The Company, its subsidiaries and jointly-controlled subsidiaries are exposed to the following risk related to the use of financial instruments:

- price risk
- foreign exchange rates
- interest rates
- credit risk
- liquidity risk

This note presents information about the Company, its subsidiaries and jointly-controlled subsidiaries exposure for which risk above, the object of the Company's risk management policies, the polices and processes for measurement, risk management and capital management.

b) Risk exposure

The Company, its subsidiaries and jointly-controlled subsidiaries are exposed to market risks. The main market risks are: (i) volatility of sugar and ethanol prices and, (ii) volatility of foreign exchange rates. Management analyzes these risks and uses financial instruments to hedge a portion of the risk exposure.

On December 31, 2011 and March 31, 2011, fair values related to transactions involving derivative financial instruments with the purpose of hedge or other purposes were measured at market value (fair value) by observables factors such as quoted prices in active markets or discounted cash flows based on market curves and are presented below:

Cosan Limited

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(in thousands of Reais, unless otherwise stated)

24. Financial instruments – (Cont.)

	Notional		Fair Value		Result (*)
	December 31 2011	March 31 2011	December 31 2011	March 31 2011	
Raizen Energia					
Price risk					
Commodity Derivatives					
Futures Contracts	863,269	-	94,089	-	53,450
Options	9,378	-	2,834	-	(10,983)
			96,924	-	42,467
Exchange rate risk					
Exchange rate derivatives					
Futures Contracts	704,069	-	3,563	-	17,246
Forward contract:	349,765	-	(12,001)	-	6,926
Exchange lock	256,381	-	(9,194)	-	(20,605)
			(17,632)	-	3,567
Total Raizen Energia			79,292	-	46,034
Consolidated Cosan (50% Raizen Energia)			39,646	-	23,017
Derivatives of the Parent Company and subsidiaries					
Price risk					
Commodity Derivatives					
Futures Contracts		1,308,033	-	(68,906)	-
Options:		10,364	-	(17,484)	-
			-	(86,390)	-
Exchange rate risk					
Exchange rate derivatives					
Futures Contracts		(114,204)	-	(117)	-
Exchange lock	(18,561)		(355)	-	(355)
Forward contract:	(343,453)	694,599	4,641	9,900	5,952
			4,286	9,783	5,597
Total Cosan (Including 50% Raizen Energia)			43,932	76,707	28,614
Total Assets			59,586	55,682	
Total Liabilities			(15,654)	(132,289)	

(*) Results incurred during the nine-month period ended December 31, 2011, only for the outstanding derivatives on that date.

c) Price risk

This arises from the potential for fluctuations in the market prices of products sold by the Company, mainly raw material sugar - VHP (sugar #11) and white sugar (LIFFE sugar #5). These fluctuations in prices can cause substantial changes in the revenues of the Company. To mitigate these risks, the Company constantly monitors the markets, seeking to anticipate changes in prices. The positions of the consolidated derivative financial instruments to hedge the price risk of commodities are shown in the table below:

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(in thousands of Reais, unless otherwise stated)

24. Financial instruments – (Cont.)

Price risk: Outstanding commodities derivatives on December 31, 2011											
Derivatives	Long / Short	Market	Agreement	Maturity	Number of contracts	Strike	Average Price	Fair value	Ncional	Ncional	Fair value
Derivatives financial instruments contracted by Raizen Energia											
Future	Short	NYBOT	Sugar#11	01/Mar/12	7,101	-	¢/lb 25.92	¢/lb 23.30	360,748 T	17,264	39,116
Future	Short	NYBOT	Sugar#11	01/Mai/12	1,025	-	¢/lb 26.42	¢/lb 22.95	52,072 T	56,896	7,475
Future	Short	NYBOT	Sugar#11	01/Jul/12	6,663	-	¢/lb 24.84	¢/lb 22.56	338,496 T	347,741	31,940
Future	Short	NYBOT	Sugar#11	01/Out/12	8,671	-	¢/lb 24.16	¢/lb 22.83	440,508 T	440,198	24,307
Future	Short	NYBOT	Sugar#11	01/Jul/13	4	-	¢/lb 23.39	¢/lb 22.94	203 T	197	4
Future	Short	NYBOT	Sugar#5	01/Mar/12	110	-	US\$/T 603.19	US\$/T 602.00	5,500 T	139,396	12
Sub-total of Futures of Sugar Sold									1,197,528 T	1,001,692	102,855
Future	Long	NYBOT	Sugar#11	01/Mar/12	2,225	-	¢/lb 24.97	¢/lb 23.30	(113,035 T)	(116,735)	(7,819)
Future	Long	NYBOT	Sugar#11	01/Mai/12	202	-	¢/lb 24.68	¢/lb 22.95	(10,262 T)	(10,475)	(736)
Future	Long	NYBOT	Sugar#11	01/Jul/12	118	-	¢/lb 23.50	¢/lb 22.56	(5,995 T)	(5,825)	(232)
Future	Long	NYBOT	Sugar#11	01/Out/12	44	-	¢/lb 22.71	¢/lb 22.83	(2,235 T)	(2,100)	11
Future	Long	NYBOT	Sugar#11	01/Mar/13	12	-	¢/lb 22.94	¢/lb 23.36	(610 T)	(578)	11
Future	Long	NYBOT	Sugar#11	01/Jul/13	4	-	¢/lb 22.95	¢/lb 22.94	(203 T)	(193)	(0)
Future	Long	NYBOT	Sugar#5	01/Mar/12	2	-	US\$/T 599.00	US\$/T 602.00	(100 T)	(2,517)	1
Sub-total of Futures of Sugar Purchased									(132,440 T)	(138,423)	(8,766)
Sub-total of Futures of Sugar									1,065,087 T	863,269	94,089
Call	Long	NYBOT	Sugar#11	01/Jul/12	1,800	¢/lb 31.00	¢/lb 0.7221	¢/lb 0.2100	(91,444 T)	(2,731)	794
Sub-total of Call Purchased									(91,444 T)	(2,731)	794
Call	Short	NYBOT	Sugar#11	01/Mai/12	545	¢/lb 29.00	¢/lb 2.4739	¢/lb 0.2100	27,687 T	2,833	(240)
Call	Short	NYBOT	Sugar#11	01/Jul/12	2,175	¢/lb 31.00	¢/lb 1.4218	¢/lb 0.2100	110,495 T	6,497	(960)
Sub-total of Call Sold									138,183 T	9,330	(1,200)
Put	Long	NYBOT	Sugar#11	01/Mai/12	545	¢/lb 25.00	¢/lb 2.4271	¢/lb 2.8300	27,687 T	2,779	3,240
Sub-total of Put Purchased									27,687 T	2,779	3,240
Sub-total of Options of sugar										9,378	2,834
Total Commodities										872,647	96,924

d) Foreign Exchange risk

This arises from the possibility of fluctuations in the exchange rates of the foreign currencies used by the Company, its subsidiaries and jointly-controlled subsidiaries for the export revenues of products, imports, debt cash flow and other assets and liabilities denominated in a foreign currency. The Company, its subsidiaries and jointly-controlled subsidiaries use derivative transactions to manage the risks of cash flow coming from the export revenues denominated in U.S. dollars, net of other cash flows denominated in foreign currency. The table below demonstrates the consolidated positions outstanding on December 31, 2011 of derivatives used to hedge exchange rates:

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24. Financial instruments – (Cont.)

Exchange risk: Outstanding derivatives on December 31, 2011											
Derivatives	Long / Short	Market	Agreement	Maturity	Number of contracts	Strike	Average Price	Fair value	Notional	Notional	Fair value
Derivatives financial instruments contracted by Raizen Energia											
Future	Short	BMFBovespa	Commercial Dollar	01/02/12	11,220	-	R\$ 1.849 /US\$	R\$ 1.876 /US\$	USD 561,000	1,037,224	110
Future	Short	BMFBovespa	Commercial Dollar	02/01/12	8,425	-	R\$ 1.877 /US\$	R\$ 1.880 /US\$	USD 421,250	790,644	3,520
Future	Short	BMFBovespa	Commercial Dollar	02/01/12	115	-	R\$ 1.894 /US\$	R\$ 1.880 /US\$	USD 5,750	10,891	81
Sub-total of Futures Sold									USD 988,000	1,838,760	3,710
Future	Long	BMFBovespa	Commercial Dollar	01/02/12	12,150	-	R\$ 1.857 /US\$	R\$ 1.876 /US\$	USD (607,500)	(1,128,097)	(119)
Future	Long	BMFBovespa	Commercial Dollar	01/02/12	70	-	R\$ 1.884 /US\$	R\$ 1.876 /US\$	USD (3,500)	(6,594)	(29)
Sub-total of Futures Purchased									USD (611,000)	(1,134,691)	(148)
Term	Short	OTC/Cetip	NDF	01/02/12	1	-	R\$ 1.822 /US\$	R\$ 1.876 /US\$	USD 50,000	91,075	(2,714)
Term	Short	OTC/Cetip	NDF	04/02/12	1	-	R\$ 1.835 /US\$	R\$ 1.902 /US\$	USD 141,000	258,690	(9,287)
Sub-total of Terms Sold									USD 191,000	349,765	(12,001)
Exchange lock	Short	OTC	Exchange lock	07/02/12	1	-	R\$ 1.927 /US\$	R\$ 1.933 /US\$	USD 50,000	96,358	(944)
Exchange lock	Short	OTC	Exchange lock	09/06/12	1	-	R\$ 1.802 /US\$	R\$ 1.958 /US\$	USD 20,000	36,044	(3,256)
Exchange lock	Short	OTC	Exchange lock	09/13/12	1	-	R\$ 1.860 /US\$	R\$ 1.960 /US\$	USD 40,250	74,881	(4,509)
Exchange lock	Short	OTC	Exchange lock	09/24/12	1	-	R\$ 1.964 /US\$	R\$ 1.963 /US\$	USD 25,000	49,098	(486)
Total of exchange										256,381	(9,194)
										1,310,215	(17,632)
Exchange risk: Outstanding derivatives on December 31, 2011											
Derivatives	Long / Short	Market	Agreement	Maturity	Number of contracts	Strike	Average Price	Fair value	Notional	Notional	Fair value
Financial instruments contracted by the company and subsidiaries (except the joint ventures)											
Exchange lock	Long	OTC	Exchange lock		1	R\$ 1.878 /US\$		R\$ 1.894 /US\$	USD 5,000	9,389	(60)
Exchange lock	Long	OTC	Exchange lock		1	R\$ 1.834 /US\$		R\$ 1.894 /US\$	USD 5,000	9,171	(295)
										18,560	(355)

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24. Financial instruments – (Cont.)

Exchange risk: Outstanding derivatives on December 31, 2011											
Derivatives	Long / Short	Market	Agreement	Maturity	Number of contracts	Strike	Average Price	Fair value	Notional	Notional	Fair value
Financial instruments contracted by the company and subsidiaries (except the joint ventures)									-	(R\$ mil)	(R\$ mil)
<i>Composition of derivatives financial instruments not designated in hedge accounting</i>											
Term	Long	OTC	NDF	02/03/12	1		R\$ 1.857 /US\$	R\$ 1.883 /US\$	6,188	11,489	(158)
Term	Long	OTC	NDF	05/04/12	1		R\$ 1.894 /US\$	R\$ 1.916 /US\$	6,188	11,722	(133)
Term	Long	OTC	NDF	08/03/12	1		R\$ 1.936 /US\$	R\$ 1.947 /US\$	6,188	11,978	(69)
Term	Long	OTC	NDF	11/01/12	1		R\$ 1.978 /US\$	R\$ 1.978 /US\$	6,188	12,239	3
Term	Long	OTC	NDF	02/04/13	1		R\$ 2.021 /US\$	R\$ 2.003 /US\$	6,188	12,504	100
Term	Long	OTC	NDF	05/03/13	1		R\$ 2.059 /US\$	R\$ 2.014 /US\$	6,188	12,739	254
Term	Long	OTC	NDF	08/02/13	1		R\$ 2.101 /US\$	R\$ 2.025 /US\$	6,188	12,997	423
Term	Long	OTC	NDF	11/04/13	1		R\$ 2.142 /US\$	R\$ 2.037 /US\$	6,188	13,256	589
Term	Long	OTC	NDF	02/04/14	1		R\$ 2.185 /US\$	R\$ 2.048 /US\$	6,188	13,521	759
Term	Long	OTC	NDF	05/02/14	1		R\$ 2.221 /US\$	R\$ 2.059 /US\$	6,188	13,743	892
Term	Long	OTC	NDF	08/04/14	1		R\$ 2.263 /US\$	R\$ 2.071 /US\$	6,188	14,002	1,051
Term	Long	OTC	NDF	11/04/14	1		R\$ 2.305 /US\$	R\$ 2.082 /US\$	6,188	14,261	1,209
Term	Long	OTC	NDF	02/04/15	1		R\$ 2.343 /US\$	R\$ 2.093 /US\$	6,188	14,497	1,344
Term	Long	OTC	NDF	05/04/15	1		R\$ 2.380 /US\$	R\$ 2.104 /US\$	6,188	14,726	1,474
Term	Long	OTC	NDF	08/04/15	1		R\$ 2.425 /US\$	R\$ 2.116 /US\$	6,188	15,003	1,640
Term	Long	OTC	NDF	11/04/15	1		R\$ 2.465 /US\$	R\$ 2.127 /US\$	6,188	15,254	1,781
Term	Long	OTC	NDF	02/03/12	1		R\$ 1.652 /US\$	R\$ 1.883 /US\$	4,197	6,935	(958)
Term	Long	OTC	NDF	05/04/12	1		R\$ 1.679 /US\$	R\$ 1.916 /US\$	4,197	7,047	(969)
Term	Long	OTC	NDF	08/03/12	1		R\$ 1.725 /US\$	R\$ 1.947 /US\$	4,197	7,239	(892)
Term	Long	OTC	NDF	11/01/12	1		R\$ 1.761 /US\$	R\$ 1.978 /US\$	4,197	7,390	(852)
Term	Long	OTC	NDF	02/04/13	1		R\$ 1.798 /US\$	R\$ 2.003 /US\$	4,197	7,546	(797)
Term	Long	OTC	NDF	05/03/13	1		R\$ 1.834 /US\$	R\$ 2.014 /US\$	4,197	7,696	(695)
Term	Long	OTC	NDF	08/02/13	1		R\$ 1.872 /US\$	R\$ 2.025 /US\$	4,197	7,859	(585)
Term	Long	OTC	NDF	11/04/13	1		R\$ 1.914 /US\$	R\$ 2.037 /US\$	4,197	8,032	(467)
Term	Long	OTC	NDF	02/04/14	1		R\$ 1.951 /US\$	R\$ 2.048 /US\$	4,197	8,190	(365)
Term	Long	OTC	NDF	05/02/14	1		R\$ 1.987 /US\$	R\$ 2.059 /US\$	4,197	8,340	(269)
Term	Long	OTC	NDF	08/04/14	1		R\$ 2.027 /US\$	R\$ 2.071 /US\$	4,197	8,507	(163)
Term	Long	OTC	NDF	11/04/14	1		R\$ 2.065 /US\$	R\$ 2.082 /US\$	4,197	8,666	(63)
Term	Long	OTC	NDF	02/04/15	1		R\$ 2.100 /US\$	R\$ 2.093 /US\$	4,197	8,813	23
Term	Long	OTC	NDF	05/04/15	1		R\$ 2.131 /US\$	R\$ 2.104 /US\$	4,197	8,942	95
Term	Long	OTC	NDF	08/04/15	1		R\$ 2.166 /US\$	R\$ 2.116 /US\$	4,197	9,089	180
Term	Long	OTC	NDF	11/04/15	1		R\$ 2.199 /US\$	R\$ 2.127 /US\$	4,197	9,231	258
									343,453	4,641	

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24. Financial instruments – (Cont.)

e) Effects of hedge accounting

The jointly-controlled subsidiary Raízen Energia formally designated its transactions subject to hedge accounting for cash flow hedges from sugar VHP (raw material) export revenue, documenting: (i) the relationship of the hedge, (ii) the Company's purpose for taking the hedge and its risk management strategy, (iii) identification of the financial instrument, (iv) the transaction or item covered, (v) the nature of the risk being hedged, (vi) a description of the hedging relationship (vii) the demonstration of correlation between the hedge and the object of coverage, and (viii) the prospective analysis of hedge effectiveness. The Company has designated derivative financial instruments of Sugar # 11 (NYBOT or OTC) to cover the risk of price and Non-Deliverable Forwards (NDF) to cover exchange rate risk, as demonstrated in topics (b) and (c) of this Note.

The jointly-controlled subsidiary records gains and losses deemed effective for purposes of hedge accounting to a specific account in equity ("other comprehensive income"), until the object of coverage (hedged item) affects the profit and loss. On December 31, 2011, the amounts recorded in other comprehensive income related to hedge accounting are as follows:

Derivative	Market	Risk	Expected period to affect P&L		
			2011/12	2012/13	Total
Future	OTC / NYBOT	#11	(16,967)	41,294	24,327
NDF	OTC / CETIP	USD	(3,405)	(4,547)	(7,952)
			6,926	(12,494)	(5,568)
(-) Deferred income tax					
Effect on the shareholder's equity			(13,446)	24,253	10,808

The movement for the period of the effect of hedge accounting at Cosan S/A on other comprehensive income is shown below:

Balance at March 31, 2011:	(143,298)
Gain/(losses) of cash flow hedges for the period:	
Future contracts and swap commodities contract	32,758
Currency forward contracts	26,014
Reclassification adjustments for losses included in the income statement (Revenue of sales /financial result)	16,734
Effect of the disconsolidation and formation of the Joint Ventures	98,858
Total before tax effect	174,363
Tax effect on gain/(losses) of cash flow hedges for the period – 34%	(59,284)
Hedge accounting effect, net of tax	115,080
Balance at December 31, 2011:	(28,218)

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24. Financial instruments – (Cont.)

f) Interest rate risk

The Company monitors fluctuations of the interest rates related to certain loan contracts, mainly those with Libor interest rate risk, and in the event of increased volatility of such rates, it may engage in transactions with derivatives so as to minimize such risks. At December 31, 2011 and March 31, 2011, the Company has not presented interest rate risk derivatives outstanding.

g) Credit risk

A significant portion of sales made by the subsidiaries and jointly-controlled subsidiaries is to a select group of best-in-class counterparts (i.e. trading companies, fuel distribution companies and large supermarket chains).

Credit risk is managed through specific rules of client acceptance including credit ratings and limits for customer exposure, including the requirement of a letter of credit from major banks and obtaining actual warranties on given credit, when applicable. Management believes that the risk of credit is covered by the allowance for doubtful accounts.

The Company buys and sells commodity derivatives in futures and options markets on the New York Board of Trade (NYBOT) and the London International Financial Futures and Options Exchange (LIFFE), as well as in the over-the-counter (OTC) market with selected counterparties. The Company and its jointly-controlled subsidiaries buy and sell foreign exchange derivatives on BM&FBovespa and OTC contracts registered with CETIP (OTC clearing house) with banks Banco Santander S.A., Espirito Santo Investment do Brasil S.A., Deutsche Bank S.A. – Banco Alemão, Banco JP Morgan S.A. and Banco Standard de Investimentos S.A..

Guarantee margins – The Company's derivative operations on commodity exchanges (NYBOT, LIFFE and BM&FBovespa) require an initial guarantee margin. The brokers with which the Company operates on these commodity exchanges offer credit limits for these margins.

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24. Financial instruments – (Cont.)

h) Liquidity risk

Liquidity risk is the risk that the Company, its subsidiaries and jointly-controlled subsidiaries will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled with cash payments or other financial assets. The approach of the Company's liquidity management is to ensure, as much as possible, which always has sufficient liquidity to meet its obligations to win, under normal and stress, without causing unacceptable losses or risk damaging the reputation of the Company.

i) Debt acceleration risk

As of December 31, 2011, the Company, its subsidiaries and the jointly controlled subsidiaries, were party to loan and financing agreements in force, with restrictive covenants related to cash generation, debt to equity ratio and others. This restrictive clauses are being observed by the Company and do not restrain the capacity of the Company of normal course of its business.

j) Fair value

The fair value of financial assets and liabilities is included in the price at which the instrument could be exchanged in a current transaction between parties willing to negotiate, and not in a forced sale or liquidation. The following methods and assumptions were used to estimate the fair value.

Cash and cash equivalents, accounts receivable, accounts payable and other short-term obligations approximate their respective carrying values due largely to short-term maturity of these instruments.

The fair value of marketable securities and bonds is based on price quotations on the date of the financial statements. The fair value of non-negotiable instruments, bank loans and other debts, obligations under finance leases, as well as other non-current financial liabilities are estimated by the discounted future cash flows using rates currently available for debt or deadlines and similar instruments.

The fair market value of Senior Notes due 2014 and 2017, described in note 16, at its market price are 113.9% and 102.9% respectively, of its face value at December 31, 2011.

The fair market value of Perpetual bonds, described in note 16, at its market price is 95%, respectively, of its face value at December 31, 2011.

In respect of other loans and financing, their fair market values substantially approximate the amounts recorded in the financial statements due to the fact that these financial instruments are subject to variable interest rates.

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24. Financial instruments – (Cont.)

The fair value of financial assets available for sale is obtained through quoted market prices in active markets, if any.

The Company, its subsidiaries and jointly-controlled subsidiaries enter into derivative financial instruments with various counterparties, primarily financial institutions with credit ratings of investment grade. The derivatives valued using valuation techniques with observable market data relate mainly to interest rate swaps, foreign exchange contracts and term contracts for commodities futures. The valuation techniques applied more often include pricing models for fixed-term contracts and swaps, with a present value calculations. The models incorporate various data, including credit quality of counterparties, the rates of currency spot and forward, interest rate curves and forward rate curves of the commodity underlying.

Fair value hierarchy

The Company, its subsidiaries and jointly-controlled subsidiaries have the following hierarchy to determine and disclose the fair value of financial instruments by the technical evaluation:

- Level 1: quoted prices in a active market to identical assets and liabilities;
- Level 2: other techniques for which all data that have significant effect on the fair value recorded are observable, directly or indirectly;
- Level 3: techniques that use data that have significant effect on the fair value recorded that are not based on observable market data.

j) Fair value

Assets and Liabilities measured at fair value	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
December 31, 2011			
<i>Warrants Radar</i>	-	128,860	128,860
Derivative financial assets	54,945	4,641	59,586
Derivative financial liabilities	(5,056)	(10,598)	(15,654)
March 31, 2011			
<i>Warrants Radar</i>	-	162,961	162,961
Derivative financial assets	35,577	20,105	55,682
Derivative financial liabilities	(122,084)	(10,205)	(132,289)

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24. Financial instruments – (Cont.)

k) Sensitivity analysis

In accordance to CVM nº 475 issued on march 17, 2008, following is the sensitivity analysis of the fair value of financial instruments, in accordance with the types of risks deemed to be significant by the Company and its joint-controlled subsidiaries:

Assumptions for sensitivity analysis

For the analysis, the Company, its subsidiaries and jointly-controlled entities adopted three scenarios, being one probable and two that may have effects from impairment of the fair value of the financial instruments. The probable scenario was defined based on the futures sugar and US dollar market curves as of December 31, 2011, the same which determines the fair value of the derivatives at that date. Possible and remote scenarios were defined based on adverse impacts of 25% and 50% over the sugar and dollar price curves, which served as basis for the probable scenario.

Sensitivity exhibit

The sensivity exhibit is shown below, disclosing the changes in the fair value of the derivative financial instruments in the scenarios probable, possible and remote. The effects related to the jointly-controlled subsidiaries consider the impacts of the proportional consolidation.

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24. Financial instruments – (Cont.)

Risk factors	Impacts on the result (*)			
	Probable scenario	Possible scenario (25%)	Remote scenario(50%)	
Price risk				
Commodity derivatives				
Futures agreements:				
Sale Commitments	Increase in sugar price	102,855	(283,779)	(567,558)
Purchase Commitments	Decrease in sugar price	(8,766)	(31,813)	(63,627)
Options agreements:				
Call options purchased	Decrease in sugar price	794	(773)	(794)
Call options sold	Increase in sugar price	(1,200)	(7,727)	(26,255)
Put options purchased	Increase in sugar price	3,240	(2,641)	(3,179)
Exchange rate risk				
Exchange rate derivatives				
Futures agreements:				
Sale Commitments	R\$ / US exchange rate appreciation	3,710	(463,776)	(927,551)
Sale Commitments	€ / US exchange rate appreciation			
Purchase Commitments	R\$ / US exchange rate depreciation	(148)	(286,529)	(75,500)
Forward agreements:				
Sale Commitments	R\$ / US exchange rate appreciation	(12,001)	(91,782)	(181,200)
Exchange lock:				
Sale Commitments	R\$ / US exchange rate appreciation	(9,194)	(63,826)	(125,435)

(*) Projected result to be occurred in the next 12 months from december 30, 2011

l) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

25. Shared-based payments

In the ordinary and extraordinary general meeting held on July 29, 2011, the guidelines for the outlining and structuring of the stock option compensation plan for Cosan's officers and employees were approved, authorizing the issuance of up to 5% of shares comprising Cosan's total capital. This stock option plan was outlined to attract and retain officers and key employees, offering them the opportunity to become Cosan's shareholders. On August 18, 2011, Cosan's board of directors approved the total stock option grant corresponding up to 12,000,000 common shares to be issued or treasury shares held by Cosan's, corresponding 2.41% of the share capital at that time.

On the same date the eligible executives were informed of the all terms and conditions of the stock-option plan.

The strike price for every granted stock options was R\$22.80 per share without any discount. The fair value of options granted was estimated using the binomial model in compliance with the terms and conditions of each granted option. Exercise period form all grants range from 12 months starting from August 18, 2011 up to 120 months.

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25. Shared-based payments – (Cont.)

The stock options were divided into “Tranche A” and “Tranche B”. The vesting period and procedures are described below.

Tranche A - After the vesting period, the beneficiary will be able to exercise 1/5 of the stock option granted. At the end of year one, a second batch, 1/5 of the stock options also can be exercised. Using the same criteria, the beneficiary can exercise all the option until August 19, 2016.

Tranche B - The second “tranche” follows the same criteria of “Tranche A”, however, the number of batches are divided in 10. Every year, one batch (1/10) can be exercised by the beneficiary. The last batch becomes available in August 19, 2021.

The options may be exercised with the issuance of new shares or treasury shares that the company may have.

As of August 18, 2011, 9,825,000 options related the shared based compensation was granted.

The fair value of share based payments was estimated adopting the binomial model with the following premise:

	Stock options granted at August 18, 2011 <i>Tranche A</i>	Stock options granted at August 18, 2011 <i>Tranche B</i>
Market Value at granted date – R\$	22.80	22.80
Expected exercise (in years)	1 to 5	1 to 10
Interest rates	12.39%	12.39%
Volatility	31.44%	30.32%
Weighted average fair value at grant date – R\$	7.63	9.07

Expected Term – the deadline expected by the company for the exercise of stock option compensation was determined considering that the executives will exercise their options after the vesting period of each grant.

Expected volatility – Due to the new capital structure and business model after the formation of Raizen, the company opted to use the historic volatility of their shares adjusted by volatility of competitors' shares that present in similar lines of business.

Expected dividends – The dividends expected were calculated on the basis of the current market value on the grant's date, adjusted by the average rate of return of capital to shareholders during the forecast period, and compared with to the book value shares.

Free risk Interest Rate – the company considered the prime rate as the free risk interest rate traded at BM&F on the grant date and for the equivalent term of the option maturity.

On December 31, 2011, \$ 4,800 had been recognized as expense related of stock option compensation plan. The weighted average of the remaining stock option compensation plan as of December 31, 2011 is 2.3 years.

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26. Pension and other post-employment benefits plan

a) Defined benefit

The subsidiary Cosan Lubricants e Especialidades S.A. sponsors Futura – a Complementary Pension Fund, formerly known as Previd Exxon – a private social security company, and the main purpose is to supplement benefits, within certain limits laid down in the by-laws, which all the employees of the sponsoring company and their respective beneficiaries are entitled to, as policy-holders/beneficiaries of social security. The supplementary pension plans offered to employees of Cosan CLE are a Defined Benefit Type. This plan was altered to allow its settlement and was approved by the relevant authority on May 5, 2011. Basically, the settlement is the process whereby the plan is closed to any new entrants, with the cessation of contributions, guaranteeing the participants a benefit that is in proportion to the rights they had accumulated in the plan up until March 31, 2011.

b) Defined contribution

Since June 1st, 2011, the Company and its subsidiaries start to sponsor the Retirement Plan Futura, managed by Futura II – a Complementary Pension Fund, which the main purpose is to generate long-term savings to complement retirement benefits. This plan is a Defined Contribution type and extends to all the employees of the companies that sponsor it. The contributions to this plan are defined in the regulations that have been duly approved by the relevant authority. During the period ended December 31, 2011, the amount of contributions totaled R\$ 4,548.

Since June 1st, 2011, the jointly-controlled subsidiaries started to sponsor the Retirement Plan Raiz Previd by Raiz Previd – a Complementary Pension Fund, which the main purpose is to generate long-term savings to complement retirement benefits. This plan is a Defined Contribution type and extends to all the employees of the companies that sponsor it. The contributions to this plan are defined in the regulations that have been duly approved by the relevant authority.

Até 31 de dezembro de 2011, os valores de contribuições das patrocinadoras para os planos totalizaram R\$ 5,336.

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27. Segment information

a) Segment information

The following information about segments is based upon information used by Cosan's senior management to assess the performance of operating segments and to decide on the allocation of resources.

Due to the formation of the Joint Ventures Raízen Energia and Raízen Combustíveis and the acquisition of the sugar retail business from Raízen, Cosan modified the disclosure of its segments and now disclosing five segments, as shown below. The comparative information related to the previous period were reclassified to be comparable with the current information.

The S&E segment is primarily engaged in the production and marketing of a variety of products derived from cane sugar, including raw sugar (VHP), anhydrous and hydrated ethanol, and activities related to energy cogeneration from sugarcane bagasse.

- (i) Raízen Energia: production and marketing of a variety of products derived from cane sugar, including raw sugar (VHP), anhydrous and hydrated ethanol, and activities related to energy cogeneration from sugarcane bagasse. In addition, this segment has interest in companies of research and development in new technologies involved in this segment.
- (ii) Raízen Combustíveis: distribution and marketing of fuels and lubricants, mainly through franchised network of service stations under the brand "Shell" and "Esso" throughout the national territory.
- (iii) Rumo: logistics services for the transport, storage and port lifting of sugar for both the S&E segment and third parties.
- (iv) Cosan Alimentos: sale of food, mainly, of sugar in the retail under the brands "União" and "Da Barra".
- (v) Cosan Outros Negócios: sale and distribution of lubricants, investments in agricultural land and other investments, in addition to the corporate structures of the activities of the Company.

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	10.01.2011 to 12.31.2011							
	Raízen Energia (*)	Raízen Combustíveis (*)	Cosan Alimentos	Rumo	Cosan Outros Negócios	Elimination 50% Raízen	Adjustments and eliminations	Total
Income statement (3 months):								
Net Sales	1,751,353	10,083,212	240,028	143,060	263,547	(5,917,283)	(253,235)	6,310,682
Domestic Market	909,893	10,083,212	240,028	143,060	263,547	(5,496,553)	(253,235)	5,889,952
External market	841,460	-	-	-	-	(420,730)	-	420,730
Gross profit	375,546	552,369	45,404	57,273	73,194	(463,957)	-	639,829
Selling, general and administrative expenses	(230,588)	(375,412)	(31,175)	(9,231)	(86,040)	303,000	(1,214)	(430,660)
Gain of formation of Joint Ventures	-	-	-	-	-	-	-	-
Other income (expenses)	(7,550)	72,496	57	2,717	2,850	(32,473)	(8,496)	29,601
Financial result, net	(28,465)	290	312	6,606	(62,287)	14,088	-	(69,456)
Income tax and social contribution	(34,423)	(48,230)	(5,162)	(19,455)	2,135	41,327	-	(63,808)
Net income	71,920	198,649	9,436	38,562	117,637	(135,284)	(244,746)	56,174
Other selected data:	-	-	-	-	-	-	-	-
Additions to PP&E, intangible and biological assets (cash)	571,350	181,135	1,171	67,056	14,597	(382,021)	-	453,288
Depreciation and amortization (including biological assets noncash effect)	364,516	98,164	682	10,428	12,150	(231,340)	-	254,600

	04.01.2011 to 12.31.2011							
	Raízen Energia (*)	Raízen Combustíveis (*)	Cosan Alimentos	Rumo	Cosan Outros Negócios	Elimination 50% Raízen	Adjustments and eliminations	Total
Income Statement (9 months):								
Net Sales	6,054,449	25,114,068	507,193	497,724	794,581	(14,118,211)	(546,859)	18,302,945
Domestic Market	3,276,922	25,114,068	507,193	497,724	794,581	(13,024,831)	(546,860)	16,618,797
External market	2,777,528	-	-	-	-	(1,093,380)	-	1,684,148
Gross profit	1,232,794	1,286,301	112,453	181,035	254,732	(1,077,585)	-	1,989,730
Selling, general and administrative expenses	(751,242)	(936,215)	(67,122)	(28,656)	(239,054)	728,201	(3,288)	(1,297,376)
Gain of formation of Joint Ventures	-	-	-	-	3,296,959	-	(443,902)	2,853,057
Other income (expenses)	(26,955)	181,709	76	9,313	(17,925)	(82,862)	(8,494)	54,862
Financial result, net	(326,597)	(126,512)	1,902	18,447	(291,951)	272,870	(1,772)	(453,613)
Income tax and social contribution	(33,997)	(108,507)	9,906	(60,182)	(905,714)	(1,757)	-	(1,100,251)
Net income	83,792	307,242	57,215	119,843	2,525,191	(97,863)	(1,916,880)	1,078,540
Other selected data:	-	-	-	-	-	-	-	-
Additions to PP&E, intangible and biological assets (cash)	1,729,478	295,572	1,285	223,410	54,163	(780,737)	-	1,523,169
Depreciation and amortization (including biological assets noncash effect)	1,291,990	267,012	1,241	30,869	34,727	(701,886)	-	923,953

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	10.01.2010 to 12.31.2010							
	Raizen Energia (*)	Raizen Combustiveis (*)	Cosan Alimentos	Rumo	Cosan outros negócios	Elimination 50% Raizen	Adjustments and eliminations	Consolidated
Income statement (3 months):								
Net Sales	1.683.032	2.875.886	-	113.672	208.937	-	(143.094)	4.738.433
Domestic Market	1.027.887	2.875.886	-	113.672	208.937	-	(143.094)	4.083.288
External market	655.145	-	-	-	-	-	-	655.145
Gross profit	336.113	124.839	-	34.960	79.106	-	3.463	578.481
Selling, general and administrative expenses	(255.216)	(88.792)	-	(5.787)	(50.305)	-	(5.464)	(405.564)
Gain of formation of Joint Ventures	-	-	-	-	-	-	-	-
Other income (expenses)	(7.509)	3.470	-	(339)	731	-	-	(3.647)
Financial result, net	(82.078)	(25.996)	-	7.702	10.997	-	338	(89.037)
Income tax and social contribution	(9.396)	(6.837)	-	(12.507)	(13.530)	-	24.246	(18.024)
Net income	(18.214)	6.683	-	24.030	73.111	-	(15.563)	38.695
Other selected data:	-	-	-	-	-	-	-	-
Additions to PP&E, intangible and biological assets (cash)	535.135	49.000	-	123.600	-	-	-	707.735
Depreciation and amortization (including biological assets noncash effect)	310.713	32.559	-	8.876	8.710	-	-	360.858

	04.01.2010 to 12.31.2010							
	Raizen Energia (*)	Raizen Combustiveis (*)	Cosan Alimentos	Rumo	Cosan outros negócios	Elimination 50% Raizen	Adjustments and eliminations	Consolidated
Income statement (9 months):								
Net Sales	4.715.165	8.265.095	-	363.611	618.358	-	(508.087)	13.454.142
Domestic Market	2.642.783	8.265.095	-	363.611	618.358	-	(508.087)	11.381.760
External market	2.072.382	-	-	-	-	-	-	2.072.382
Gross profit	1.084.602	346.573	-	105.486	233.630	-	6.009	1.776.300
Selling, general and administrative expenses	(720.011)	(272.513)	-	(20.682)	(133.980)	-	(583)	(1.147.769)
Gain of formation of Joint Ventures	-	-	-	-	-	-	-	-
Other income (expenses)	(58.791)	13.862	-	8.725	1.223	-	(10.126)	(45.107)
Financial result, net	(138.218)	(25.768)	-	7.232	23.283	-	(4.793)	(138.264)
Income tax and social contribution	(75.919)	(25.522)	-	(34.337)	(43.741)	-	-	(179.519)
Net income	91.474	36.570	-	66.423	234.950	-	(147.821)	281.596
Other selected data:	-	-	-	-	-	-	-	-
Additions to PP&E, intangible and biological assets (cash)	1.459.360	213.200	-	251.000	3.300	-	-	1.926.860
Depreciation and amortization (including biological assets noncash effect)	915.449	88.258	-	24.262	28.493	-	-	1.056.462

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b) Detailed net Sales per segment:

	10.01.2011 to 12.31.2011	04.01.2011 to 12.31.2011	10.01.2010 to 12.31.2010	04.01.2010 to 12.31.2010
Raízen Energia				
Sugar	887,554	3,247,176	931,947	2,868,259
Ethanol	744,495	2,370,064	647,721	1,536,990
Cogeneration	53,047	233,816	51,016	184,044
Others	66,257	203,393	52,348	125,873
	1,751,353	6,054,449	1,683,032	4,715,166
Raízen Combustíveis				
Fuels	10,083,212	25,097,122	2,865,656	8,226,487
Others	-	16,946	10,230	38,608
	10,083,212	25,114,068	2,875,886	8,265,095
Cosan Alimentos				
Amorfo	213,243	454,056	-	-
Crystal	13,809	27,072	-	-
Others	12,976	26,065	-	-
	240,028	507,193	-	-
Rumo				
Port lifting	29,611	123,545	29,020	102,857
Logistics	109,386	359,771	80,945	249,463
Others	4,063	14,408	3,707	11,291
	143,060	497,724	113,672	363,611
Others business Cosan				
Lubricants	254,429	767,383	208,937	616,839
Others	9,118	27,198	-	1,519
	263,547	794,581	208,937	618,358
Adjustments/eliminations	(6,170,518)	(14,665,070)	(143,094)	(508,088)
Total	6,310,682	18,302,945	4,738,433	13,454,142

c) Net Sales per region

The percentage of net sales of the Raízen Energia segment by geographic area for the years ended are as follows:

	12.31.2011	12.31.2010
Brasil	66,32%	67,65%
Europe	24,18%	26,45%
Latin America (Except Brazil)	0,62%	0,57%
Middle East and Asia	5,34%	2,51%
North America	2,63%	1,01%
Other	0,91%	1,81%
Total	100,00%	100,00%

The net sales from segments Raízen Combustíveis, Rumo and Cosan Alimentos are derived only from the domestic market (Brazil), with no revenue from foreign customers.