Raízen Energia S.A.

Independent auditors' report on review of consolidated and condensed financial information as at June 30, 2014

Report on review of consolidated and condensed interim financial information

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

Introduction

We have reviewed the accompanying consolidated and condensed interim balance sheet of Raízen Energia S.A. and its subsidiaries ("Raízen Energia" or "Company") as of June 30, 2014, and the related consolidated and condensed interim statements of income, comprehensive income, changes in equity and of cash flows for the three-month period then ended, and explanatory notes.

Management is responsible for the preparation and presentation of this consolidated and condensed interim financial information 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 this consolidated and condensed interim financial information 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 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 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 and condensed interim financial information, the accompanying consolidated and condensed interim financial information does not include most of the explanatory notes as required by CPC 21 Interim Financial Reporting.

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Raízen Energia S.A.

Qualified conclusion

Based on our review, with the exception on the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated and condensed interim financial information referred to above has not been prepared, in all material respects, in accordance with accounting standard CPC 21.

Other matters - Restriction of use

This report is intended solely for the information and use of the management of Raízen Energia S.A. and the financial institutions specified in the loan contracts for purposes of covenant compliance analysis and is not intended to be and should not be used for other purposes.

Campinas, August 11, 2014

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

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

Raízen Energia S.A.

Consolidated and ondensed balance sheet
All amounts in thousands of reais unless otherwise stated

Assets	June 30, 2014	March 31, 2014
Current assets		
Cash and cash equivalents	1,527,901	1,771,015
Restricted cash	368,599	251,803
Derivatives financial instruments	118,683	200,588
Trade accounts receivable	494,499	356,004
Recoverable income tax and social contribution	388,319	359,893
Taxes and contributions recoverable	162,180	145,903
Inventories	1,315,784	448,694
Advances to suppliers	244,609	209,251
Other financial assets	13,673	13,267
Related parties	927,785	192,574
Other receivables	87,280	57,529
	5,649,312	4,006,521
Non-current assets		
Derivatives financial instruments	5,040	1,109
Taxes and contributions recoverable	31,799	26,199
Advances to suppliers	81,768	21,841
Other financial assets	907,955	890,680
Related parties	1,592,658	1,371,257
Deferred income tax and social contribution	296,586	256,611
Judicial deposits	321,442	282,416
Other receivables	21,313	30,884
Investments	177,066	162,266
Biological assets	1,976,809	2,036,693
Property, plant and equipment	7,207,118	7,250,609
Intangible	1,543,429	1,535,137
	14,162,983	13,865,702
Total assets	19,812,295	17,872,223

Liabilities and equity	June 30, 2014	March 31, 2014
Current liabilities		
Loans and financing	1,658,159	1,122,633
Derivative financial instruments	29,923	166,175
Suppliers	623,542	637,863
Wages and salaries payable	378,878	292,468
Income tax and social contributions payable	4,285	760
Taxes and social contributions payable	141,593	156,572
Dividends and interest on equity payable	78,672	78,672
Related parties	137,762	127,370
Other liabilities	132,374	111,070
	3,185,188	2,693,583
Non-current liabilities		
Loans and financing	7,088,110	6,510,886
Derivative financial instruments	26,617	12,105
Taxes and social contributions payable	668,820	667,374
Related parties	1,485,710	897,025
Provision for claims	368,573	343,274
Provision for unsecured liabilities of subsidiaries	2,642	2,642
Deferred income tax and social contribution	75,051	21,394
Other liabilities	82,523	79,431
	9,798,046	8,534,131
Total liabilities	12,983,234	11,227,714
Equity		
Attributable to Parent Company's shareholders		
Capital stock	4,752,078	4,752,078
Capital reserves	1,284,538	1,284,175
Carrying value adjustments	32,789	(10,669)
Revenue reserves	618,925	618,925
Retained earnings	140,731	-
Total equity	6,829,061	6,644,509
Total liabilities and equity	19,812,295	17,872,223

The accompanying notes are an integral part of the consolidated and condensed financial information.

	Three-month period ended June 30, 2014	Three-month period ended June 30, 2013
Net operating revenue	1,686,294	1,478,260
Cost of products sold and services provided	(1,327,514)	(1,219,394)
Gross profit	358,780	258,866
Operating income (expenses)		
Selling	(117,716)	(110,086)
General and administrative	(118,115)	(131,498)
Other operating income (expenses), net	3,757	(1,271)
	(232,074)	(242,855)
Income before financial results	126,706	16,011
Finance costs	(111,550)	(106,629)
Finance income	79,801	66,520
Foreign exchange income (losses), net	51,161	(218,418)
Result from derivatives	(3,697)	(85,583)
Finance result	15,715	(344,110)
Income (loss) before the equity accounting result	142,421	(328,099)
Equity accounting result	(5,569)	(682)
Income (loss) before income tax and social contribution	136,852	(328,781)
Income tax and social contribution		
Current	(4,898)	(908)
Deferred	8,777	110,981
	3,879	110,073
Net income (loss) for the period	140,731	(218,708)
Income (losses) per common share (Note 5):		
Basic and diluted	0.02	(0.04)

The accompanying notes are an integral part of the consolidated and condensed financial information.

	Three-month period ended June 30, 2014	Three-month period ended June 30, 2013
Net income (loss) for the period	140,731	(218,708)
Other comprehensive income (loss)		
Items that will never be reclassified to profit or loss:		
Plan actuarial losses	-	(918)
Tax on items that will not be reclassified to profit loss	-	312
	-	(606)
Items that are or may be reclassified subsequently to profit or loss:		
Net gain from derivative financial instruments - Hedge accounting	66,055	21,892
Foreign currency translation differences – CTA	(138)	4,760
Tax on items that are may be reclassified subsequently to profit or loss	(22,459)	(7,443)
	43,458	19,209
Other components of comprehensive income for the period	43,458	18,603
Total comprehensive income (loss) for the period	184,189	(200,105)

The accompanying notes are an integral part of the consolidated and condensed financial information.

		Capital reserves				Revenue reserves			
	Capital stock	Capital reserve	Incentive tax reserve	Special reserve for goodwill	Other comprehensive income	Legal	Profit retention	Retained earnings	Total shareholders equity
At March 31, 2014	4,752,078	1,012,812	30,256	241,107	(10,669)	44,561	574,364	-	6,644,509
Effect from subsidiaries	-	363	-	-	-	-	-	-	363
	-	363	-	-	-	-	-	-	363
Comprehensive income for the period									
Net income for the period	-	-	-	-	-	-	-	140,731	140,731
Hedge accounting, net of tax effects	-	-	-	-	43,596	-	-	-	43,596
Currency translation adjustments	-	-	-	-	(138)	-	-	-	(138)
	-	-	-	-	43,458	-	--	140,731	184,189
At June 30, 2014	4,752,078	1,013,175	30,256	241,107	32,789	44,561	574,364	140,731	6,829,061

	Attributable to the shareholders of the Parent Company									
		Capital reserves			Revenue reserves					
	Capital stock	Capital reserves	Special reserve for goodwill	Other comprehensive income	Retained earnings	Legal reserve	Accumulated deficit	Total	Attributable non-controlling shareholders	Total shareholders equity
At March 31, 2013	4,681,287	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	4,681,287	1,027,934	241,107	117,982	37,522	562,366	(218,708)	6,449,490	-	6,449,490

The accompanying notes are an integral part of the consolidated and condensed financial information.

	Three-month period ended June 30, 2014	Three-month period ended June 30, 2013
Cash flows from operating activities		
Income (loss) before income tax and social contribution	136,852	(328,781)
Adjustments to reconcile income to cash from operating activities		
Depreciation and amortization	362,414	387,404
Change in fair value of biological assets	(67,759)	(52,438)
Change in fair value of sugarcane harvested (agricultural products)	56,337	55,749
Equity accounting	5,569	682
Interest, indexation charges and exchange variation, net	(52,154)	295,223
Gain on sale of property, plant and equipment	(1,002)	(683)
Provision for tax, civil and labor risks	3,994	7,047
Losses from derivatives financial instruments	46,093	98,534
Others	(203)	(51)
	490,141	462,686
Changes in assets and liabilities:		
Trade accounts receivable and advances from customers	(120,392)	(15,709)
Inventories	(571,620)	(370,416)
Restricted cash	(110,571)	(63,229)
Derivative financial instruments	(40,768)	40,317
Judicial deposits	(32,056)	(6,686)
Suppliers and advances to suppliers	(105,917)	8,411
Taxes and contributions, net	(51,156)	(61,388)
Wages and salaries payable	86,410	87,586
Others, net	(12,676)	(30,521)
	(958,746)	(411,635)
Income tax and social contribution paid	(355)	(6,637)
Net cash provided by (used in) operating activities	(468,960)	44,414
Cash flows from investing activities		
Acquisitions, net of acquired cash	(20,136)	(23,900)
Acquisition of property, plant and equipment, software and other intangible assets	(291,504)	(190,019)
Cash from sale of property, plant and equipment	2,440	1,516
Expenses related to sugarcane harvest	(247,284)	(276,047)
Net cash used in investing activities	(556,484)	(488,450)
Cash flow from financing activities		
Proceeds from new loans and financing	1,273,060	366,871
Repayment of loans and financing (principal and interest)	(179,940)	(318,510)
Financial investments related to financing (restricted cash)	406	217
Related parties, net	(311,196)	266,288
Net cash provided by financing activities	782,330	314,866
Decrease in cash and cash equivalents, net	(243,114)	(129,170)
Cash and cash equivalents at beginning of period	1,771,015	1,759,501
Cash and cash equivalents at end of period	1,527,901	1,630,331
Additional information on cash flow:		
Depreciation of costs capitalized to biological assets	21,787	21,103
Amounts capitalized on qualified assets	7,787	11,366
Interest paid	75,869	65,614

The accompanying notes are an integral part of the consolidated and condensed financial information.

1 Operations

1.1 General Information

Raízen Energia S.A. ("Company", "Raízen Energia" or "RESA"), is a Brazilian Public Corporation with its headquarters in the city of São Paulo, Brazil. The Company is registered at the Brazilian securities regulator, the Comissão de Valores Mobiliários ("CVM"), although its common shares are not listed on any stock market. The Company is a joint venture ("JV") between Royal Dutch Shell ("Shell") and Cosan S.A 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, at which time REPSA was merged into the Company.

The main business activities of the Company and its subsidiaries are the production and trading of sugar and ethanol in Brazil and overseas (where it operates through Raízen Trading LLP and Raízen International Universal Corporation) and the cogeneration of energy produced from sugarcane bagasse.

Sugarcane requires a period of from 12 to 18 months for the crop to be ready for harvest. The harvest generally begins in April or May each year and ends in November or December, at which time sugar and ethanol is produced. The product is sold throughout the year, with no seasonal variations, subject to normal market variations in supply and demand. Due to its production cycle, the Company's fiscal year begins on April 1 and ends on March 31 of each year.

On October 21, 2013, the CVM approved the registration of the Company's first public issuance of non-convertible debentures, in three series, with a unit par value of R$ 1,000.00 (one thousand reais), in a total amount of R$ 750,000, with maturities of five years for the first and second series and seven years for the third series, beginning on October 15, 2013. The debentures are guaranteed by Raízen Combustíveis S.A.

The consolidated and condensed interim financial information were approved by the Company's Board of Directors on August 11, 2014.

2 Financial information presentation and significant accounting practices

2.1 Presentation of the consolidated and condensed interim financial

The consolidated and condensed interim financial information have been prepared solely for the use of the management of Raízen Combustíveis and Financial Institutions in its covenant compliance analysis. This financial information does not include all the information required to be disclosed by CPC 21 - "Interim Financial Reporting". The financial information should be read together with the annual financial statements for the year ended March 31, 2014, which were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

2.2 Basis of preparation

The consolidated and condensed interim financial information has been prepared under the historical cost basis, except for derivative financial instrument that are measured at fair value.

The preparation of consolidated and condensed interim financial information of the Company requires the use of estimates to record certain assets, liabilities and other transactions. It also requires management to use its judgment when applying the Company's accounting policies.

Therefore, the Company's interim financial information include estimates related to the selection of the useful lives of property, plant and equipment, and intangible assets, biological assets, financial instruments, provisions for contingent liabilities, income taxes and other similar liabilities. The actual results may differ from the amounts estimated by management.

3 Consolidation basis

The consolidated financial information includes Raízen Energia financial information and the financial information from subsidiaries where Raízen Energia has direct or indirect control. The subsidiaries are listed below:

	Direct and indirect interest	
	30.06.2014	31. 03.2014
Agrícola Ponte Alta Ltda.	100,00%	100,00%
Agropecuária Santa Hermínia Ltda.	100,00%	100,00%
America Trading Investments	100,00%	100,00%
Benálcool Açúcar e Álcool Ltda.	100,00%	100,00%
Bioenergia Araraquara Ltda	100,00%	-
Bioenergia Barra Ltda	100,00%	-
Bioenergia Caarapó Ltda	100,00%	-
Bioenergia Costa Pinto Ltda	100,00%	-
Bioenergia Gasa Ltda	100,00%	-
Bioenergia Jataí Ltda.	100,00%	-
Bioenergia Maracai Ltda	100,00%	-
Bioenergia Rafard Ltda	100,00%	-
Bioenergia Serra Ltda	100,00%	-
Bioenergia Tarumã Ltda	100,00%	-
Bioenergia Univalem Ltda	100,00%	-
Cosan Centroeste Açúcar e Álcool Ltda.	100,00%	100,00%
Curupay Agroenergia Ltda.	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 Açúcar e Álcool Ltda.	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 Ltda.	100,00%	100,00%
Raízen Tarumã Ltda.	100,00%	100,00%
Raízen Trading LLP	100,00%	100,00%
TEAS Terminal Exportador de Álcool de Santos Ltda.	100,00%	100,00%

4 Corporate restructuring

4.1 Restructuring of cogeneration business activities

On June 2, 2014, the shareholders' of the Company and its subsidiaries Raízen Araraquara Açúcar e Álcool Ltda. ("Raízen Araraquara"), Raízen Tarumã Ltda. ("Raízen Tarumã"), and Raízen Caarapó Açúcar e Álcool Ltda. ("Raízen Caarapó") discussed and approved a capital increase in the total amount of R$ 573,077 of which R$ 443,762 and R$162,315 was recorded as capital and capital reserve, respectively, through the contribution of net assets of thermal electric activities from nine Thermal Power Stations ("TPSs"). The TPSs net assets contributed summarized are as follows:

	Parent Company	Consolidated
Trade accounts receivable, net	22,113	25,339
Property, plant and equipment	475,961	575,773
Intangibles	4,596	4,596
Other assets	1,441	3,234
Trade accounts payable	-	(2,546)
Deferred revenue	(19,747)	(27,694)
Payroll and related charges	(1,686)	(2,615)
Other liabilities	(1,299)	(3,010)
	481,379	573,077

The net assets were contributed in the nine TPSs are as follows:

TPSs	Parent Company	Consolidated
Bioenergia Costa Pinto Ltda.	121,058	121,058
Bioenergia Gasa Ltda.	100,674	100,674
Bioenergia Serra Ltda.	10,505	10,505
Bioenergia Rafard Ltda.	70,221	70,221
Bioenergia Univalem Ltda.	178,921	178,921
Bioenergia Maracaí Ltda.	-	19,440
Bioenergia Tarumã Ltda.	-	7,817
Bioenergia Caarapó Ltda.	-	53,837
Bioenergia Araraquara Ltda.	-	10.604
	481,379	573,077

On June 3, 2014, the shareholders' of the Company and its subsidiaries Raízen Araraquara, Raízen Tarumã, and Raízen Caarapó approved a capital increase in Bioenergia Barra Ltda. ("Bio Barra") in the total amount of R$ 363,178 of which R$ 116,781 and R$ 246,397 was recorded as capital and capital reserve, respectively; through the contribution of: (i) net assets of thermal electrical cogeneration of three TPSs; (ii) investments in TPSs created by the shareholders' capital contribution on June 2, 2014, and; (iii) BNDES loans. The net assets contributed are summarized as follows:

	Parent Company	Consolidated
Restricted cash	73,240	73,240
Trade accounts receivable, net	22,943	22,943
Related parties	-	2,100
Investments	514,137	622,714
Property, plant and equipment	680,809	680,809
Intangibles	4,074	4,074
Other assets	472	472
Loans and financing	(939,774)	(973,965)
Deferred revenue	(5,435)	(5,435)
Payroll and related charges	(904)	(904)
Deferred taxes liabilities	(43,440)	(60,315)
Other liabilities	(2,555)	(2,555)
	303,567	363,178

On June 30, 2014, the subsidiaries Raízen Caarapó, Raízen Tarumã and Raízen Araraquara reduced their capital through the cancellation of their partial quotas of shareholders´ ownership, in the amount of R$ 36,385, R$ 49,006 and R$ 10,605, respectively. As a counterpart of the capital reduction, the subsidiaries yielded to RESA the quotas issued by Bio Barra in the same amount as the quotas cancelled.

Upon conclusion of the restructuring operation, RESA had increased its direct interest in Bio Barra to 99.99%; and, as mentioned above, Bio Barra increased its direct interest in the nine TPS to 99.99%.

5 Income (loss) per share

Basic earnings per share are calculated by dividing the net income (loss) attributable to the owners of the Company by the weighted average of common shares outstanding during the period.

The table below sets out the data on net income (loss) and shares used to calculate basic and diluted earnings per share for the quarter ended June 30, 2014 and 2013 (in thousands, except amounts per share):

Basic and Diluted:

	June 30, 2014	June 30, 2013
Numerator		
Net income for the period	140,731	(218,708)
Net profit available to preferred shareholders	(4,367)	(10,186)
Net income (loss) available to common shareholders	136,364	(228,894)
Denominator:		
Weighted average of number of outstanding common shares (in thousands)	5,902,596	5,902,596
Basic and diluted earnings per common share (reais per share)	0.02	(0.04)

The Company does not have outstanding common shares that may give rise to a dilution or debt convertible into common shares. Therefore, basic and diluted earnings per share are the same.

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