Raízen Energia S.A.

Consolidated condensed interim financial statements at June 30, 2013 and report on review

pwc

Report on review of consolidated condensed interim financial statements

To the Board of Directors and Shareholders
Raízen Energia S.A.

Introduction

We have reviewed the accompanying consolidated condensed interim balance sheet of Raízen Energia S.A. and its subsidiaries ("Consolidated") as at June 30, 2013, and the related consolidated condensed statements of operations, comprehensive income (loss), changes in equity and of cash flows for the three-month period then ended.

Management is responsible for the preparation and presentation of these consolidated condensed interim financial statements in accordance with accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC). Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial statements 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 Brazilian and 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.

Basis for qualified conclusion – omission of disclosures

As stated in note 2.1 to the consolidated condensed interim financial statements, the Company has not presented most of the explanatory notes required by CPC 21 applicable to the consolidated condensed interim financial statements.

Conclusion on the consolidated condensed interim financial statements

Based on our review, except for the lack of presentation of certain explanatory notes to the consolidated condensed interim financial statements as mentioned in the preceding paragraph "Basis for qualified conclusion", nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements referred to above are not prepared, in all material respects, in accordance with accounting standard CPC 21.

PricewaterhouseCoopers, Rua José Pires Neto 314, 10º Campinas, SP, Brasil 13025-170, Caixa Postal 3136
T: (19) 3794-5400, F: (19) 3794-5454, www.pwc.com/br

Raízen Energia S.A.

Other matters

Restriction of use

This report is intended solely for the information and use of the management of Raízen Combustíveis S.A. and the Financial Institutions specified in its agreement for its covenant compliance analysis and is not intended to be and should not be used for other purposes.

Campinas, August 15, 2013

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F"

Valdir Augusto de Assunção
Contador CRC 1SP135319/O-9

Raízen Energia S.A.

Consolidated Condensed Balance Sheet
All amounts in thousands of reais

Assets	June 30, 2013	March 31, 2013
Current assets		
Cash and cash equivalents	1,630,331	1,759,501
Restricted cash	183,738	117,897
Derivative financial instruments	216,272	166,126
Trade accounts receivable	349,025	378,161
Recoverable income tax and social contribution	106,620	93,894
Recoverable indirect taxes	270,178	207,987
Inventories	872,229	369,350
Advances to suppliers	214,119	233,676
Related parties	279,389	335,647
Other receivables	90,442	52,006
	4,212,343	3,714,245
Non-current assets		
Recoverable income tax and social contribution	35,403	35,403
Recoverable indirect taxes	41,744	41,506
Advances to suppliers	66,675	29,711
Other financial assets	744,017	727,221
Related parties	1,496,274	1,489,722
Deferred income tax and social contribution	296,635	247,707
Court deposits	247,000	236,385
Other receivables	24,677	26,818
Investments	247,643	267,489
Biological assets	2,020,333	1,978,477
Property, plant and equipment	6,530,421	6,613,578
Intangible	1,267,437	1,254,272
	13,018,259	12,948,289
Total assets	17,230,602	16,662,534

Liabilities and equity	June 30, 2013	March 31, 2013
Current liabilities		
Loans and financing	1,024,631	1,070,997
Derivative financial instruments	183,691	16,586
Suppliers	513,768	491,797
Wages and salaries payable	370,383	282,797
Income tax and social contributions payable	3,082	6,745
Taxes payable	118,763	113,877
Dividends	59,106	59,106
Related parties	1,095,670	863,311
Other liabilities	143,366	223,480
	3,512,460	3,128,696
Non-current liabilities		
Loans and financing	5,346,640	4,879,567
Taxes payable	620,595	626,688
Related parties	875,899	870,368
Provision for claims	308,144	336,274
Provision for unsecured liabilities of subsidiaries and affiliated companies	2,720	2,720
Deferred income tax and social contribution	-	38,676
Other liabilities	114,654	106,050
	7,268,652	6,860,343
Total liabilities	10,781,112	9,989,039
Equity		
Attributable to Parent Company's shareholders		
Capital stock	4,681,287	4,681,287
Capital reserves	1,269,041	1,275,019
Carrying value adjustments	117,982	99,379
Revenue reserves	599,888	599,883
Accumulated deficit	(218,708)	-
	6,449,490	6,655,568
Interests of non-controlling shareholders	-	17,927
Total equity	6,449,490	6,673,495
Total liabilities and equity	17,230,602	16,662,534

The accompanying notes are an integral part of these consolidated condensed financial statements.

Raízen Energia S.A.

Consolidated Condensed Statement of Operations
All amounts in thousands of reais unless otherwise stated

	Quarter ended June 30, 2013	Quarter ended June 30, 2012
Net operating revenue	1,478,260	1,264,122
Cost of products sold and services provided	(1,219,394)	(1,058,387)
Gross profit	258,866	205,735
Operating expenses		
Selling	(110,086)	(84,272)
General and administrative	(131,498)	(110,467)
Other operating revenues(expenses), net	(1,271)	2,291
	(242,855)	(192,448)
Income before financial result, equity by accounting result and income taxes	16,011	13,287
Finance result		
Finance costs	(106,629)	(117,758)
Finance income	66,520	47,777
Foreign exchange losses	(218,418)	(254,551)
Net effect of derivatives	(85,583)	(59,961)
	(344,110)	(384,493)
Loss before the equity accounting result and income taxes	(328,099)	(371,206)
Equity accounting result	(682)	(3,494)
Loss before income tax and social contribution	(328,781)	(374,700)
Income tax and social contribution		
Current	(908)	12,071
Deferred	110,981	113,951
	110,073	126,022
Loss for the period	(218,708)	(248,678)
Attributable to:		
Controlling shareholders	(218,708)	(249,035)
Non-controlling shareholders	-	357
	(218,708)	(248,678)
Loss per common share:		
Basic and diluted	(0,04)	(0,05)

The accompanying notes are an integral part of these consolidated condensed financial statements.

	Three-month period ended June 30, 2013	Three-month period ended June 30, 2012
Loss for the period	(218,708)	(248,678)
Other comprehensive income (loss)		
Items that will never be reclassified to profit or loss:		
Plan actuarial losses	(918)	-
Tax on items that will never be reclassified to profit or loss	312	-
	(606)	-
Items that are or may be reclassified subsequently to profit or loss:		
Net gain with derivative financial instruments - Hedge accounting	21,892	140,212
Foreign currency translation differences – CTA	4,760	-
Tax on items that are may be reclassified subsequently to profit or loss	(7,443)	(47,672)
	19,209	92,540
Other components of comprehensive income (loss) for the period	18,603	92,540
Total comprehensive loss for the period	(200,105)	(156,138)
Attributable to:		
Controlling shareholders	(200,105)	(156,495)
Non-controlling shareholders	-	357

The accompanying notes are an integral part of these consolidated condensed financial statements.

Consolidated Condensed Statement of Changes in Equity

All amounts in thousands of reais

	Share capital		Capital reserves			Revenue reserves					
	Common shares	Redeemable preferred shares	Capital reserves	Special reserve for goodwill	Carrying value adjustments	Retained earnings	Legal reserve	Accumulated deficit	Total	Non-controlling interests	Total equity
At March 31, 2012	4,818,583	-	221,113	-	28,228	31,719	520,332	-	5,619,975	16,893	5,636,868
Effect from subsidiaries	-	-	1,032	-	-	-	-	-	1,032	-	1,032
Comprehensive income for the period											
Loss for the period	-	-	-	-	-	-	-	(249,035)	(249,035)	357	(248,678)
Hedge accounting, net of tax effects	-	-	-	-	92,540	-	-	-	92,540	-	92,540
	-	-	-	-		-	-				
					92,540			(249,035)	(156,495)	357	(156,138)
		-									
At June 30, 2012	4,818,583		222,145	-	120,768	31,719	520,332	(249,035)	5,464,512	17,250	5,481,762

The accompanying notes are an integral part of these consolidated condensed financial statements.

Consolidated Condensed Statement of Changes in Equity

All amounts in thousands of reais

	Share capital		Capital reserves			Revenue reserves					
	Common shares	Redeemable preferred shares	Capital reserves	Special reserve for goodwill	Carrying value adjustments	Retained earnings	Legal reserve	Accumulated deficit	Total	Non-controlling interests	Total equity
At March 31, 2013	5,007,927	(326,640)	1,033,912	241,107	99,379	37,517	562,366	-	6,655,568	17,927	6,673,495
Reserves of goodwill on acquisition of additional interest in subsidiary (TEAS)	-	-	-	(5,973)	-	-	-	-	(5,973)	-	(5,973)
Reduction of minority interest (TEAS)	-	-	-	-	-	-	-	-	-	(17,927)	(17,927)
	-	-	-	(5,973)	-	-	-	-	(5,973)	(17,927)	(23,900)
Comprehensive income for the period											
Loss for the period	-	-	-	-	-	-	-	(218,708)	(218,708)	-	(218,708)
Hedge accounting, net of tax effects	-	-	-	-	14,449	-	-	-	14,449	-	14,449
Currency translation adjustments	-	-	-	-	4,760	-	-	-	4,760	-	4,760
Adjustments to equity - Actuarial liabilities	-	-	-	-	(606)	-	-	-	(606)	-	(606)
	-	-	-	-	18,603	-	-	(218,708)	(200,105)	-	(200,105)
Transfer between reserves	-	-	(5)	-	-	5	-	-	-	-	-
At June 30, 2013	5,007,927	(326,640)	1,033,907	235,134	117,982	37,522	562,366	(218,708)	6,449,490	-	6,449,490

The accompanying notes are an integral part of these consolidated condensed financial statements.

Raízen Energia S.A.

Consolidated Condensed Statement of Cash Flows
All amounts in thousands of reais

	Three-month period ended June 30, 2013	Three-month period ended June 30, 2012
Cash flows from operating activities		
Loss before income tax and social contribution	(328,781)	(374,700)
Adjustments for:		
Depreciation and amortization	387,404	309,139
Change in fair value of biological assets and agricultural product	3,311	(8,824)
Equity accounting	682	3,494
Derivatives	27,048	40,756
Provision for contingencies	7,047	1,356
Interest, indexation charges and exchange losses, net	298,052	355,687
Gain from sale of property, plant and equipment	(683)	(640)
Others	(51)	32
	394,029	326,300
Changes in assets and liabilities:		
Trade accounts receivable and advances from customers	(15,709)	(38,914)
Restricted cash	(65,841)	(74,751)
Inventories	(349,313)	(125,345)
Suppliers and advances to suppliers	8,411	(69,882)
Wages and salaries payable	87,586	77,992
Taxes and contributions	(61,388)	(55,557)
Derivative financial instruments	111,803	12,911
Others, net	(37,207)	25,068
	(321,658)	(248,478)
Income tax and social contribution on net income paid	(6,637)	(79)
Net cash generated from operating activities	65,734	77,743
Cash flows from investing activities		
Acquisitions, net of acquired cash	(23,900)	(106,834)
Addition to property, plant and equipment, software and other intangible assets	(190,019)	(271,868)
Expenses with sugarcane planting and cultivation	(297,150)	(237,089)
Cash from sale of property, plant and equipment	1,516	2,618
Net cash used in investing activities	(509,553)	(613,173)

	Three-month period ended June 30, 2013	Three-month period ended June 30, 2012
Cash flow from financing activities		
New loans and financing	366,871	614,113
Repayment of loans and financing (principal and interest)	(318,510)	(395,615)
Related parties	266,288	(14,681)
Net cash generated by financing activities	314,649	203,817
Decrease in cash and cash equivalents, net	(129,170)	(331,613)
Cash and cash equivalents at beginning of period	1,759,501	1,200,483
Cash and cash equivalents at end of period	1,630,331	868,870
Additional information on cash flow:		
Capitalization of interest	11,366	12,065
Interest paid	65,614	54,329

The accompanying notes are an integral part of these consolidated condensed financial statements.

1. General Information

Raizen Energia SA (the “Company", "Raízen Energia" or “RESA”), formerly Cosan S.A. Açúcar e Álcool is a private limited liability company with its headquarters in the São Paulo, Brazil. The Company is a joint venture (“JV”) between Royal Dutch Shell ("Shell") and Cosan SA Indústria e Comércio ("Cosan"), with each partner holding 50% of the common shares. The Company was a direct subsidiary of Raízen Energia Participações S.A. (“REPSA”), until November 30, 2012, on which date REPSA was merged into the Company.

The primary activities of the Company and its subsidiaries are the production and sale of sugar and ethanol, as well as energy cogeneration from sugarcane bagasse.

The cultivation of sugarcane requires a 12 to 18-month period to harvesting. The harvest begins between April and May and generally finishes in November and December, the period of production of sugar and ethanol. The sale of sugar and ethanol occurs throughout the year. The Company’s financial year begins on April 1 and finishes on March 31 of each year.

These consolidated condensed interim financial statements were approved by the Company's Board of Directors on August 14, 2013.

2 Financial Statement Presentation and Significant Accounting Practices

2.1 Financial statement presentation

These consolidated condensed interim financial statements have been prepared solely for the use of the management of Raízen Energia S.A. and Bank of New York Mellon Corporation in its covenant compliance analysis. This financial information does not include all the information required to be disclosed by CPC 21 - "Interim Financial Reporting". These statements should be read together with the annual financial statements for the year ended March 31, 2013, which were prepared in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC).

2.2 Basis of preparation

The consolidated condensed interim financial statements have been prepared under the historical cost convention and financial assets and liabilities (including derivatives) at fair value through profit or loss.

The preparation of consolidated condensed interim financial statements requires the use of estimates to record certain assets, liabilities and other transactions. Therefore, the Company's interim financial statements include estimates related to the selection of the useful lives of property, plant and equipment, provisions for contingent liabilities, income taxes and other similar liabilities. The actual results may differ from those estimated.

3 Consolidated Financial Statements and Consolidation Criteria

The consolidated financial statements include the financial statements of Raízen Energia S.A. and its subsidiaries. The subsidiaries are as follows:

	Direct and indirect ownership interest	
	June, 2013	**March, 2013**
Agrícola Ponte Alta S.A.	100.00%	100.00%
Agropecuária Santa Hermínia Ltda.	100.00%	100.00%
America Trading Investments	100.00%	100.00%
Benálcool Açúcar e ÁlcoolS.A.	100.00%	100.00%
Cosan Centroeste S.A. Açúcar e Álcool	100.00%	100.00%
Costa Rica Canavieira Ltda	100.00%	100.00%
Curupay Agroenergia S.A.	100.00%	100.00%
Houghton Venture Capital Ltd.	100.00%	100.00%
Raízen Araraquara Açúcar e Álcool Ltda	100.00%	100.00%
Raízen Asia PT Ltd.	100.00%	100.00%
Raízen Biotecnologia S.A.	100.00%	100.00%
Raízen Caarapó S.A. Açúcar e Álcool	100.00%	100.00%
Raízen Cayman Limited	100.00%	100.00%
Raízen Energy Finance Ltd.	100.00%	100.00%
Raízen International Universal Corp.	100.00%	100.00%
Raízen North America, Inc.	100.00%	100.00%
Raízen Paraguaçú S.A.	100.00%	100.00%
Raízen Tarumã S.A.	100.00%	100.00%
Raízen Trading LLP	100.00%	100.00%
Teas Terminal Exportador de Álcool de Santos S.A.	100.00%	66.67%

The following procedures were adopted in the preparation of the consolidated condensed interim financial statements:

. Elimination of investments, balances of assets and liabilities and operating income and expenses from inter-company transactions.

. The subsidiaries' financial statements, which are the basis for the equity accounting adjustments and the consolidation, were adjusted to reflect the accounting practices the parent company.

4 Business Combination

4.1 Acquisition of Costa Rica Canavieira Ltda. ("Costa Rica")

On June 28, 2012, through a Share Purchase and Sale Agreement, the RESA acquired all of the shares of Costa Rica for R$ 115,000, as follows: i) R$ 100,000 paid in cash and ii) Conditional payment of up to R$ 15,000 depending on the accomplishment of certain terms in the agreement.

On July 6, 2012, the RESA paid the conditional tranche in the amount of R$ 8,434. Thus, at the end of the operation, the full amount paid for the acquisition of the Costa Rica totaled R$ 108,435.

During the quarter ended June 30, 2013, the purchase price allocation was completed based on the fair value of assets acquired and liabilities assumed as follows:

	Total
Biological assets	20,827
Lease agreements for land	9,375
Supply contracts for cane	20,847
Deferred taxes on appreciation of assets	(17,357)
	33,692
Consideration transferred, net of cash received	108,434
Goodwill	74,742
Net effect of the sale of contractual rights of leases of land	(17,573)
Goodwill	57,169

The main differences between the preliminary and final goodwill goodwill are presented below:

Preliminary goodwill	58,502
Supply contracts for cane	(1,117)
Others	(216)
Goodwill	57,169

5 Subsequent events

On July 19, 2013, the Company's shareholders approved the payment of supplemental dividends of R$ 6,916 and of R$ 66,022, in addition to those accrued in the annual financial statements to be paid on July 29 and October 31, 2013, without interest.

* * *