

U.S.\$500,000,000
Cosan Luxembourg S.A.



(Incorporated under the laws of Luxembourg)

5.00% Senior Notes due 2023

Unconditionally and irrevocably guaranteed by

Cosan S.A. Indústria e Comércio

(Incorporated in the Federative Republic of Brazil)

Cosan Luxembourg S.A., or the issuer, is offering U.S.\$500 million aggregate principal amount of notes due 2023, bearing interest of 5.00% per year. The notes will mature on March 14, 2023. Interest will accrue from March 14, 2013 and will be payable semi-annually in arrears on March 14 and September 14 of each year, beginning on September 14, 2013.

The issuer may, at its option, redeem the notes, (1) in whole or in part, at any time prior to March 14, 2018 by paying 100% of the principal amount of the notes plus the applicable make-whole premium, accrued and unpaid interest and additional amounts, if any; (2) in whole or in part, on and after March 14, 2018 at the redemption prices set forth in this offering memorandum, plus accrued and unpaid interest and additional amounts, if any; (3) at any time on or prior to March 14, 2016 up to 35% of the principal amount of the outstanding notes with the proceeds from certain eligible equity offerings at the redemption price set forth in this offering memorandum; and (4) in whole, but not in part, at a price equal to 100% of their principal amount plus accrued and unpaid interest to the redemption date at any time upon the occurrence of specified events regarding the Luxembourg and other relevant jurisdictions' tax laws, as set forth in this offering memorandum. See "Description of Notes—Optional Redemption." If a specified Change of Control event as described herein occurs, each holder of the notes may require the issuer to repurchase all or a portion of such holder's notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest to the date of repurchase and additional amounts, if any. See "Description of Notes—Repurchase at the Option of the Holders of the Notes upon Change of Control."

The notes will be fully and unconditionally guaranteed on a senior unsecured basis by Cosan S.A. Indústria e Comércio, or the guarantor.

The notes and the related guarantees (1) will rank equally with all of the existing and future unsecured and unsubordinated indebtedness of Cosan Luxembourg S.A. and the guarantor, (2) will be effectively junior to all existing and future secured indebtedness of Cosan Luxembourg S.A. and the guarantor to the extent of the assets securing that indebtedness and (3) will be effectively junior to all existing and future indebtedness of any other subsidiary of the guarantor.

We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and to trade the notes on the Euro MTF Market. See "Listing and General Information."

Investing in the notes involves risks. See "Risk Factors" beginning on page 22 for certain information that you should consider before investing in the notes.

Price: 98.839% plus accrued interest, if any, from March 14, 2013.

The delivery of the notes was made to investors in book-entry form through The Depository Trust Company, or DTC, and its participants, including Euroclear Bank S.A./N.V., or Euroclear, and Clearstream Banking, *société anonyme*, Luxembourg, or Clearstream on March 14, 2013.

This Offering Memorandum constitutes a Prospectus for the purpose of Luxembourg law dated July 10th, 2005 on Prospectuses for Securities, as amended.

The notes have not been, and will not be, registered under the Securities Act of 1933, as amended, or the Securities Act. The notes may not be offered or sold within the United States or to U.S. persons, except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A and to certain non-U.S. persons in offshore transactions in reliance on Regulation S. You are hereby notified that sellers of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Joint Bookrunners

Bradesco BBI

BTG Pactual

Itaú BBA

Morgan Stanley

The date of this offering memorandum is June 11, 2013.

TABLE OF CONTENTS

<u>Page</u>	<u>Page</u>
PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION.....iv	MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.....57
FORWARD-LOOKING STATEMENTS AND PROJECTIONS vii	BUSINESS 99
SUMMARY 1	MANAGEMENT 127
SUMMARY OF THE OFFERING 13	PRINCIPAL SHAREHOLDERS.....131
SUMMARY FINANCIAL AND OTHER INFORMATION...18	RELATED PARTY TRANSACTIONS 136
RISK FACTORS.....22	DESCRIPTION OF NOTES 137
USE OF PROCEEDS 45	TAXATION 178
THE ISSUER 46	PLAN OF DISTRIBUTION.....186
EXCHANGE RATES.....47	TRANSFER RESTRICTIONS.....193
CAPITALIZATION 48	LEGAL MATTERS 195
SELECTED FINANCIAL AND OTHER INFORMATION ...49	LISTING AND GENERAL INFORMATION 196
UNAUDITED <i>PRO FORMA</i> CONDENSED CONSOLIDATED FINANCIAL INFORMATION 53	INDEPENDENT AUDITORS 197
	ENFORCEABILITY OF CIVIL LIABILITIES 198
	FINANCIAL STATEMENTS..... F-1

Unless otherwise indicated or the context otherwise requires, all references in this offering memorandum to (1) “Cosan,” “Cosan S.A.,” the “Company,” “we,” “our,” “ours,” “us” or similar terms refer to Cosan S.A. Indústria e Comércio, together with its subsidiaries and jointly controlled entities; (2) “Cosan Luxembourg” or the “issuer” refer to our wholly-owned finance subsidiary, Cosan Luxembourg S.A., a public limited liability company (*société anonyme*) organized under the laws of Luxembourg, having its registered office at 13-15 Avenue de la Liberté, L-1931 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B 175.646; and (3) “Cosan Limited” refers to our parent company, Cosan Limited, a holding company organized under the laws of Bermuda, together with its subsidiaries.

The phrase “Brazilian government” refers to the federal government of the Federative Republic of Brazil, and the term “Central Bank” refers to the *Banco Central do Brasil*, or the Central Bank of Brazil. The term “Brazil” refers to the Federative Republic of Brazil.

We, having made all reasonable inquiries, confirm that the information contained in this offering memorandum with regard to us is true and accurate in all material respects, that the opinions and intentions expressed in this offering memorandum are honestly held, and that there are no other facts the omission of which would make this offering memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. We accept responsibility accordingly.

We have not authorized anyone to provide any information other than that contained in this offering memorandum prepared by or on behalf of us. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. You should assume that the information in this offering memorandum is accurate only as of the date on the front cover of this offering memorandum, regardless of time of delivery of this offering memorandum or any sale of our notes. Our business, financial condition, results of operations and prospects may change after the date on the front cover of this offering memorandum. Neither we nor the initial purchasers are making an offer to sell the notes in any jurisdiction where the offer or sale is not permitted.

We are relying on an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering. The notes offered are subject to restrictions on transferability and resale and may not be transferred or resold in the United States, except as permitted under the Securities Act and applicable U.S.

state securities laws pursuant to registration or exemption from them. By purchasing the notes, you will be deemed to have made the acknowledgements, representations, warranties and agreements described under the heading “Transfer Restrictions.” You should understand that you may be required to bear the financial risks of your investment in the notes for an indefinite period of time.

We have applied to admit the notes to listing on the Official List, and to trading on the Euro MTF Market of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange’s Euro MTF Market takes no responsibility for the contents of this offering memorandum, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering memorandum.

We have prepared this offering memorandum for use solely in connection with the proposed offering of the notes outside of Brazil.

Notwithstanding anything set forth herein or in any other document related to the notes, you and each of your employees, representatives or other agents may disclose to any and all persons, without limitation of any kind, the tax treatment and the tax structure of the transaction described herein and all materials of any kind, including any tax analyses that we have provided to you relating to such tax treatment and tax structure. However, the foregoing does not constitute an authorization to disclose the identity of the issuer or the initial purchaser or its affiliates, agents or advisors or, except to the extent relating to such tax structure or tax treatment, any specific pricing terms or commercial or financial information.

We have prepared this offering memorandum solely for use in connection with the proposed offering of the notes, and it may only be used for that purpose. We and the initial purchaser reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the notes offered by this offering memorandum.

We, having made all reasonable inquiries and having taken all reasonable care to ensure that such is the case, confirm that the information contained in this offering memorandum is true and accurate in all material respects. The opinions and intentions we express in this offering memorandum are honestly held, and there are no other facts, the omission of which would make this offering memorandum, as a whole, or any such information contained in this offering memorandum or the expression of any such opinions or intentions misleading. We accept responsibility accordingly. This offering memorandum summarizes certain documents and other information and we refer you to them for a more complete understanding of what we discuss in this offering memorandum. In making an investment decision, you must rely on your own examination of our company and the terms of this offering and the notes, including the merits and risks involved.

We are not making any representation to any purchaser of the notes regarding the legality of an investment in the notes under any investment law or similar laws or regulations. You should not consider any information in this offering memorandum to be advice whether legal, business, accounting or tax. You should consult your own attorney or other professional for any legal, business, accounting or tax advice regarding an investment in the notes.

The notes have not been and will not be issued or placed, distributed, offered or traded in the Brazilian capital markets. The issuance of the notes has not been nor will be registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or the CVM. Any public offering or distribution, as defined under Brazilian laws and regulations, of the notes in Brazil is not legal without prior registration under Law No. 6,385/76, as amended (*Lei do Mercado de Capitais*), or the Capital Markets Law, and Instruction No. 400, issued by the CVM on December 29, 2003, as amended. Documents relating to the offering of the notes, as well as information contained therein, may not be supplied to the public in Brazil (as the offering of the notes is not a public offering of securities in Brazil), nor be used in connection with any offer for subscription or sale of the notes to the public in Brazil. The notes will not be offered or sold in Brazil, except in circumstances which do not constitute a public offering, placement, distribution or negotiation of securities in the Brazilian capital markets regulated by Brazilian legislation. Persons wishing to offer or acquire the notes within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

Neither the SEC, nor any state securities’ commission has approved or disapproved of these securities or determined whether this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum and must obtain any consent, approval or permission required for your purchase, offer or sale of the notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. None of us, the initial purchaser, or its affiliates will have any responsibility therefor.

This offering memorandum has been prepared on the basis that all offers of the notes will be made pursuant to an exemption under Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU, to the extent implemented in the relevant Member State of the European Economic Area, or the EEA), or together with any applicable implementing measures in any Member State of the EEA, the Prospectus Directive, from the requirement to produce a prospectus for offers of the notes. Accordingly, any person making or intending to make any offer within the EEA of the notes should only do so under circumstances in which no obligation arises for the initial purchaser or us to produce a prospectus for that offer.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE IMPLIES THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATION OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Additional Information

While any notes remain outstanding, we will make available, upon request, to any holder and any prospective purchaser of notes the information required pursuant to Rule 144A(d)(4)(i) under the Securities Act, during any period in which we (1) are not subject to, and in compliance with, Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or (2) become exempt from such reporting requirements pursuant to, and comply with, Rule 12g3-2(b) of the Exchange Act (as amended from time to time and including any successor provision).

Application has been made to list the notes on the Official List, and to trading on the Euro MTF Market of the Luxembourg Stock Exchange. See “Listing and General Information.” We will comply with any undertakings that we give from time to time to the Luxembourg Stock Exchange in connection with the notes, and we will furnish to the Luxembourg Stock Exchange all such information required in connection with the listing of the notes.

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

All references in this offering memorandum to “*real*,” “*reais*” or the symbol “R\$” are to the legal currency of Brazil, the Brazilian *real*. All references to “dollar,” “U.S. dollars” or the symbol “U.S.\$” are to the legal currency of the United States, the U.S. dollar.

Solely for your convenience, we have translated certain amounts included in “Summary,” “Summary Financial and Other Information,” “Capitalization,” “Selected Financial and Other Information” and elsewhere in this offering memorandum from *reais* into U.S. dollars using the selling rate as reported by the Central Bank as of December 31, 2012 of R\$2.043 to U.S.\$1.00. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate as of that or any other date.

Financial Statements

Our audited consolidated financial statements at March 31, 2012, 2011 and 2010 and for each of the fiscal years ended March 31, 2012, 2011 and 2010 and our unaudited interim consolidated financial statements at December 31, 2012, and for the nine months ended December 31, 2012 and 2011 included in this offering memorandum are presented in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB.

The CVM mandated that IFRS as issued by the IASB should be used as the basis for consolidated financial statements of Brazilian public companies from fiscal years ending on December 31, 2010 and onward. We have presented our consolidated financial statements for the fiscal years ended March 31, 2012, 2011 and 2010, in accordance with IFRS as issued by the IASB and our transition date was April 1, 2009. Prior to this date, our consolidated financial statements were prepared in accordance with accounting practices adopted in Brazil, or Brazilian GAAP, for CVM purposes. Brazilian GAAP is based on the Brazilian Corporate Law No. 6,404 of December 15, 1976, as amended, and included the provisions of Law No. 11,638 dated December 28, 2007 and Law No. 11,941, dated May 27, 2009, the accounting standards orientations and interpretations issued by the Accounting Standards Committee (*Comitê de Pronunciamentos Contábeis*), or CPC, and approved by the Brazilian Federal Accounting Council (*Conselho Federal de Contabilidade*) and by the CVM, and the rules and regulations issued by the CVM.

On October 24, 2012, we sold our subsidiary Docelar Alimentos e Bebidas S.A., our segment Cosan Alimentos in the sugar retail business, and we have reported the results from operations from this segment as “discontinued operations” in our unaudited interim consolidated financial statements for the nine months ended December 31, 2012 and 2011. We have yet to retrospectively recast this discontinued operations presentation in our previously issued annual audited consolidated financial statements for the fiscal year ended March 31, 2012. However, we will be retrospectively presenting such segment as discontinued operations when we prepare our annual consolidated financial statements as of and for the fiscal year ended March 31, 2013. This discontinued operation segment represented 3.0% of our consolidated net revenue and 5.2% of our consolidated gross profit for the fiscal year ended March 31, 2012. Accordingly, the accompanying unaudited interim consolidated financial statements and the annual consolidated financial statements are not presented on a consistent basis in this regard.

On November 5, 2012, we concluded the acquisition of a 60.1% stake in Companhia de Gás de São Paulo – Comgás, or Comgás, pursuant to a stock purchase agreement. The unaudited *pro forma* condensed consolidated financial information included in this offering memorandum under the heading “Unaudited *Pro Forma* Condensed Consolidated Financial Information” reflects the effects of this acquisition on our financial information. The unaudited *pro forma* condensed consolidated financial information included in this offering memorandum for the fiscal year ended March 31, 2012 and for the nine months ended December 31, 2012, gives effect to the acquisition of Comgás as if it had taken place on April 1, 2011 and April 1, 2012, respectively. The unaudited *pro forma* condensed consolidated financial information for the fiscal year ended March 31, 2012 and for the nine months ended December 31, 2012 are not comparable to our historic financial information for the equivalent periods, as they give effect to the acquisition of Comgás for periods prior to its actual acquisition. See “Unaudited *Pro Forma* Condensed Consolidated Financial Information.”

On June 1, 2011, we and Shell Brazil Holdings B.V., or Shell, formed two joint ventures, or the Joint Venture, for a combined 50/50 investment, under the names Raízen Combustíveis S.A., or Raízen Combustíveis and Raízen Energia e Participações S.A. (currently Raízen Energia S.A.), or Raízen Energia, collectively referred to as Raízen. A third entity was established to assist with the management of the Joint Venture. On June 1, 2011, Cosan contributed its sugar and ethanol and its fuel distribution assets to the Joint Venture while Shell contributed its distribution assets in Brazil, its interests in second generation ethanol research and development entities (Iogen Corp. and Codexis, Inc.), its aviation fuel business in Brazil) and the license to use the Shell brand. Shell was also required to make a fixed cash contribution to the Joint Venture in the amount of R\$1.8 billion over a two-year period, of which the full amount had been contributed to the Joint Venture as of December 31, 2012. The sugar refining business, including the União retail brand, and lubricants distribution business along with the investment in Radar Propriedades Agrícolas S.A., or Radar, were not contributed to the Joint Venture. During the fiscal year ended March 31, 2011, the Joint Venture did not impact our consolidated financial statements except for the incurrence of certain costs and expenses related to its future formation. The accounting effects arising from the formation of Raízen Combustíveis and Raízen Energia included the recording of the underlying net assets of the Joint Venture's net assets at their estimated fair value, and recording a gain on the deconsolidation of the previous subsidiaries. Accordingly, our consolidated financial position, results of operations and cash flows for periods subsequent to the Joint Venture's formation are not necessarily comparable to pre-formation amounts. We do not present any *pro forma* condensed consolidated financial information in connection with the Joint Venture; however, as from June 1, 2011 the assets and results of the Joint Venture are reflected proportionally in our consolidated financial statements as described below. See "Risk Factors—We have not included in this offering memorandum, financial information regarding Shell or the fuel distribution assets of Shell that it contributed to the Joint Venture."

Our management evaluate the results of Raízen Energia and Raízen Combustíveis on the same basis as they are evaluated by the managers of Raízen, which is on a 100% basis before they are consolidated into our financial statements. Accordingly, unless the context requires otherwise, operational information pertaining to Raízen Energia and Raízen Combustíveis included in this offering memorandum pertains to 100% of the operations of the businesses. However, as from June 1, 2011 financial results of Raízen Energia and Raízen Combustíveis are proportionally consolidated at 50% in our consolidated financial statements, and the consolidated financial information presented in this offering memorandum considers 50% of the financial results of the joint venture companies, which we proportionally consolidate in our consolidated financial statements.

Expected Changes in Accounting Treatment of the Joint Venture Upon Adoption of IFRS 11

IFRS 11, "Joint Arrangements," will become effective for annual periods beginning on or after January 1, 2013 and eliminates the option to account for jointly controlled entities using proportional consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method on and after January 1, 2013. The application of this new standard will impact our consolidated financial statements, due to the change from proportionate consolidation to the equity accounting method for our investments in Raízen Energia and Raízen Combustíveis. The adoption of IFRS 11 will affect significantly the presentation of our consolidated financial statements, on a retrospective or prospective basis, and impact the comparability of our financial statements for future periods with our historical consolidated financial statements presented herein.

Rounding

We have made rounding adjustments to reach some of the figures included in this offering memorandum. As a result, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them.

Market Data

We obtained market and competitive position data, including market forecasts, used throughout this offering memorandum from market research, publicly available information and industry publications, as well as internal surveys. We include data from reports prepared by LMC International Ltd., the Central Bank of Brazil (*Banco Central do Brasil*), or the "Central Bank," Sugarcane Agroindustry Association of the state of São Paulo (*União da Agroindústria Canavieira de São Paulo*), or UNICA, Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or IBGE, the National Traffic Agency (*Departamento Nacional de Trânsito*), or DENATRAN, the Brazilian Association of Vehicle Manufacturers (*Associação Nacional dos Fabricantes de Veículos Automotores*), or ANFAVEA, Datagro Publicações Ltda., F.O. Licht, Czarnikow, Apoio e Vendas Procana

Comunicações Ltda., the São Paulo Stock, Commodities and Futures Exchange (*BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros*), or BM&FBOVESPA, the International Sugar Organization, the Brazilian National Economic and Social Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social*), or BNDES, the New York Board of Trade, or NYBOT, the New York Stock Exchange, the London Stock Exchange, the National Agency of Petroleum, Natural Gas and Biofuels (*ANP - Agência Nacional do Petróleo, Gás Natural e Biocombustíveis*), or ANP, and the National Union of Distributors of Fuels and Lubricants (*Sindicato Nacional das Empresas Distribuidoras de Combustíveis e Lubrificantes*), or Sindicom. We believe that all market data in this offering memorandum is reliable, accurate and complete.

Certain Terms Used in this Offering Memorandum

In this offering memorandum, we present information in gallons and liters. In addition, we also present information in tonnes. In this offering memorandum, references to “ton” or “tonne” refer to the metric tonne, which is equal to 1,000 kilograms.

All references in this offering memorandum to “TSR” are to total sugar recovered, which represents the total amount of sugar content in a given quantity of sugarcane.

Special Note Regarding Non-GAAP Financial Measures

From time to time, we may disclose so-called non-GAAP financial measures, primarily adjusted net debt, which consists of current and non-current debt, net of cash and cash equivalents, Brazilian Treasury bills, or CTNs, and derivative assets on debt, and adjusted EBITDA, or as defined by us as our consolidated net sales, *minus* our consolidated cost of sales and services, *minus* our consolidated general and administrative expenses and selling expenses *minus/plus* other recurring income (expenses), net (with individual items of U.S.\$50 million or less deemed recurring expenses and individual items in excess of such amount determined by us, in good faith, as recurring or non-recurring on an item-by-item basis), *minus/plus* equity income of associates, *plus* any depreciation or amortization included in any of the foregoing expenses. We use this definition of adjusted EBITDA to be consistent with the definition required for the calculation of financial ratios applicable under the notes. The non-GAAP financial measures described in this offering memorandum are not a substitute for the GAAP measures of earnings, for which our management has responsibility.

Our management believes that disclosure of adjusted EBITDA provides useful information to potential investors, financial analysts and the public in their review of our operating performance and their comparison of our operating performance to the operating performance of other companies in the same industry and other industries. However, adjusted EBITDA is not a measure under IFRS and should not be considered as a substitute for net income or loss, cash flow from operations or other measures of operating performance or liquidity determined in accordance with IFRS. Adjusted EBITDA is not intended to represent funds available for dividends or other discretionary uses by us because those funds are required for debt service, capital expenditures, working capital and other commitments and contingencies.

FORWARD-LOOKING STATEMENTS AND PROJECTIONS

This offering memorandum contains estimates and forward-looking statements, principally under “Risk Factors,” “Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Some of the matters discussed concerning our business and financial performance include estimates and forward-looking statements.

Our estimates and forward-looking statements are mainly based on our current expectations and estimates on projections of future events and trends, which affect or may affect our businesses and results of operations. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to several risks and uncertainties and are made in light of information currently available to us. Our estimates and forward-looking statements may be influenced by the following factors, among others:

- general economic, political, demographic and business conditions in Brazil and in the world and the cyclicity affecting our selling prices;
- the effects of the global financial and economic crisis in Brazil;
- our ability to implement our expansion strategy in other regions of Brazil and international markets through organic growth acquisitions or joint ventures;
- competitive developments in the natural gas, ethanol and sugar industries;
- our ability to implement our capital expenditure plan, including our ability to arrange financing when required and on reasonable terms;
- price of natural gas, ethanol and other fuels, as well as sugar;
- equipment failure and service interruptions;
- our ability to compete and conduct our businesses in the future;
- adverse weather conditions;
- changes in customer demand;
- changes in our businesses;
- our ability to successfully work together with our partners to operate our partnerships such as the Joint Venture and to integrate Comgás’ business into ours;
- contingent liabilities arising from our acquisition of Comgás;
- technological advances in the ethanol sector and advances in the development of alternatives to ethanol;
- government interventions and trade barriers, resulting in changes in the economy, taxes, rates, prices or regulatory environment including in relation to our regulated businesses such as Comgás;
- inflation, depreciation, valuation and devaluation of the Brazilian real;
- other factors that may affect our financial condition, liquidity and results of our operations; and
- other risk factors discussed under “Risk Factors.”

The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect” and similar words are intended to identify estimates and forward-looking statements. Estimates and forward-looking statements speak only as of the date they were made, and we undertake no obligation to update or to review any estimate and/or forward-looking statement because of new information, future events or other factors. Estimates and forward-looking statements involve risks and uncertainties and are not guarantees of future performance. Our future results

may differ materially from those expressed in these estimates and forward-looking statements. In light of the risks and uncertainties described above, the estimates and forward-looking statements discussed in this offering memorandum might not occur and our future results and our performance may differ materially from those expressed in these forward-looking statements due to but not limited to, the factors mentioned above. Because of these uncertainties, you should not make any investment decision based on these estimates and forward-looking statements.

SUMMARY

This summary highlights selected information about us and the notes that we are offering. It may not contain all of the information that may be important to you. Before investing in our notes, you should read this entire offering memorandum carefully for a more complete understanding of our business and this offering, including our financial statements and the notes to those financial statements and the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Overview

We are an integrated energy and infrastructure company and, when considered together with the Joint Venture, a Brazilian market leader in fuel distribution, sugar and ethanol production, natural gas distribution and logistics. Our main operations include: (1) the distribution of fuels in the Brazilian market through Raízen Combustíveis, our downstream Joint Venture company; (2) the production and sale of sugar and ethanol and the cogeneration of electricity from sugarcane bagasse through Raízen Energia, our upstream Joint Venture company; (3) piped natural gas distribution in the state of São Paulo through our recently acquired subsidiary Comgás; (4) the manufacturing and distribution of lubricants under the Mobil licensed trademark in Brazil, Bolivia, Uruguay and Paraguay, and in the European and Asian market under the Comma brand; (5) providing logistics services for the transportation of sugar, including truck and rail transportation, as well as port loading services through our subsidiary Rumo; and (6) the purchase, leasing and sale of agricultural land through our subsidiary Radar.

As of December 31, 2012, following the consummation of the Joint Venture with Shell and the acquisition of Comgás, we operated the following businesses:



(1) Total economic interest.

(2) Indirect controlling interest.

Key Financial Data

Below we present certain of our key financial data for each of the main businesses we operate (including the businesses forming part of the Joint Venture with Shell), individually and on an unaudited consolidated *pro forma* basis, giving effect to the acquisition of Comgás on November 5, 2012, as if such acquisition had taken place on April 1, 2012, for the nine months ended December 31, 2012. See “Unaudited *Pro Forma* Condensed Consolidated Financial Information” elsewhere in this offering memorandum for more information regarding how the *pro forma* information below was calculated and other relevant considerations.

Nine Months Ended December 31, 2012

	Raízen Combustíveis	Raízen Energia	Comgás (Pro forma)	Rumo	Radar	Other businesses	Consolidated (Pro forma) (1)
	Fuel Distribution	Sugar, Ethanol & Cogeneration	Natural Gas Distribution	Logistics Operations	Land development	Lubricants & Other	
Net sales	32,585.1	6,117.9	3,812.4	544.4	36.5	1,064.9	24,416.1
Gross profit	1,737.7	1,326.9	1,013.7	219.0	34.7	272.1	3,071.9
Adjusted EBITDA (2)	1,235.6	1,997.9	704.7	227.6	115.2	42.8	2,707.2
Adjusted EBITDA margin (3)	3.8%	32.7%	18.5%	41.8%	—	4.0%	11.1%

- (1) Includes adjustments and eliminations, including the elimination of 50% of Raízen.
- (2) We define adjusted EBITDA as our consolidated net sales, minus our consolidated cost of sales and services, minus our consolidated general and administrative expenses and selling expenses minus/plus other income, net plus any depreciation or amortization included in any of the foregoing expenses. For more information regarding adjusted EBITDA, see “Summary Financial and Other Information.”
- (3) Adjusted EBITDA margin is adjusted EBITDA divided by net sales, expressed as a percentage.

Our Operations

Joint Venture

On June 1, 2011, we formed our Joint Venture with Shell, one of the world’s largest oil and gas companies by market capitalization. We combined our sugar, ethanol and energy cogeneration businesses, forming Raízen Energia, and our fuel distribution business, forming Raízen Combustíveis. We also joined our interests in certain ethanol logistics facilities at the Port of Santos with Shell’s Brazilian fuel distribution business, its Brazilian aviation fuel business and its interest in Codexis, Inc. and Iogen Corp., which are involved in, among other things, the research and development of enzymes and the conversion of biomass into ethanol. In addition, Shell made a cash contribution of approximately R\$1.8 billion to the Joint Venture, which further strengthened our financial profile.

We did not contribute to the Joint Venture our lubricants manufacturing and marketing business, sugar logistics business, land prospecting and development business, our former sugar refining and retail brands and our right to conduct our own sugar trading business globally. Shell and its affiliates did not contribute to the Joint Venture their Brazilian oil and carbon-based exploration and production business, chemicals business, gas and power business, lubricants manufacturing and marketing business, trading business or the “Shell” brand (which has been licensed to the Joint Venture for use in its downstream business for ten years, including for retail use in Brazil).

Fuel Distribution (Raízen Combustíveis)

Through Raízen Combustíveis, we are Brazil’s third largest fuel distributor by volume, engaged in sourcing, storing, blending and distributing fuels such as gasoline, ethanol, diesel, fuel oil, and others, to industrial and wholesale clients through our retail network of approximately 4,700 Shell-branded stations, 54 airports, 750 convenience stores and 62 distribution terminals. In the twelve months ended December 31, 2012, we had an estimated 23.4% market share in Brazil in terms of volume of fuel sold, according to Sindicom.

Raízen Combustíveis recorded sales of fuels of R\$32.6 billion in the nine months ended December 31, 2012, R\$35.1 billion in the fiscal year ended March 31, 2012 and R\$11.0 billion in the fiscal year ended March 31, 2011.

Fuel Distribution Highlights	For the Nine months Ended December 31,	For Fiscal Year Ended March 31,	
	2012	2012	2011
Service stations (eop).....	4,700	4,600	1,710
Fuel sold (million liters)	16,656.3	18,526.3	6,076.9
Net sales (R\$ million) (1)	32,585.1	35,096.1	10,966.2

- (1) Represents 100% of Raízen Combustíveis’ net sales, which is proportionally consolidated at 50% in our consolidated financial statements.

Our retail station network is strategically concentrated in urban areas with high population density, enabling us to have a high throughput per station, particularly in the South and Southeast regions of Brazil, where our fuel sales represented a 23.4% market share in the twelve months ended December 31, 2012, according to Sindicom. The South and Southeast regions are the largest markets for fuel distribution in Brazil, accounting for 17% and 51% in the nine months ended December 31, 2011, respectively, of the Brazilian fuel market in terms of volume sold, according to Sindicom. In the nine months ended December 31, 2012, we sold a total of 16.7 billion liters through our retail network, with a volume mix of 34% gasoline, 44% diesel, 9% ethanol and 13% other fuels.

Sugar, Ethanol and Cogeneration (Raízen Energia)

Through Raízen Energia, we are the world's largest producer of sugar and ethanol from sugarcane, having sold 3.0 million tons of sugar in the nine months ended December 31, 2012, 4.0 million tons in the fiscal year ended March 31, 2012 and 4.3 million tons in the fiscal year ended March 31, 2011. Also, through Raízen Energia, we are the world's largest exporter of sugar, having exported 2.3, 2.4 and 3.1 million tons in the same periods, respectively. We are also the largest ethanol producer in Brazil and one of the largest exporters in the world, having sold 1.6 billion liters in the nine months ended December 31, 2012, 2.2 billion liters in the fiscal year ended March 31, 2012 and 2.2 billion liters in the fiscal year ended March 31, 2011, and exported 0.9 billion liters, 0.2 billion liters and 0.6 billion liters in the same periods, respectively.

Raízen Energia is the world's largest producer of energy from sugarcane. We currently have an installed energy capacity of 900 MW from our 24 plants, 13 of which delivered energy to the Brazilian energy grid in the nine months ended December 31, 2012. Furthermore, our cogeneration business generates a stable cash flow stream across commodity cycles, which helps offset the volatility of our sugar and ethanol cash flows and operations.

Sugar, Ethanol and Cogeneration Highlights	For the Nine months Ended December 31,	For Fiscal Year Ended March 31,	
	2012	2012	2011
Crushed sugarcane (million tons)	56.2	52.9	54.2
Sugar volume sold (thousand tons)	3,037.1	3,987.5	4,290.9
Ethanol volume sold (billion liters)	1,570.1	2,215.5	2,247.3
Cogeneration volume sold (GWh)	2,981.1	1,254.0	605.9
Sugar, ethanol and cogeneration, net sales (R\$ million) (1)	6,117.9	7,247.7	6,389.2

(1) Represents 100% of Raízen Energia's net sales, which is proportionally consolidated at 50% in our consolidated financial statements.

Our production is based on sugarcane, the most competitive and viable feedstock for sugar and ethanol because of its low production cost and high energy efficiency ratio relative to other energy sources, such as corn and sugar beet. We are the world's largest grower and processor of sugarcane, having crushed 56.2 million tons of sugarcane in the nine months ended December 31, 2012, approximately 50% of which was sourced from third-party suppliers.

As of December 31, 2012, we operated 24 mills, four sugar refineries, a port facility and numerous warehouses related to our sugar, ethanol and cogeneration operations. All of these facilities are located in the central-south region of Brazil, which is one of the world's most productive sugarcane regions primarily because of its favorable soil, topography and climate, nearby research and development organizations and infrastructure facilities. We have experienced significant growth in our sugar and ethanol operations both organically and through acquisitions, having expanded our sugarcane crushing capacity by approximately 162.1% from approximately 24.8 million tons in 2004 to approximately 65.0 million tons in 2012.

Natural Gas Distribution (Comgás)

On November 5, 2012, we acquired 60.1% of the share capital of Comgás for R\$3.4 billion. Comgás is the largest distributor of piped natural gas in Brazil, with a network reaching over nine thousand kilometers and delivering natural gas to more than one million residential, commercial and industrial consumers in over 70 cities. The Comgás concession area covers approximately 27% of Brazil's gross domestic product, including 177 municipalities in the metropolitan regions of São Paulo, Campinas and Santos as well as the Paraíba Valley. With

our acquisition of Comgás, we intend to strategically complement our business, while continuing to add value and reduce risk to our shareholders by generating a potentially more predictable cash flow. With our acquisition of Comgás, we expect to expand our range of products and services provided.

Comgás' customer base is strategically located around the metropolitan area of the city of São Paulo as well as the coastal cities including and surrounding Santos, allowing for easy transportation of natural gas to its end consumers from the *Bacia de Santos* where most of the distributed natural gas is extracted. In 2012, Comgás distributed 5.3 billion cubic meters of natural gas and its customer base surpassed 1 million customers. For further information regarding the acquisition of Comgás, see “—Recent Developments—Acquisition of Comgás.”

Comgás complies with industry standards set forth by Sanitation and Energy Regulatory Agency of the state of São Paulo (*Agência Regulatória de Saneamento e Energia do Estado de São Paulo*), or ARSESP, which is the regulatory body in charge of natural gas distribution concessions in the state of São Paulo, including the São Paulo and Campinas metropolitan areas and in Santos and the Paraíba Valley, where Comgás operates. The concession agreement for distribution in these areas has been in effect since Comgás was privatized in 1999 and will remain in effect for a term of 30 years with, subject to the fulfillment of certain conditions, an optional 20-year renewal.

Following the acquisition, we became the largest natural gas distributor in the country, with an approximate 25% market share in Brazil in terms of volume of gas sold in 2012, according to the Brazilian Natural Gas Distributors' Association (*Associação Brasileira das Empresas Distribuidoras de Gás Canalizado*), or ABEGAS. We believe the prospects for future availability of natural gas in Brazil are positive based on expected exploration of carbon deposits discovered in the pre-salt layer offshore of Brazil.

Comgás Highlights	For Fiscal Year Ended December 31,		
	2012	2011	2010
Natural gas sold/distributed (cubic meters)	5,258,631	4,834,746	4,909,460
Net sales (R\$ million).....	5,279.5	4,102.6	4,095.6

Lubricants and Specialties (CLE)

In 2008, we acquired ExxonMobil's assets in Brazil and began operating in the lubricants and specialties market under the Mobil brand. By the end of fiscal year ended March 31, 2012, we held a 15.2% market share and were the second largest player in the Brazilian lubricant market. On October 13, 2011, we acquired from ExxonMobil Lubricants Trading Company its lubricants distribution and sale assets in Bolivia, Paraguay and Uruguay, becoming the exclusive distributor of Mobil's products in those countries. The assets were transferred to Cosan Lubrificantes e Especialidades, or CLE on November 14, 2011.

In the nine months ended December 31, 2012, we sold a total of 214 million liters of lubricants and base oils. In the fiscal years ended March 31, 2012 and 2011, our lubricant operations sold a total of 216.7 million liters and 166.4 million liters of lubricants and base oils, respectively. We sell passenger vehicle lubricants, commercial vehicle lubricants and industrial lubricants under the Mobil brand, among others, which is licensed to us until 2018 by ExxonMobil. We sell our lubricant products through distributors directly to large- and medium-sized industrial customers. We capture significant synergies by selling through our distributors' network to the Brazilian retail service station network, to industrial and wholesale customer accounts and to car and motorcycle dealerships.

Our lubricant operations in Brazil consist of a wholly-owned lubricants oil blending plant, located in Ilha do Governador, in the state of Rio de Janeiro, with production capacity of 1.4 million barrels of lubricants per year, as well as special application products like grease and cutting fluids. We also have a pier facility at our lubricants oil blending plant in Rio de Janeiro that allows us to import base stocks. In addition to finished lubricants, we also sell base oils, which is one of the raw materials used in the blend of finished lubricants. The base oils we sell are imported from ExxonMobil Corporation (Groups I and II base oils) and S-Oil Corporation (Group III base oils).

In July 2012, we acquired Comma Oil & Chemicals Limited, or Comma, from Esso Petroleum Company, Limited. Comma, which is located in Kent, England, manufactures lubricants as well as seasonal and car care

products in the United Kingdom and other export markets in 40 countries in Europe and Asia, primarily under the Comma brand. The acquisition of Comma by us includes: (1) finished lubricant and chemical manufacturing and sales to third parties; (2) all assets located at Comma's Gravesend site in Kent, England; and (3) ownership of the Comma trademarks and brands. Additionally, agreements allow Comma to distribute select Mobil-brand lubricants into specific UK channels and manufacture and supply ExxonMobil companies with a range of seasonal and ancillary automotive products.

Lubricants and Specialties Highlights:	For the Nine Months Ended December 31,	For Fiscal Year Ended March 31,	
	2012	2012	2011
Volume of lubricants sold (thousand liters).....	214.0	216.7	166.4
Net sales (R\$ million).....	1,064.9	1,018.8	829.0

Logistics Operations (Rumo)

Our sugar logistics operations are operated through Rumo, which we believe offers an integrated and cost-competitive logistics solution to Raízen Energia and to other sugar producers located in the central-south region of Brazil by transporting sugar from the mill by truck and rail to be loaded and stored in our bulk port facility. Rumo also offers sugar warehousing services in the interior of the state of São Paulo, operating six transshipment terminals.

Logistics Operations Highlights:	For the Nine Months Ended December 31,	For Fiscal Year Ended March 31,	
	2012	2012	2011
Port elevation volume (thousand tons)	6,437.6	7,759.0	7,481.0
Net sales (R\$ million).....	544.4	572.0	448.0

Rumo is also the owner of a bulk port facility at the Port of Santos, which, on a combined basis, is the largest bulk port terminal in the world, with a current annual combined loading capacity of 14 million tons, having loaded 6.4 million tons in the nine months ended December 31, 2012, 7.8 million tons in the fiscal year ended March 31, 2012 and 7.5 million tons in the fiscal year ended March 31, 2011. We are currently investing in this port terminal to add an additional wharf to increase its capacity from the present capacity of 14 million tons to 18 million tons by 2015. After this expansion, we expect this port terminal will have the capacity to support 70% of the volume exported by the sugar producers located in the central-south region of Brazil.

In order to support its transit operations, on March 9, 2009, Rumo signed a long-term agreement with América Latina Logística S.A., or ALL, to provide for the transportation of raw sugar and other solid sugarcane derivatives and the expansion of ALL's rail transport capacity through an investment by Rumo of up to R\$1.3 billion in a rail transportation system to be operated by ALL, including rolling stock and permanent ways, modern locomotives and hopper railcars and trans-shipment warehouses. In return, ALL agreed to provide transport services, guaranteeing to Rumo (1) a minimum availability of transportation capacity per month during the sugar season starting in the fourth year, (2) competitive tariffs to sugar producers compared to truck transportation alternatives available to them, (3) project management in connection with the planned investments, and (4) payment of a tariff per ton of sugar transported for the investments undertaken by Rumo, limited to an agreed maximum.

To finance these capital expenditures, Rumo contracted for R\$986 million of long-term credit facilities from BNDES. In addition, on September 2, 2010, Rumo closed a private placement in which it raised R\$400.0 million in primary proceeds from Gávea Investimentos and TPG Capital in exchange for an aggregate 25.0% interest of the then issued and outstanding shares of Rumo. This equity capitalization, together with the financing contracted with BNDES, were sufficient to meet Rumo's investment plan.

In addition, in February 2012, we entered into a share purchase agreement with Riccardo Arduini, Julia Dora Koranyi Arduini and GMI – Global Market Investments L.P. to acquire their interest in ALL. Under the terms of

the agreement, we would acquire 38,980,117 shares of ALL (representing 5.7% of its total issued share capital), from which 34,000,000 (49.0% of the relevant shares) are part of a shareholders agreement by and between the selling shareholders and other shareholders. The total price for the acquisition is R\$896.5 million, adjusted by IPCA inflation index. The parties are currently pursuing the satisfaction of the aforementioned conditions precedent which include, among others, (1) approval from the other parties to the shareholders agreement, (2) other certain customary closing conditions; and (3) approval from the regulatory regime of the Brazilian antitrust regulator, or CADE. As of the date of this offering memorandum, the transaction has not closed and further negotiations are also still ongoing.

Agricultural Land Development (Radar)

Our agricultural land development operations are run through our strategic investment in Radar, a company focused on maximizing gains from agricultural real estate assets by leveraging our unique market intelligence to acquire rural properties with high expected appreciation potential for subsequent leasing or resale. Radar's current land portfolio consists of 107 thousand hectares (264 thousand acres) appraised by third-party independent appraisers to be worth R\$2.4 billion. Since its founding in 2008, Radar has invested R\$1.4 billion in land, which has been leased for sugarcane, soybean, corn and cotton farming. Radar currently has approximately 60% of its lands located in the state of São Paulo and the remaining 40% in the states of Goiás, Mato Grosso, Mato Grosso do Sul, Maranhão, Bahia and Piauí. Radar recorded R\$36.5 million in lease revenues in the nine month period ended December 31, 2012.

We currently hold a 37.7% interest in Radar, and we are entitled to subscribe to additional common shares in an amount of up to 20% of the shares we hold in Radar immediately before the exercise (subtracted of shares issued as a result of stock options granted by Radar). The subscription option is exercisable upon the occurrence of certain conditions and the option may be entirely or partially exercised by us, on a single occasion, until September 9, 2018. If executed, we would hold a total 48.3% of Radar's shares.

Competitive Strengths

We believe that, as a low-cost, large-scale producer with well-established integrated operations in the energy and infrastructure industries, we can capitalize on favorable trends, particularly in light of the following competitive strengths:

Integrated platform extracting synergies across the sugarcane value chain

We have a fully integrated platform from sugarcane plantation to sugar logistics and fuel distribution. We are engaged in both the agricultural and industrial aspects of sugar and ethanol production. We lease rural properties upon which we cultivate and harvest sugarcane, and we also purchase sugarcane from third parties with whom we have long-term supply contracts. Once harvested, we crush and refine the sugarcane in our mills to produce sugar and ethanol, and we generate electricity through cogeneration from sugarcane bagasse. We export and distribute our sugar and ethanol through our affiliates Rumo and Raízen Combustíveis, respectively, among others. We generate significant synergies from this integration:

- ***Fuel distribution:*** our fuel distribution terminals are strategically located near our mills, allowing us to significantly optimize our logistics network by using our mills as distribution terminals and vice versa. Additionally, as a fuel distributor we are able to (1) benefit from a more stable cash flow stream to help offset fluctuations in sugar and ethanol prices, and (2) capture potential margin gains from declines in ethanol prices during harvest periods, as ethanol price changes tend to be passed on to consumers gradually. Finally, our pier facility at the Port of Santos allows us to benefit from favorable market opportunities to import diesel and arbitrage raw material prices;
- ***Sugar, Ethanol and Cogeneration:*** as the world's largest grower of sugarcane and the third largest fuel distributor in Brazil, we benefit from our superior visibility on sugar and ethanol price formation, allowing us to better manage our decisions with respect to our sugar versus ethanol production mix and our inventory levels. Additionally, all of our mills are electric energy self-sufficient, reducing our dependence and exposure to energy prices and providing us an additional stream of generally stable cash flows;

- *Logistics Operations:* through Rumo, we service the logistical needs of sugar exporters in the central-south region of Brazil, which allows us to further enhance our market intelligence, maximize port utilization and optimize our logistical, distribution and storage activities, reducing our storage and transportation costs. Additionally, our sugar logistics business adds a second source of generally more stable cash flows; and
- *Land Development:* through Radar, we leverage our competitive advantage from access to this market intelligence to opportunistically earn revenues and benefit from potential capital appreciation from agricultural real estate.

Diversified portfolio of assets that offer increasingly stable and resilient cash flow streams

We have taken key strategic steps in recent years by vertically integrating our business and diversifying into activities with synergies that generally provide more stable cash flow streams as compared to sales of sugar and ethanol. In the nine months ended December 31, 2012, our generally less cyclical businesses (fuel distribution and natural gas distribution, lubricants, sugar logistics and energy cogeneration) collectively contributed approximately R\$1.6 billion in adjusted EBITDA or 70% of our consolidated *pro forma* adjusted EBITDA for the period, before intercompany eliminations and adjustments. We expect the contribution of these businesses to our consolidated results and cash flow origination to continue to grow as our investments mature further. We believe this diversification provides us with a unique competitive advantage, providing a generally more stable stream of cash flows when sugar or ethanol prices are depressed.

Leadership in the markets where we operate

We enjoy leading market positions in all of the markets in which we operate, including:

- *Fuel Distribution:* through Raízen Combustíveis, we are Brazil's third largest fuel distributor, with an estimated combined 23.4% market share in terms of combined volume sold by the operations contributed to the Joint Venture by Cosan and Shell in the twelve months ended December 31, 2012, according to Sindicom. For further information regarding the Joint Venture, see "— Joint Venture."
- *Sugar, Ethanol and Cogeneration:* through Raízen Energia, we are the largest grower and processor of sugarcane in the world, having crushed 56.2 million tons in the nine months ended December 31, 2012, approximately twice the volume crushed by our closest competitor. Through Raízen Energia, we are the largest sugar producer in Brazil and the third largest sugar producer in the world, having sold 3.0 million tons of sugar in the nine months ended December 31, 2012, and the largest exporter of sugar in the world, having exported 2.3 million tons in the same period. Also through Raízen Energia, with respect to ethanol, we are the largest producer in Brazil and one of the largest in the world, having sold 1,570.1 million liters of ethanol in the nine months ended December 31, 2012, and the largest exporter in the world, having exported 865.3 million liters of ethanol in the same period. Through Raízen Energia, we are also the world's largest producer of energy from sugarcane bagasse. As of December 31, 2012 we had a total installed energy capacity of 900 MW;
- *Natural Gas Distribution:* following our acquisition of Comgás, we supply natural gas to more than one million residences, businesses, vehicles and thermal electric plants operating in a concession area covering 177 municipalities in Brazil, with an aim to implement our expansion plan pursuant to which we hope to connect over 100,000 new consumers per year. For further information regarding our acquisition of Comgás, see "—Acquisition of Comgás;"
- *Lubricants:* we are the second largest lubricants manufacturer in Brazil by volume as of December 31, 2012, selling under the Mobil brand, among others, which is licensed to CLE until 2018 by ExxonMobil. CLE also distributes and sells Mobil brand products manufactured in Brazil and sold in Brazil, Bolivia, Paraguay and Uruguay. In July 2012, we acquired Comma, which produces and distributes lubricants in 40 countries throughout Europe and Asia;

- **Logistics Operations:** we own a bulk port facility at the Port of Santos, which on a combined basis constitutes the largest bulk port terminal in the world, with a current annual combined loading capacity of 14 million tons. Furthermore, Rumo has recently undertaken one of the largest capital expenditure projects in rail network expansion in Brazil, which enabled Rumo to become the world's largest sugar logistics company; and
- **Land Development:** we are one of the largest private landowners in Brazil, with a portfolio of approximately 107 thousand hectares (approximately 264 thousand acres) appraised by third-party independent appraisers to be worth R\$2.4 billion as of December 31, 2012.

Disciplined risk management, proven access to capital, and strong overall financial profile

Sugar prices, ethanol prices and fluctuations in exchange rates are the main market risks within our sugar and ethanol business. As such, we operate under strict risk management policies, which include a senior risk committee that meets on a weekly basis to discuss and monitor sugar prices, exchange rate exposures, our hedging positions, margin calls (cash at risk), counterparty risk and stress scenarios.

Additionally, we believe that we were one of the first sugar and ethanol producers in Brazil to have accessed the international debt capital markets, which we first did in 2004, and have since raised an aggregate principal amount of U.S.\$1.9 billion in debt capital, through six international debt offerings. Since 2004, we have also raised approximately U.S.\$2.0 billion in equity through the initial public offerings of Cosan S.A., our parent company Cosan Limited, a private placement of Cosan Limited shares, a private placement of Radar shares and a private placement of Rumo shares. We have also developed a long-term business relationship with BNDES, Brazil's national development bank, with whom we had total outstanding loans of R\$1,957.4 million as of December 31, 2012.

The result of subtracting the sum of our cash and cash equivalents, marketable securities and CTNs, from our current and non-current debt amounted to R\$9.0 billion as of December 31, 2012, or 2.6 times our *pro forma* adjusted EBITDA for the last twelve months, or LTM ended December 31, 2012.

Strong strategic business relationships

We have developed important strategic relationships over the years, including with Sucres et Denrées, or Sucden (one of the two largest sugar trading companies in the world). We have also developed strong business relationships with ExxonMobil, from which CLE licenses the Mobil brand for lubricants until 2018, and with some of our leading customers, such as Petrobras Distribuidora S.A. in the ethanol business and Sucden, Tate & Lyle International and Coimex Trading Ltd. in the sugar business. In addition, Cosan entered into a definitive agreement with Shell for the proposed creation of the Joint Venture. The transaction closed on June 1, 2011. For more information regarding the Joint Venture, see “—Joint Venture.”

Strategically located assets with significant geographic overlap

Our existing mills, port terminal, warehouses, fuel distribution facilities and rail network are strategically located in the central-south region of Brazil. Our operations also are in close proximity to our customers, sugarcane fields owned by us and growers and other transportation infrastructure:

- **Fuel distribution:** Raízen Combustíveis' distribution assets consist of 62 terminals – certain of which are owned by the Joint Venture, others by joint ventures operated by the Joint Venture, others by joint ventures operated by third-parties and other terminals in which the Joint Venture has throughput arrangements – strategically concentrated in the Southeast and South regions of Brazil near major fuel markets.
- **Sugar, Ethanol and Cogeneration:** of our 24 mills, 22 are located in the state of São Paulo operating in clusters due to their proximity. The state of São Paulo is one of the world's most productive sugarcane regions, primarily because of its favorable soil, topography and climate, nearby research and development organizations and infrastructure facilities. The average distance from the fields where our sugarcane is

harvested to our mills is approximately 25 kilometers (approximately 16 miles). The proximity of our milling facilities to the land on which our sugarcane is cultivated reduces our transportation costs and enables us to process the sugarcane within 48 hours of harvesting, thereby maximizing sucrose recovery;

- *Natural Gas Distribution:* We have recently acquired a 60.1% stake in Comgás, pursuant to which we became the largest natural gas distributor in Brazil, reaching over one million consumers in the state of São Paulo, all of which are easily accessible from the *Bacia de Santos*, from where most of our natural gas is extracted;
- *Lubricants:* we own a lubricants oil blending plant in Rio de Janeiro with a total blending annual capacity of 1.4 million barrels of lubricants, including capacity for 48,000 barrels of grease per year and a pier facility at such plant that allows us to import base oils; and
- *Logistics Operations:* Rumo's services follow the geographic footprint of ALL's rail network-9, which is concentrated in the central-south region of Brazil and the state of São Paulo in particular. We believe there are a total of 95 mills within a median radius of less than 160 kilometers from one of our transportation hubs and/or trans-shipment centers, and therefore, these mills are potential clients for our sugar transportation services. Additionally, our bulk port terminal in the city of Santos, which is located an average distance of 600 kilometers (approximately 370 miles) from our mills.

Experienced and professional management team

Our management team has considerable industry experience. In addition, unlike many of our domestic competitors in the sugar and ethanol industries, we have completed the shift from a family-operated business to a company managed by professionals with significant experience in the energy and infrastructure businesses. Our fuel distribution and, separately our lubricants business, are led by management teams with proven track records in the fuel distribution and lubricant markets, who previously worked for many years with the ExxonMobil group. Before the Joint Venture, our fuel distribution and lubricants business management team of 30 executives possessed an average of 20 years of experience in the industry. Following the conclusion of the Joint Venture, key executive officers from Shell's management team responsible for its Brazilian fuel and retail operations have joined the Joint Venture, further strengthening our management team. Furthermore, our logistics business is led by executives with extensive experience, including in the rail industry and the management team responsible for the Comgás operations has and a proven track record in the sector. See "—Joint Venture."

Our Strategy

Due to our Joint Venture with Shell and the recent acquisition of Comgás, we are focusing on achieving sustainable and profitable growth, further reducing our operating costs and building on our competitive strengths in order to expand our industry leadership. The principal components of our strategy are:

Fuel distribution (Raízen Combustíveis)

- *Invest selectively in dealer conversion.* Following our Joint Venture, we plan to continue investing in the conversion of non-branded stations to the Shell brand. We expect the majority of our new retail stations to be added in the Southeast region of Brazil, which has higher consumption of gasoline and ethanol and offers the potential for greater synergies with our logistics infrastructure; and
- *Continue to maximize operating efficiencies.* We will continue to focus on improving the efficiency of our operations in the fuel distribution business by focusing on three key areas: (1) exploring synergies among our businesses (2) maximizing the utilization of our retail stations and (3) exploring opportunities with and maximizing our convenience store business. We continuously monitor the profitability and use of each service station in our retail network and eliminate underperforming sites, particularly in regions we consider less strategic;

Sugar, Ethanol and Cogeneration (Raízen Energia)

- *Seek further productivity improvements and cost reductions.* We are enhancing our productivity through investments in the development of new varieties of sugarcane, more efficient agricultural, industrial and logistics processes, expanded satellite monitoring of sugarcane, increased mechanization of harvests, emphasis on employee training programs and improvements in information flows and internal control systems;
- *Strategic participation in the consolidation of the sugar and ethanol sector.* The Brazilian sugar and ethanol sector has been experiencing consolidation in recent years, however it still remains highly fragmented. We closely monitor acquisition opportunities in the sector and will consider selective acquisitions and partnerships that offer the right strategic fit for our operations through the Joint Venture;
- *Explore the cogeneration potential of our mills.* We currently have installed energy capacity of approximately 900 MW per year from 24 plants in 2012, of which approximately 13 mills sold its excess energy to the grid and on the spot market;
- *Participate in the development of second generation technologies for ethanol.* We plan to implement Shell's second generation ethanol technology, which we expect will result in enhanced yields from improved yeast in our ethanol operations. For further information regarding the Joint Venture, see "—Our Joint Venture;"
- *Take advantage of future ethanol export opportunities.* We expect to benefit from a growth of global ethanol exports that should arise from anticipated liberalizations of trade barriers that have traditionally limited our access to some major markets, as well as mandatory blending requirements to use ethanol as an additive to gasoline, through establishing new commercial and distribution partnerships with international industry players to expand and diversify our client base;
- *Focus on environmental and social awareness.* We are committed to acting as an environmentally and socially conscious company. We continue to invest in the mechanization of our harvests, which is not only cost-efficient, but also reduces our emission levels and decreases the burning of sugarcane fields for manual harvesting. We continue to improve and develop new training programs for our employees, as well as programs to reduce workforce accidents. We continuously seek to implement environmental best practices, benchmark technologies and clean operations to sustain our best-in-class results and strengthen our relationships and cooperation with relevant environmental authorities and agencies.

Natural Gas Distribution (Comgás)

- *Maintain leading position in natural gas distribution:* We plan to maintain our leading position in the distribution of natural gas in Brazil and our standards of safety and innovation, which have been successful in the past. One of our main goals is to expand operations particularly in the residential market, where growth over the last three years has enabled Comgás to connect more than 100,000 new customers annually;
- *Expand natural gas penetration:* Comgás works to provide universal access to natural gas in the different areas it serves. We will comply with commitments assumed with the regulatory agency, ARSESP and even surpass them where possible. In 2009, Comgás established a goal to have 5,000 new kilometers of pipeline and to renovate an additional 282 kilometers by 2014. Comgás also has a goal to have 500,000 new customers connected from 2009 through 2014, which is 200,000 above the number stipulated by the relevant regulator; and
- *Maximize opportunities within current concession area:* Comgás develops extensive field research to pick the best opportunities considering distance from the network, population density, socioeconomic profile, and propensity to consume in the cities of its concession area. The study includes perspectives for economic development in these localities and their potential for integrating different market segments. On

this basis, we hope to capture all business opportunities (industrial, compressed natural gas, commercial and residential) in the each region.

Lubricants and Specialties (CLE)

- *Focus on higher margin products.* We aim to focus on premium products, such as synthetic lubricants. We plan to continue improving our product mix and margins by increasing our focus on premium high margin products. We plan to continue investing in marketing, training our employees and exclusive distributors, developing new innovative products and delivering superior services. For further information regarding our strategies in Europe and Asia, see “—Overview—Lubricants and Specialties.”

Logistics (Rumo)

- *Invest in our railroad operations.* We have already invested approximately R\$1.0 billion (out of our R\$1.3 billion commitment) in rolling stock, permanent ways and trans-shipment warehouses. We plan to use rail to transport the majority of the sugar produced in the central-south region of Brazil to our facility at the Port of Santos, which we expect will significantly decrease our transportation costs;
- *Integrate our port terminal.* We have integrated our port facility at the Port of Santos, creating the world’s largest bulk port terminal. After this integration and completion of the construction of a wharf covering the terminal, we expect our total annual loading capacity to increase from 14 million tons to 18 million tons; and
- *Monitor opportunities from future concessions.* We seek opportunities under the new regulatory framework such as user rights, right of way and transport targets, which are being established by the new rail regulatory model, recently announced by the Brazilian government.

Recent Developments

Acquisition of Comgás

On November 5, 2012, we acquired 60.1% of the share capital of Comgás. We financed the acquisition in part by debentures we issued to Itaú BBA and Bradesco totaling R\$3.3 billion, issued in two series, the first series has a six-year term counting from the date of issuance, with final maturity on October 1, 2018, while the second series has an eight-year term counting from the date of issuance and will mature on October 1, 2020. We entered into a shareholders’ agreement with the other shareholders of Comgás, effective as of November 5, 2012. The principal shareholders of Comgás alongside us are Integral Investments BV and Shell Brazil Holding BV, subsidiaries of Shell Gas BV of the Shell Group, whose direct and indirect interest in Comgás corresponds to 18.2%, has been granted an option to convert its current stake of 21,805,645 Comgás common shares into 30,917,231 of Cosan S.A. shares. The exercise of this option may occur during a period of approximately 30 days at the third, fourth or fifth year from the date of closing.

Comgás is Brazil’s largest distributor of piped natural gas. Its network reaches over nine thousand kilometers delivering natural gas to more than one million customers in the residential, commercial and industrial sectors in the state of São Paulo. Comgás’ concessions cover areas that account for approximately 27% of Brazil’s gross domestic product, covering 177 municipalities in the metropolitan regions of São Paulo, Campinas and Santos as well as the Paraíba Valley. As a public service provider, Comgás is subject to regulation by ARSESP, which granted Comgás a 30-year concession, beginning in May 1999, to provide public services, with the possibility of renewal for an additional 20 years.

Comgás conducted an initial public offering in 1996 and its shares have been listed on the BM&FBOVESPA since 1997. In April 1999, the shareholders of Comgás held a tender offer to repurchase all remaining publicly-held shares for R\$1.65 billion. Following the tender offer, the main shareholders of Comgás were BG Group and Shell Group.

With our acquisition of Comgás, we intend to strategically complement our business, while continuing to add value and reduce risk to our shareholders, by generating more predictable cash flows. We expect to expand our range of products and services provided, having already become the largest distributor of natural gas in Brazil. We distribute natural gas to residential, commercial and industrial consumers as well as to vehicles and thermal electric plants. Comgás' customer base is strategically located around the metropolitan area of the city of São Paulo as well as the coastal cities including and surrounding Santos, which allows for easy transportation of natural gas.

On November 30, 2011, we filed a registration request with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or CVM, for a mandatory tag along tender offer to acquire the minority voting shares of Comgás, in compliance with Brazilian law. The tender offer request is under analysis by the CVM. We are unable to estimate the expected investment in connection with the completion of any such offer as it will depend on the final approved price and the level of shareholder acceptance.

Sale of Sugar Retail Business (Docelar Alimentos e Bebidas S.A.)

On October 24, 2012, we and our subsidiary Handson Participações S.A., or Handson, entered into a purchase and sale agreement with Camil Alimentos S.A., or Camil for the sale of our subsidiary Docelar Alimentos e Bebidas S.A. to Camil, for R\$463.8 million. As consideration for this amount, at the closing of the transaction Camil assumed indebtedness of R\$170.0 million and paid cash of R\$88.7 million. The remaining R\$205.0 million will be settled in four payments. The sale was approved by the Brazilian antitrust authority (*Conselho Administrativo de Defesa Econômica*), or CADE, on July 19, 2012. The outstanding payments are secured by a trust receipt on our behalf of 28,246,685 shares of Camil, corresponding to 25% of its capital stock. In addition, pursuant to the agreement, we and our affiliates cannot engage in any business competing with Camil and Docelar during five years from the date of the agreement.

Potential Simplification of Corporate Structure

On February 27, 2013, Cosan and Cosan Limited announced that their management is currently analyzing and studying possible alternatives to streamline the corporate structure of the Cosan Group through the potential delisting of one of the publicly-listed companies. The companies expect to make a determination as to a proposed structure this year and will inform the market as soon as a decision is reached.

Offering of Notes due 2018

Concurrently with this offering, the issuer is also offering to sell R\$500 million aggregate principal amount of senior notes due 2018, or the 2018 BRL notes. We will provide an unconditional guaranty of the 2018 BRL notes. We expect to receive the proceeds from the 2018 BRL notes through an intercompany transaction with the issuer. We intend to use the net proceeds from the offering of the 2018 BRL notes to prepay a portion our indebtedness incurred in the form of debentures issued to Banco Bradesco S.A., the controlling shareholder of Banco Bradesco BBI S.A., an initial purchaser in this offering and the offering of the 2018 BRL notes, and Banco Itaú BBA S.A., an affiliate of Itaú BBA U.S.A Securities, Inc., an initial purchaser in this offering and the offering of the 2018 BRL notes, in the aggregate principal amount of R\$3.3 billion. This loan bears interest at 123% of the CDI index per annum, with interest payable semi-annually and principal payable from August 2014 through October 2020.

The Issuer

Cosan Luxembourg S.A., a wholly-owned subsidiary of Cosan S.A. Indústria e Comércio, is a public limited liability company incorporated under the laws of Luxembourg on February 28, 2013. The articles of association of Cosan Luxembourg S.A. have never been amended. Its registered office is at 13-15 Avenue de la Liberté, L-1931 Luxembourg, Grand Duchy of Luxembourg, Luxembourg. See "The Issuer."

SUMMARY OF THE OFFERING

This summary highlights information presented in greater detail elsewhere in this offering memorandum. This summary is not complete and does not contain all the information you should consider before investing in the notes. You should carefully read this entire offering memorandum before investing in the notes, including “Risk Factors” and our financial statements.

Issuer	Cosan Luxembourg S.A., a public limited liability company (<i>société anonyme</i>), organized under the laws of Luxembourg, having its registered office at 13-15 Avenue de la Liberté, L-1931 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B 175.646.
Guarantor	Cosan S.A. Indústria e Comércio
Notes offered	U.S.\$500 million aggregate principal amount of 5.00% senior notes due 2023.
Issue price	98.839%.
Issue date	March 14, 2013.
Maturity date.....	March 14, 2023.
Interest	The notes will bear interest from March 14, 2013 at the annual rate of 5.00%, payable semi-annually in arrears on each interest payment date.
Interest payment dates	March 14 and September 14 of each year, commencing on September 14, 2013.
Ranking.....	The notes will be guaranteed on an unsecured basis by Cosan. The guarantee will rank equally in right of payment with issuer’s other unsecured indebtedness and guarantees. The guarantee obligations in respect of the notes will be effectively junior to issuer’s secured indebtedness and liabilities of issuer’s subsidiaries. Under Brazilian law, holders of the notes will not have any claim whatsoever against our non-guarantor subsidiaries.
Guaranty	Cosan will unconditionally and irrevocably guarantee, on an unsecured basis, all of issuer’s obligations pursuant to the notes.
Optional redemption with a make-whole premium	Prior to March 14, 2018, we may, at our option, redeem all of the notes at any time or part of the notes from time to time, at a redemption price equal to 100% of the principal amount of the notes plus the applicable premium, as described in this offering memorandum, accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date (subject to the right of holders of the notes on the relevant record

date to receive interest due on the relevant interest payment date). In case of any partial redemption of notes pursuant to this provision, at least U.S.\$100 million in aggregate principal amount of the notes shall remain outstanding (not including any notes held by us or our affiliates).

Optional redemption without a make-whole premium	On and after March 14, 2018 , we may, at our option, redeem all of the notes at any time or part of the notes from time to time, at the redemption prices described in this offering memorandum (expressed as a percentage of principal amount), plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date (subject to the right of holders of the notes on the relevant record date to receive interest due on the relevant interest payment date). In case of any partial redemption of notes pursuant to this provision, at least U.S.\$100 million in aggregate principal amount of the notes shall remain outstanding (not including any notes held by us or our affiliates).
Optional redemption upon eligible equity offering.....	At any time prior to March 14, 2016, we may, at our option, on one or more occasions redeem notes in an aggregate principal amount not to exceed 35% of the aggregate principal amount of the outstanding notes (including any additional notes), at a redemption price (expressed as a percentage of principal amount) of 105.00%, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date, with the net cash proceeds from one or more eligible equity offerings.
Tax redemption.....	The notes may, at the option of issuer be redeemed, in whole but not in part, at 100% of their principal amount plus accrued interest and additional amounts, if any, on any interest payment date on or after or at any time upon the occurrence of specified events relating to Luxembourg or Brazilian tax law, as set forth in this offering memorandum. See “Description of Notes— Redemption for Taxation Reasons.”
Additional amounts.....	Payments of interest on the notes will be made after withholding and deduction for any Luxembourg or Brazilian taxes as set forth under “Taxation.” The issuer, or Cosan in the case of payments made by Cosan, will pay such additional amounts as will result in receipt by the holders of notes of such amounts as would have been received by them had no such withholding or deduction for Luxembourg Brazilian taxes been required, subject to certain exceptions set forth under “Description of Notes—Payment of Additional Amounts.”

Covenants	The indenture governing the notes will contain covenants that, among other things, will limit the ability of the issuer and any restricted subsidiaries to: • pay dividends on, redeem or repurchase capital stock; • incur additional indebtedness; • sell assets; • create certain liens; • enter into sale and leaseback transactions; • engage in transactions with affiliates; and • consolidate, merge, transfer or lease all or substantially all of our assets. In addition, the issuer is subject to additional restrictive covenants pursuant to the indenture. These covenants are subject to important exceptions and qualifications that are described under the heading “Description of Notes—Restrictive Covenants” in this offering memorandum.
Change of control offer	Upon the occurrence of a change of control that results in a ratings decline, you will have the right, as a holder of the notes, subject to certain exceptions, to require issuer to repurchase some or all of your notes at 101% of their principal amount, plus accrued and unpaid interest, if any, on the repurchase date. See “Description of Notes—Repurchase of Notes upon a Change of Control.”
Events of default	For a discussion of certain events of default that will permit acceleration of the principal of the notes plus accrued interest, see “Description of Notes—Events of Default.”
Further issuances	Issuer may from time to time without notice to or consent of the holders of notes create and issue an unlimited principal amount of additional notes of the same series as the notes initially issued in this offering.
Use of proceeds.....	We expect to receive the proceeds from the notes through an intercompany transaction with the issuer. We intend to use the net proceeds from the offering to prepay a portion our indebtedness incurred in the form of debentures issued to Banco Bradesco S.A., the controlling shareholder of Banco Bradesco BBI S.A., an initial purchaser in this offering, and Banco Itaú BBA S.A., an affiliate of Itaú BBA U.S.A Securities, Inc., an initial purchaser in this offering, which are being repaid in part with proceeds of this offering, in the aggregate principal amount of R\$3.3 billion. This loan bears interest at 123% of the CDI index

	per annum, with interest payable semi-annually and principal payable from August 2014 through October 2020.
Form and denomination; settlement.....	Any notes sold outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act will be in fully registered form without interest coupons attached, only in denominations of U.S.\$200,000 and in integral multiples of U.S.\$1,000 in excess thereof. Any notes sold pursuant to Rule 144A under the Securities Act will be issued in fully registered form in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. The notes will be issued in book-entry form through the facilities of DTC, for the accounts of its participants, including indirectly Euroclear Bank S.A./N.V., as the operator of the Euroclear System, and Clearstream Banking, <i>société anonyme</i>, and will trade in DTC's same-day funds settlement system. Beneficial interests in notes held in book-entry form will not be entitled to receive physical delivery of certificated notes, except in certain limited circumstances. For a description of certain factors relating to clearance and settlement, see "Description of Notes."
Transfer restrictions	The notes have not been registered under the Securities Act and are subject to certain restrictions on transfer, see "Transfer Restrictions."
Luxembourg listing and trading.....	We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF Market. Issuer will at all times use its reasonable efforts to maintain the listing of the notes on the Euro MTF Market of the Luxembourg Stock Exchange. If the notes are delisted, issuer will use reasonable efforts to list the notes in another comparable exchange. However, there can be no assurance that issuer will obtain an alternative admission to listing, trading and/or quotation for the notes by another listing authority, exchange and/or system within or outside the European Union.
Ratings	The notes have been assigned a rating of "BB+" by Fitch Ratings Inc., or Fitch, a rating of "BB" by Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., or S&P and a rating of "Ba2" by Moody's Investor Services, Inc., or Moody's. These ratings are not a recommendation to purchase, hold or sell notes, and they do not comment as to market price or suitability for a particular investor. These ratings are based upon current information furnished to Fitch, S&P and Moody's by the issuer and information obtained by Fitch, S&P and Moody's from other sources. These ratings may be changed, superseded or withdrawn as a

	result of changes in, or unavailability of, such information.
Governing law	The indenture and the notes will be governed by the laws of the State of New York. The provisions of articles 86 to 94-8 of the Luxembourg law of August 10, 1915, as amended, on commercial companies are excluded.
Trustee, principal paying agent, transfer agent and registrar	Deutsche Bank Trust Company Americas
Luxembourg listing agent	Deutsche Bank Luxembourg S.A.
Principal paying agent	Deutsche Bank Trust Company Americas
Selling restrictions	There are restrictions on persons to whom notes can be sold, and on the distribution of this offering memorandum, as described in “Plan of Distribution.”
Risk Factors	You should carefully consider all of the information contained in this offering memorandum prior to investing in the notes. In particular, we urge you to carefully consider the information set forth under “Risk Factors” for a discussion of risks and uncertainties relating to us, our subsidiaries, our business, our shareholders and an investment in the notes.

SUMMARY FINANCIAL AND OTHER INFORMATION

Summary of Financial and Operating Data

The following tables present a summary of our historical financial and operating data derived from our audited consolidated financial statements as of and for the fiscal years ended March 31, 2012, 2011 and 2010 and our unaudited interim consolidated financial statements as of December 31, 2012 and for the nine-month periods ended December 31, 2012 and 2011, included elsewhere in this offering memorandum.

The interim consolidated financial statements as of December 31, 2012 and for the nine months ended December 31, 2012 and 2011 are unaudited. However, according to our management, such interim consolidated financial information includes all relevant information necessary for a fair presentation of the results of the interim periods. The results of operations for the nine months ended December 31, 2012 are not necessarily indicative of the results to be expected for the year ending March 31, 2013.

You should read and analyze the information below in conjunction with our financial statements and related notes included elsewhere in this offering memorandum, as well as the section “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Income Statement Data	Nine-Month Period Ended December 31,			Year Ended March 31,			
	(in U.S.\$ millions)	(in R\$ millions)		(in U.S.\$ millions)	(in R\$ millions)		
	2012(1)	2012	2011	2012(1)	2012	2011	2010
Net sales.....	10,550.7	21,555.0	17,795.8	11,794.9	24,096.9	18,063.5	15,336.1
Cost of sales and services	(9,423.2)	(19,251.5)	(15,918.5)	(10,506.6)	(21,465.0)	(15,150.1)	(13,271.3)
Gross profit.....	1,127.5	2,303.5	1,877.3	1,288.3	2,631.9	2,913.4	2,064.8
Selling expenses.....	(422.2)	(862.6)	(797.2)	(556.2)	(1,136.3)	(1,026.0)	(862.7)
General and administrative expenses.....	(281.4)	(574.9)	(429.7)	(314.2)	(641.9)	(541.0)	(496.3)
Gain on tax recovery program	—	—	—	—	—	—	270.3
Gain on the de-recognition of subsidiaries to form the Joint Venture	—	—	3,297.0	1,564.7	3,196.7	—	—
Other income (expenses), net.....	99.7	203.6	54.8	71.2	145.5	(33.8)	37.5
Operations income (expenses)	(604.0)	(1,233.9)	2,124.8	765.5	1,564.0	(1,600.8)	(1,051.2)
Income before financial results, equity income of associates and income taxes	523.5	1,069.6	4,002.1	2,053.8	4,195.9	1,312.6	1,013.6
Equity income of associates.....	31.8	65.0	0.6	16.3	33.3	25.2	4.2
Financial results, net	(214.0)	(437.2)	(453.7)	(232.1)	(474.1)	(146.7)	455.2
Income before income taxes	341.4	697.4	3,549.0	1,838.0	3,755.1	1,191.1	1,473.0
Income taxes:							
Current.....	(102.2)	(208.8)	(96.9)	(72.2)	(147.4)	(85.4)	(78.4)
Deferred	59.1	120.8	(1,013.2)	(471.2)	(962.7)	(329.1)	(344.9)
Net income for the year from continuing operations.....	298.3	609.4	2,438.8	1,294.7	2,645.0	776.6	1,049.7
Net income for the year from discontinued operations	69.7	142.3	57.2	—	—	—	—
Net income for the year attributable to non-controlling interests.....	(70.0)	(143.1)	(39.7)	(19.1)	(39.0)	(4.9)	4.1
Net income for the year attributable to our owners of the Company.....	297.9	608.6	2,456.3	1,275.6	2,606.0	771.6	1,053.8

- (1) Solely for the convenience of the reader, we have translated certain amounts included in this offering memorandum from *reais* into U.S. dollars using the exchange rates as of December 31, 2012 of R\$2.043 to U.S.\$1.00, as reported by the Central Bank. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.

Statement of Financial Position Data

	As of December 31,		As of March 31,			
	(in U.S.\$ millions)	(in R\$ millions)	(in U.S.\$ millions)	(in R\$ millions)		
	2012(1)	2012	2012(1)	2012	2011	2010
Cash and cash equivalents	1,137.8	2,324.6	791.1	1,616.2	1,254.1	1,078.4
Inventories	835.3	1,706.6	366.2	748.1	670.3	612.7
Biological assets	465.3	950.6	473.8	968.0	1,561.1	963.2
Property, plant and equipment	3,434.4	7,016.5	3,850.7	7,866.9	7,980.5	6,114.5
Intangible assets	6,830.7	13,955.1	2,414.2	4,932.2	3,445.7	3,381.5
Total assets	17,062.6	34,858.8	10,829.2	22,124.1	18,146.3	15,934.9
Current liabilities	2,180.2	4,454.1	1,017.1	2,077.9	2,457.4	2,113.6
Non-current						
Long-term debt	4,832.1	9,871.9	2,191.3	4,476.9	6,274.9	5,136.5
Legal proceedings	555.0	1,133.9	514.8	1,051.7	666.3	612.0
Equity attributable to owners of the Company	4,763.4	9,731.6	4,479.6	9,151.8	6,458.9	5,919.1
Equity attributable to non-controlling interests	1,826.4	3,731.4	227.4	464.6	325.5	63.1
Total equity	6,589.8	13,463.0	4,707.0	9,616.4	6,784.4	5,982.2

- (1) Solely for the convenience of the reader, we have translated certain amounts included in this offering memorandum from *reais* into U.S. dollars using the exchange rates as of December 31, 2012 of R\$2.043 to U.S.\$1.00, as reported by the Central Bank. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.

Other Financial Data	As of and for the Nine-Month Period Ended December 31,		As of and for the Year Ended March 31,			
	(in U.S.\$ millions)	(in R\$ millions, except where otherwise indicated)	(in U.S.\$ millions)	(in R\$ millions, except where otherwise indicated)		
	2012(1)	2012	2012(1)	2012	2011	2010
Depreciation and amortization	534.9	1,092.7	559.4	1,142.8	1,359.0	1,127.9
Adjusted net debt (2)	4,406.8	9,003.1	1,590.0	3,248.4	5,679.7	4,647.5
Working capital (3)	1,278.3	2,611.5	1,290.8	2,637.2	1,004.9	1,251.2
Cash flow provided by (used in):						
Operating activities	543.7	1,110.7	960.1	1,961.5	2,337.1	2,131.4
Investing activities	(1,860.5)	(3,801.0)	(1,097.8)	(2,242.8)	(3,145.7)	(2,389.5)
Financing activities	1,663.5	3,398.6	314.9	643.4	984.3	617.1
Earnings per share from continuing operations (basic)	0.74	1.515	3.15	6.430	1.900	2.810
Earnings per share from continuing operations (diluted)	0.73	1.496	3.10	6.340	1.900	2.720
Number of shares outstanding		407,214,353		407,214,353	407,214,353	406,560,317
Dividends paid		565,207		192,661	193,095	—
Dividends paid per share (<i>reais</i>)		0.001388		0.000473	0.000474	—
Adjusted EBITDA(4)	1,090.3	2,227.2	1,064.8	2,175.3	2,696.8	1,875.4
Adjusted EBITDA margin	10.3%	10.3%	9.2%	9.0%	14.9%	12.2%
Annualized adjusted EBITDA (5)	1,696.8	3,466.5	1,064.8	2,175.3	2,696.8	1,875.4
Adjusted net debt/Annualized adjusted EBITDA(6)	2.6	2.6	1.5	1.5	2.1	2.5

- (1) Solely for the convenience of the reader, we have translated certain amounts included in this offering memorandum from *reais* into U.S. dollars using the exchange rates as of December 31, 2012 of R\$2.043 to U.S.\$1.00, as reported by the Central Bank. The U.S. dollar

equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.

- (2) Adjusted net debt consists of current and non-current debt, net of cash and cash equivalents, CTNs and derivative assets on debt. Adjusted net debt is a non-GAAP measure. We use this definition of adjusted net debt to be consistent with the definition required for the calculation of financial ratios applicable under the notes. The following table sets forth a reconciliation of adjusted net debt to current debt:

Reconciliation of Total Debt to Adjusted Net Debt	As of December 31,		As of March 31,			
	(in U.S.\$ millions)	(in R\$ millions)	(in U.S.\$ millions)	(in R\$ millions)		
	2012(a)	2012	2012(a)	2012	2011	2010
Current debt.....	876.0	1,789.6	262.9	537.1	916.4	795.0
Non-current debt.....	4,832.1	9,871.9	2,191.3	4,476.9	6,274.9	5,136.6
Total debt.....	5,708.0	11,661.5	2,454.2	5,014.0	7,191.3	5,931.6
Cash and cash equivalents	(1,137.8)	(2,324.6)	(791.1)	(1,616.2)	(1,254.1)	(1,078.4)
CTN (b)	(85.1)	(173.8)	(73.1)	(149.4)	(257.5)	(205.7)
Derivative assets on debt	(78.3)	(160.0)	—	—	—	—
Adjusted net debt.....	4,406.8	9,003.1	1,590.0	3,248.4	5,679.7	4,647.5

- (a) Solely for the convenience of the reader, we have translated certain amounts included in this offering memorandum from *reais* into U.S. dollars using the exchange rates as of December 31, 2012 of R\$2.043 to U.S.\$1.00, as reported by the Central Bank. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.
- (b) CTNs are bonds issued by the Brazilian National Treasury under the Special Program for Agricultural Securitization (*Programa Especial de Saneamento de Ativos*), or PESA, with original maturities of 20 years to April 2023. We hold these CTNs in connection with our long-term PESA debt and the value of these CTNs at maturity is expected to be equal to our long-term PESA debt. See note 5 to our audited consolidated financial statements as of and for the fiscal years ended March 31, 2012 and 2011 and note 17 to our unaudited interim consolidated financial statements as of December 31, 2012 and for the nine-month periods ended December 31, 2012 and 2011, included elsewhere in this offering memorandum.
- (3) Working capital consists of total current assets less total current liabilities.
- (4) We define adjusted EBITDA as our consolidated net sales, *minus* our consolidated cost of sales and services, *minus* our consolidated general and administrative expenses and selling expenses *minus/plus* other recurring income (expenses), net (with individual items of U.S.\$50 million or less deemed recurring expenses and individual items in excess of such amount determined by us, in good faith, as recurring or non-recurring on an item-by-item basis), *minus/plus* equity income of associates, *plus* any depreciation or amortization included in any of the foregoing expenses. We use this definition of adjusted EBITDA to be consistent with the definition required for the calculation of financial ratios applicable under the notes. The table below sets forth a reconciliation of our consolidated net sales to adjusted EBITDA and adjusted EBITDA margin.

Reconciliation of Net Sales to Adjusted EBITDA	Nine-Month Period Ended December 31,			Year Ended March 31,			
	(in U.S.\$ millions)	(in R\$ millions)		(in U.S.\$ millions)	(in R\$ millions)		
	2012(a)	2012	2011	2012(a)	2012	2011	2010
Net sales	10,550.7	21,555.0	17,795.8	11,794.9	24,096.9	18,063.5	15,336.1
Cost of sales and services	(9,423.2)	(19,251.5)	(15,918.5)	(10,506.6)	(21,465.0)	(15,150.1)	(13,271.3)
General and administrative expenses	(281.4)	(574.9)	(429.7)	(314.2)	(641.9)	(541.0)	(496.3)
Selling expenses	(422.2)	(862.6)	(797.2)	(556.2)	(1,136.3)	(1,026.0)	(862.7)
Other income (expenses), net.....	99.7	203.6	54.8	71.2	145.5	(33.8)	37.5
Depreciation and amortization.....	534.9	1,092.7	922.7	559.4	1,142.8	1,359.0	1,127.9
Equity income of associates	31.8	64.9	0.6	16.3	33.3	25.2	4.2
Adjusted EBITDA	1,090.3	2,227.2	1,628.5	1,064.8	2,175.3	2,696.8	1,875.4
Adjusted EBITDA margin(b)	10.3%	10.3%	9.2%	9.0%	9.0%	14.9%	12.2%

- (a) Solely for the convenience of the reader, we have translated certain amounts included in this offering memorandum from *reais* into U.S. dollars using the exchange rates as of December 31, 2012 of R\$2.043 to U.S.\$1.00, as reported by the Central Bank. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.
- (b) Adjusted EBITDA margin is adjusted EBITDA divided by net sales, expressed as a percentage.

- (5) Annualized adjusted EBITDA at December 31, 2012 represents the last twelve months of adjusted EBITDA reported under our consolidated financial statements adjusted by: (a) adjusted EBITDA from the last twelve months of Comgás and Radar, which has not been considered in the financial statements due to the fact that such entities started being consolidated only after November 1, 2012 and July 1, 2012, respectively, amounting to R\$835.9 million; (b) excluding the positive results from the discontinued operations represented by Cosan Alimentos of R\$11.2 million; and (c) non-recurring losses from the formation of Raizen incurred in the last quarter of the fiscal year ended March 31, 2012 amounting to R\$100.3 million.
- (6) Represents adjusted net debt divided by adjusted EBITDA for a twelve month period. In the case of the December 31, 2011 and 2012 columns, represents adjusted net debt divided by adjusted EBITDA for the twelve month period ended December 31, 2011 and 2012.

Other Operating Data	Nine-Month Period Ended December 31,		Year Ended March 31,		
	2012	2011	2012	2011	2010
Raízen Energia:					
Crushed sugarcane (in million tonnes).....	56.2	53.0	52.9	54.2	50.0
Sugar production (in million tonnes)	4.2	4.0	3.9	3.9	3.5
Ethanol production (in billion liters).....	1.9	1.9	1.9	2.2	1.8
Raízen Combustíveis:					
Volume of fuels sold (in million liters).....	16,656.3	10,630.1	18,526.3	6,076.9	5,490.6
Rumo:					
Sugar elevated (in million tonnes)	6.4	6.6	7.8	7.5	8.1
Other Businesses:					
Volume of lubricants and base oil sold (in million liters)	214.0	160.5	216.7	166.4	130.8
Comgás:					
Volume of gas sold (in million cbm)	3,829.7	3,651.7	5,258.6	4,834.7	4,909.5

RISK FACTORS

An investment in our notes involves a high degree of risk. You should carefully consider the risks and uncertainties described below and the other information contained in this offering memorandum before making any investment in our notes. The risks described below are not the only ones we face or to which investments in Brazil are subject. Our business, financial position or results of operations may be adversely and materially affected by any of these risks. Additional risks that are not currently known to us or which we currently consider to be immaterial, may also affect our business. This offering memorandum also contains estimates and projections that involve risks and uncertainties. Our results may differ significantly from those previously projected as a result of certain factors, including the risks faced by us, as described below and in other sections of this offering memorandum.

Risks Related to Our Business, the Operations of Our Joint Venture, and Industries in Which We Operate

We operate in industries in which the demand and the market price for our products are cyclical and are affected by general economic conditions in Brazil and globally.

The ethanol and sugar industries, both globally and in Brazil, have historically been cyclical and sensitive to domestic and international changes in supply and demand.

Ethanol is marketed as a fuel additive to reduce vehicle emissions from gasoline, as an enhancer to improve the octane rating of gasoline with which it is blended or as a substitute fuel for gasoline. As a result, ethanol prices are influenced by the supply of and demand for gasoline, and our business and financial performance may be materially adversely affected by fluctuations in the demand for and/or price of gasoline. The increase in the production and sale of flex fuel vehicles (hybrid vehicles, that run with ethanol or gasoline or both combined in any proportion) has resulted, in part, from lower taxation, since 2002, of such vehicles compared to gasoline only cars. This favorable tax treatment may be eliminated and the production of flex fuel vehicles may decrease, which could adversely affect demand for ethanol.

Historically, the international sugar market has experienced periods of limited supply—causing sugar prices and industry profit margins to increase—followed by an expansion in the industry that results in oversupply—causing declines in sugar prices and industry profit margins. In addition, fluctuations in prices for ethanol or sugar may occur, for various other reasons, including factors beyond our control, such as:

- fluctuations in gasoline prices;
- variances in the production capacities of our competitors; and
- the availability of substitute goods for the ethanol and sugar products we produce.

The prices we are able to obtain for sugar depends, in large part, on prevailing market prices. These market conditions, both in Brazil and internationally, are beyond our control. The wholesale price of sugar has a significant impact on our profits. Like other agricultural commodities, sugar is subject to price fluctuations resulting from weather, natural disasters, harvest levels, agricultural investments, government policies and programs for the agricultural sector, domestic and foreign trade policies, shifts in supply and demand, increasing purchasing power, global production of similar or competing products, and other factors beyond our control. In addition, a significant portion of the total worldwide sugar production is traded on exchanges and thus is subject to speculation, which could affect the price of sugar and our results of operations. The price of sugar, in particular, is also affected by producers' compliance with sugar export requirements and the resulting effects on domestic supply. As a consequence, sugar prices have been subject to higher historical volatility when compared to many other commodities. Competition from alternative sweeteners, including saccharine and high fructose corn syrup, known as "HFCS," changes in Brazilian or international agricultural or trade policies or developments relating to international trade, including those under the World Trade Organization, are factors that can directly or indirectly result in lower domestic or global sugar prices. Any prolonged or significant decrease in sugar prices could have a material adverse effect on our business and financial performance. Sugar prices reached the highest levels in nearly 30 years during fiscal 2010, reflecting the deficit in global sugar production.

If we are unable to maintain sales at generally prevailing market prices for ethanol and sugar in Brazil and internationally, or if we are unable to export sufficient quantities of ethanol and sugar to assure an appropriate domestic market balance, our ethanol and sugar business, as well as our cash flow, may be adversely affected.

Ethanol prices are directly correlated to the price of sugar, so that a decline in the price of sugar will adversely affect both our ethanol and sugar businesses.

The price of ethanol generally is closely associated with the price of sugar and is increasingly becoming correlated to the price of oil. A vast majority of ethanol in Brazil is produced at sugarcane mills that produce both ethanol and sugar. Because sugarcane millers are able to alter their product mix in response to the relative prices of ethanol and sugar, this results in the prices of both products being directly correlated, and the correlation between ethanol and sugar may increase over time. In addition, sugar prices in Brazil are determined by prices in the world market, so that there is a correlation between Brazilian ethanol prices and world sugar prices.

Because flex fuel vehicles allow consumers to choose between gasoline and ethanol at the pump rather than at the showroom, ethanol prices are now becoming increasingly correlated to gasoline prices and, consequently, oil prices. We believe that the correlation among the three products will increase over time. Accordingly, a decline in sugar prices will have an adverse effect on the financial performance of our ethanol and sugar businesses, and a decline in oil prices may have an adverse effect on that of our ethanol business, including on its cash flows.

Raízen Energia may not successfully acquire or develop additional production capacity through greenfield projects or expansion of existing facilities.

Raízen Energia expects to explore greenfield projects in the future. We do not have environmental or other permits, designs or engineering, procurement and construction contracts with respect to any potential projects. As a result, we may not complete these greenfield projects on a timely basis or at all, and may not realize the related benefits we anticipate. In addition, we may be unable to obtain the required financing for these projects on satisfactory terms, or at all. For example, we may not be able to obtain all of the land for which we have obtained options in the state of Goiás or we may not have the appropriate personnel, equipment and know-how to implement projects.

The integration of greenfield projects or expansion of our existing facilities may result in unforeseen operating difficulties and may require significant financial and managerial resources that would otherwise be used for the development and ongoing expansion of our existing operations. Planned or future greenfield projects or expansion of existing facilities may not enhance our financial performance.

Raízen Energia may not successfully implement our plans to sell energy from our cogeneration projects, and the Brazilian government's regulation of the energy sector may affect our business and financial performance.

Our current total installed energy cogeneration capacity is approximately 900 MW, which are used to generate energy for our own industrial operations and to export surplus energy. The Brazilian government regulates the energy sector extensively. We may not be able to satisfy all the requirements necessary to acquire new contracts or to otherwise comply with Brazilian energy regulation. Changes to the current energy regulation or federal authorization programs, and the creation for more stringent criteria for qualification in future public energy auctions, may adversely affect the implementation of this element of our business strategy.

Raízen Energia and Raízen Combustíveis are subject to the application of regulatory penalties in case of non-compliance with the terms and conditions of their authorizations.

Raízen Energia performs generation activities in accordance with the regulation applicable to the energy sector and with the terms and conditions of its authorizations granted by the Federal Government, by means of ANEEL. The term of such authorizations varies from 30 to 35 years.

ANEEL may apply regulatory penalties to Raízen Energia in case of non-compliance with the authorizations or with the energy sector regulation. Such penalties may include warnings, fines (in some cases up to 2% of our revenues for the last 12 months), restrictions to Raízen Energia's operations and revocation of its authorizations, in accordance with the gravity of the infraction.

In addition, Raízen Combustíveis performs fuel distribution activities in accordance with the regulation applicable to the oil & gas sector and with the terms and conditions of its authorization granted by the Federal Government, by means of the ANP. The ANP may apply regulatory penalties to Raízen Combustíveis in case of non-compliance with the authorizations or with the oil & gas sector regulation. Such penalties may include fines, seizure and/or destruction of product, cancellation of product registry, partial or total interdiction of commercial establishments, revocation of regulatory authorization, among others. The fines may vary from R\$5,000 to R\$5,000,000 in accordance with type and gravity of the infraction.

Raízen Energia and Raízen Combustíveis cannot assure that they will not be penalized by ANEEL or ANP, respectively, nor can they assure you that they will comply with all terms and conditions of their authorizations and with the regulation applicable to their respective businesses, which may adversely affect our business.

Raízen Energia may engage in hedging transactions, which involve risks that can harm our financial performance.

We are exposed to market risks arising from the conduct of our business activities—in particular, market risks arising from changes in commodity prices, exchange rates or interest rates. In an attempt to minimize the effects of volatility of sugar prices and exchange rates on our cash flows and results of operations, we engage in hedging transactions involving commodities and exchange rate futures, options, forwards and swaps. We also engage in interest rate-related hedging transactions from time to time. Hedging transactions expose us to the risk of financial loss in situations where the other party to the hedging contract defaults on its contract or there is a change in the expected differential between the underlying price in the hedging agreement and the actual price of commodities or exchange rate. We may incur significant hedging-related losses in the future. We hedge against market price fluctuations by fixing the prices of our sugar export volumes and exchange rates. Since we record derivatives at fair value, to the extent that the market prices of our products exceed the fixed price under our hedging policy, our results will be lower than they would have been if we had not engaged in such transactions as a result of the related non-cash derivative expenses. As a result, our financial performance would be adversely affected during periods in which commodities prices increase. Alternatively, we may choose not to engage in hedging transactions in the future, which could adversely affect our financial performance during periods in which commodities prices decrease.

Raízen Energia faces significant competition, which may adversely affect our market share and profitability.

The ethanol and sugar industries are highly competitive. Internationally, we compete with global ethanol and sugar producers such as Poet, Inc., Archer-Daniels-Midland Company, Cargill, Inc. and A.E. Staley Manufacturing Company (a subsidiary of Tate & Lyle, PLC). Some of our competitors are divisions of larger enterprises and have greater financial resources than us. In Brazil, we compete with numerous small to medium-size producers. Despite increased consolidation, the Brazilian ethanol and sugar industries remain highly fragmented. Our major competitors in Brazil are Louis Dreyfus Commodities - Santelisa Vale (the second largest ethanol and sugar producer in Brazil), Tereos - Guarani (the third-largest ethanol and sugar producer in Brazil), Bunge, Santa Terezinha, São Martinho, Carlos Lyra, Tercio Wanderley, Zilor, Oscar Figueiredo, Da Pedra, and Irmãos Biagi and other ethanol and sugar producers in Brazil that market their ethanol and sugar products through the Cooperative of Sugarcane, Sugar and Ethanol Producers of the state of São Paulo (*Cooperativa de Produtores de Cana-de-açúcar, Açúcar e Alcool do Estado de São Paulo*), or Copersucar. During the 2011/2012 harvest, Copersucar was comprised of producers in the states of São Paulo, Minas Gerais and Paraná. We are not a member of Copersucar.

We face strong competition from international producers – in particular, in highly regulated and protected markets, such as the United States and the European Union. Historically, imports of sugar have not provided substantial competition for us in Brazil due to, among other factors, the production and logistical cost-competitiveness of sugar produced in Brazil. If the Brazilian government creates incentives for sugar imports, we could face increased competition in the Brazilian market by foreign producers. Many factors influence our competitive position, including the availability, quality and cost of fertilizer, energy, water, chemical products and labor. Some of our international competitors have greater financial and marketing resources, larger customer bases and broader product ranges than we do. If we are unable to remain competitive with these producers in the future, our market share may be adversely affected.

The fuel distribution and lubricant market in Brazil is highly competitive. We compete with domestic fuel distributors who purchase substantially all of their fuels from Petrobras. There are very few domestic competitors,

such as us, who import certain products into Brazil. In addition, we compete with producers and marketers in other industries that supply alternative forms of energy and fuels to satisfy the requirements of our industrial, commercial and retail consumers. Certain of our competitors, such as Petrobras, have larger fuel distribution networks and vertically integrated oil refineries, and may be able to realize lower per-barrel costs or higher margins per barrel of throughput. Our principal competitors are larger and have substantially greater resources than we do. Because of their integrated operations and larger capitalization, these companies may be more flexible in responding to volatile industry or market conditions, such as shortages of crude oil and other feedstock or intense price fluctuations. The actions of our competitors could lead to lower prices or reduced margins for the products we sell, which could have a material and adverse effect on our business, results of operations and our financial performance.

Transporting and storing natural gas involves numerous risks that may result in accidents and other operating risks and costs that could adversely affect Comgás' results of operations, cash flows and financial condition.

Comgás' activities involve a variety of inherent hazards and operating risks, such as leaks, accidents and mechanical problems, which could cause substantial financial losses. In addition, these risks could result in loss of human life, significant damage to property, environmental pollution and impairment of Comgás' operations, which in turn could lead to substantial losses. In accordance with customary industry practice, Comgás maintains insurance against some, but not all, of these risks and losses. The location of pipelines and storage facilities near populated areas, including residential areas, commercial business centers and industrial sites, could increase the level of damages resulting from these risks. The occurrence of any of these events if not fully covered by insurance could adversely affect our results of operations, cash flows and financial condition.

Natural gas commodity price changes may affect the operating costs and competitive positions of Comgás' businesses which could adversely affect its results of operations, cash flows and financial condition.

Natural gas prices historically have been volatile and may continue to be volatile in the future. Prices for natural gas are subject to a variety of factors that are beyond Comgás' control. These factors include, but are not limited to, the level of consumer demand for, and the supply of, natural gas, processing, gathering and transportation availability, statutory gas supply purchase obligations, price and availability of alternative fuel sources, weather conditions, natural disasters and political conditions or hostilities in natural gas producing regions.

In addition, natural gas supply agreements have their payment terms made up of two portions: (1) one is indexed to a basket of combustible oils in the international market and is adjusted quarterly, and (2) the other is adjusted annually based on the inflation rate. The price of oil is measured in R\$/m3. Furthermore, natural gas supply agreements often take the form of a "take or pay" agreement, pursuant to which Comgás might be required to pay the difference in amounts between actual consumption and the contract amount. Variations and uncertainties in the price and demand of oil are beyond our control and may adversely affect our results of operations.

Renewal of our natural gas concession agreements and the terms we will receive if such renewals are granted are not guaranteed and our growth strategy may be adversely affected if we cannot obtain new concessions or lose an existing concession.

We carry out our natural gas distribution activities pursuant to concession agreements entered into with the Government of the state of São Paulo and are regulated by ARSESP for 30-year terms with a one-time possibility of renewal for an additional 20 years. The Brazilian constitution requires that all concessions relating to public services be awarded through a public bidding process.

Due to the discretionary power of the concessionaire in granting the renewal of concession agreements, we may face significant competition from third parties when requesting renewal of our concessions. As a result, we cannot assure you that our concession agreements will be renewed, or that they will be renewed on the same terms. If our concession agreements are not renewed, or are renewed with less favorable terms, our business, financial condition and results of operations will be negatively affected.

Our business is subject to regulation, control and supervision of the ARSESP and the National Oil, Natural Gas and Biofuel Agency (*Agência Nacional do Petróleo, Gas Natural e Biocombustível*), or ANP, which could affect our financial performance. ARSESP, establishes a maximum value to our rates and regulates and supervises our business. Pursuant to the concession agreements, every five years the rates are reviewed by the ARSESP, which directly affects the margins and Comgás' results positively or negatively. Such margins are adjusted annually by the

IGP-M index price minus the efficiency factor determined for each tariff cycle by ARSESP. As a result, the implementation of our growth strategy and the normal course of our business may be adversely affected by government actions.

A reduction in market demand for ethanol or a change in governmental policies that ethanol be added to gasoline may materially adversely affect our business.

Governmental authorities of several countries, including Brazil and certain states of the United States, currently require the use of ethanol as an additive to gasoline. Since 1997, the Brazilian Sugar and Alcohol Interministerial Council (*Conselho Interministerial do Açúcar e Alcool*) has set the percentage of anhydrous ethanol that must be used as an additive to gasoline (currently, at 20% by volume, and 25% starting as of May 2013). Approximately one-half of all fuel ethanol in Brazil is used to fuel automobiles that run on a blend of anhydrous ethanol and gasoline; the remainder is used in either flex fuel vehicles or vehicles powered by hydrous ethanol alone. Five districts in China require the addition of 10% ethanol to gasoline. Japan is discussing the requirement the addition of 3% of ethanol to gasoline, increasing such requirement to 20% in 2030. The nine states and four union territories in India require the addition of 5% of ethanol to gasoline. Other countries have similar governmental policies requiring various blends of anhydrous ethanol and gasoline. In addition, flex fuel vehicles in Brazil are currently taxed at lower levels than gasoline-only vehicles, which has contributed to the increase in the production and sale of flex fuel vehicles. Any reduction in the percentage of ethanol required to be added to gasoline or increase in the levels at which flex fuel vehicles are taxed in Brazil, as well as growth in the demand for natural gas and other fuels as an alternative to ethanol, lower gasoline prices or an increase in gasoline consumption (versus ethanol), may cause demand for ethanol to decline and affect our business. In addition, ethanol prices are influenced by the supply and demand for gasoline; therefore, a reduction in oil prices resulting in a decrease in gasoline prices and an increase in gasoline consumption (versus ethanol), may have a material and adverse effect on our business and financial performance.

Government policies and regulations affecting the agricultural and fuel sectors and related industries could adversely affect our operations and profitability.

Agricultural production and trade flows are significantly affected by Brazilian federal, state and municipal, as well as foreign, government policies and regulations. Governmental policies affecting the agricultural industry, such as taxes, tariffs, duties, subsidies and import and export restrictions on agricultural commodities and commodity products, may influence industry profitability, the planting of certain crops versus others, the uses of agricultural resources, the location and size of crop production, the trading levels for unprocessed versus processed commodities, and the volume and types of imports and exports.

Future government policies in Brazil and elsewhere may adversely affect the supply, and demand for, and prices of, our products or restrict our ability to do business in our existing and target markets, which could adversely affect our financial performance. Sugar prices, like the prices of many other staple goods in Brazil, were historically subject to controls imposed by the Brazilian government. Sugar prices in Brazil have not been subject to price controls since 1997. However, additional measures may be imposed in the future. In addition, our operations are currently concentrated in the state of São Paulo. Any changes affecting governmental policies and regulations regarding ethanol, sugar or sugarcane in the state of São Paulo (at the federal, state or municipal level) may adversely affect our business and financial performance.

In addition, petroleum and petroleum products have historically been subject to price controls in Brazil. Currently there is no legislation or regulation in force giving the Brazilian government the power to set prices for petroleum, petroleum products, ethanol or NGV. However, given that Petrobras, the only supplier of oil-based fuels in Brazil, is a government-controlled company, prices of petroleum and petroleum products are subject to government influence, resulting in potential inconsistencies between international prices and internal oil derivative prices that affect our business and our financial results, which are not linked to international prices.

We may not be successful in reducing operating costs and increasing operating efficiencies.

As part of our strategy, we continue to seek to reduce operating costs and increase operating efficiencies to improve our future financial performance. For example, we are purchasing new harvesters and increasing our mechanical harvesting with the goal of reducing sugarcane burning according to the Agri-Environmental Sugarcane Protocol. In areas that are suitable for the replacement of a manual harvest with a mechanical harvest, the burning of

sugarcane must be reduced as follows: (1) 70% of the harvested area by 2010; and (2) 100% of the harvested area by 2014. For areas that do not technically allow the replacement of a manual harvest with a mechanical harvest, the burning of sugarcane must be reduced as follows: (1) 30% of the harvested area by 2010; and (2) 100% of the harvested area by 2017. We may not be able to achieve the cost savings that we expect to realize from this and other initiatives. Any failure to realize anticipated cost savings may adversely affect our competitiveness and financial performance.

Government laws and regulations governing the burning of sugarcane could have a material adverse impact on our business or financial performance.

Approximately 90% of our sugarcane is currently mechanically harvested. The remaining 10% is harvested by burning the crop, which removes leaves and destroys insects and other pests. The state of São Paulo and some local governments have established laws and regulations that limit our ability to burn sugarcane or that reduce and/or entirely prohibit the burning of sugarcane. We currently incur significant costs to comply with these laws and regulations. As a result, the costs to comply with existing or new laws or regulations are likely to increase and raise the cost of production, and, as a result, our ability to operate our own mills and harvest our sugarcane crops may be adversely affected.

In addition to restrictions that limit sugarcane burning and other environmental restrictions, we are required to preserve a percentage of our rural properties (sugarcane fields and other facilities), in order to contribute to biodiversity preservation and ecologic rehabilitation. For rural areas located in the state of São Paulo, 20% of the property must be preserved as unused.

Any failure to comply with these laws and regulations may subject us to legal and administrative actions. These actions can result in administrative or criminal penalties, including, but not limited to, embargo, shutdowns, a requirement to pay fines, which may range from R\$50 to R\$50 million and can be doubled or tripled in case of recidivism, an obligation to make capital and other expenditures or an obligation to materially change or cease some operations. In addition, we may be subject to civil liabilities, which include the obligation to redress eventual damages caused to environment and public health. The demonstration of the cause-effect relationship between the damage caused and action or omission is sufficient to trigger the obligation to redress environmental damage.

Adverse weather conditions may reduce the volume and sucrose content of sugarcane that we can cultivate and purchase in a given harvest, and we are affected by seasonality of the sugarcane growing cycle.

Our sugar production depends on the volume and sucrose content of the sugarcane that we cultivate or that is supplied to us by growers located in the vicinity of our mills. Crop yields and sucrose content depend primarily on weather conditions such as rainfall and temperature, which vary and may be influenced by global climate change. Weather conditions have historically caused volatility in the ethanol and sugar industries and, consequently, in our results of operations by causing crop failures or reduced harvests. Flood, drought or frost, which may be influenced by global climate change, can adversely affect the supply and pricing of the agricultural commodities that we sell and use in our business. Future weather patterns may reduce the amount of sugar or sugarcane that we can recover in a given harvest or its sucrose content. In addition, our business is subject to seasonal trends based on the sugarcane growing cycle in the central-south region of Brazil. The annual sugarcane harvesting period in the central-south region of Brazil begins in April/May and ends in November/December. This creates fluctuations in our inventory, usually peaking in December to cover sales between crop harvests (i.e., December through April), and a degree of seasonality in our gross profit, with ethanol and sugar sales significantly lower in the last quarter of the fiscal year. Seasonality and any reduction in the volumes of sugar recovered could have a material adverse effect on our business and financial performance.

We may be adversely affected by a shortage of sugarcane or by high sugarcane costs.

Sugarcane is our principal raw material used for the production of ethanol and sugar. As of December 31, 2012, sugarcane purchased from suppliers accounted for 49.7% of our total sugarcane crushed. Historically, approximately 80% of the sugarcane purchased by us has been under medium- and long-term contracts with sugarcane growers, 5% on a spot basis and the remaining 15% from sugarcane growers with whom we have long-term relationships but no contractual arrangements. We generally enter into medium- and long-term supply contracts for periods varying from three and one-half to seven years. As of December 31, 2012, we also leased approximately 400,000 hectares in contracts with an average term of fourteen years. Any shortage in sugarcane supply or increase in sugarcane prices

in the near future, including as a result of the termination of supply contracts or lease agreements representing a material reduction in the sugarcane available to us for processing or increase in sugarcane prices may adversely affect our business and financial performance.

Social movements may affect the use of our agricultural properties or cause damage to them.

Social movements such as the Landless Rural Workers' Movement (*Movimento dos Trabalhadores Rurais Sem Terra*) and the Pastoral Land Commission (*Comissão Pastoral da Terra*) are active in Brazil and advocate land reform and property redistribution by the Brazilian Government. Invasion and occupation of agricultural land by large numbers of people is a common practice among the members of such movements, and in certain regions, including those where we currently invest, remedies such as police protection or eviction procedures are inadequate or non-existent. As a result, we cannot assure you that our agricultural properties will not be subject to invasion or occupation by any of such social movements. Any invasion or occupation may materially impair the use of our lands and adversely affect our business, financial condition, and results of operations.

Alternative sweeteners have negatively affected demand for our sugar products in Brazil and other countries.

We believe that the use of alternative sweeteners, especially artificial alternative sweeteners such as aspartame, saccharine and HFCS, has adversely affected the growth of the overall demand for sugar in Brazil and the rest of the world. Soft drink bottlers in many countries have switched from sugar to, or increased consumption of, alternative sweeteners. In addition, the use of alternative sweeteners by sugar consumers, including soft drink bottlers, may also reduce the demand for sugar in Brazil. A substantial decrease in sugar consumption, or the increased use of alternative or artificial sweeteners, would decrease demand for our sugar products and could result in lower growth in our net sales and overall financial performance.

Raízen Energia sugar and ethanol products are sold to a small number of customers which may be able to exercise significant bargaining power concerning pricing and other sale terms.

A substantial portion of Raízen Energia's sugar and ethanol production is sold to a small number of customers that acquire large portions of our production and thus may be able to exercise significant bargaining power concerning pricing and other sale terms. In addition, intensive competition in the ethanol and sugar industries further increases the bargaining power of customers.

Raízen Energia export sales are subject to a broad range of risks associated with international operations.

In the nine months ended December 31, 2012, our net sales from exports represented 63.2% of our total net sales, while in the nine months ended December 31, 2011, our net sales from exports represented 45.9% of our total net sales.

In the nine months ended December 31, 2011, our net sales from sugar exports were R\$2,288.5 million, representing 37.8% of our total net sales for the period. In the nine months ended December 31, 2012, our net sales from exports were R\$2,476.4 million, representing 40.5% of our total net sales for the period. Also in the nine months ended December 31, 2012, our net sales from exports of ethanol were R\$1,390.6 million, representing 22.1% of our total net sales for the period and in the nine months ended December 31, 2011, our net sales from sugar exports were R\$489.0 million, representing 10.1% of total net sales for the period.

We expect to expand our ethanol exports in the future. Expansion of ethanol exports depends on factors beyond our control, including liberalization of existing trade barriers and the establishment of distribution systems for hydrous ethanol in countries outside of Brazil. Our future financial performance will depend, to a significant extent, on economic, political and social conditions in our main export markets.

Most ethanol and/or sugar producing countries, including the United States and member countries of the European Union, protect local producers from foreign competition by establishing government policies and regulations that affect ethanol and sugar production, including quotas, import and export restrictions, subsidies, tariffs and duties. As a result of these policies, domestic ethanol and sugar prices vary greatly in individual countries. We have limited or no access to these large markets as a result of trade barriers. If these protectionist policies continue, we may not be able to expand our export activities at the rate we currently expect, or at all, which could adversely affect our business and financial performance. Also, if new trade barriers are established in our key

export markets, we may face difficulties in reallocating our products to other markets on favorable terms, and our business and financial performance may be adversely affected.

Fire and other disasters could affect our agricultural and manufacturing properties, which would adversely affect our production volumes and, consequently, financial performance.

Our operations will be subject to risks affecting our agricultural properties and facilities, including fire potentially destroying some or our entire yield and facilities. In addition, our operations are subject to hazards associated with the manufacture of inflammable products and transportation of feed stocks and inflammable products. Our insurance coverage may not be sufficient to provide full protection against these types of casualties.

Disease and pestilence may strike our crops which may result in destruction of a significant portion of our harvest. Crop disease and pestilence can occur from time to time and have a devastating effect on our crops, potentially rendering useless or unusable all or a substantial portion of affected harvests. Even when only a portion of the crop is damaged, our business and financial performance could be adversely affected because we may have incurred a substantial portion of the production cost for the related harvest. The cost of treatment of crop disease tends to be high. Any serious incidents of crop disease or pestilence, and related costs, may adversely affect our production levels and, as a result, our net sales and overall financial performance.

Anticompetitive practices in the fuel and lubricants distribution market may distort market prices.

In the last few years, anticompetitive practices have been one of the main problems affecting fuel distributors in Brazil. Generally these practices have involved a combination of tax evasion and fuel adulteration, such as the dilution of gasoline by mixing solvents or adding anhydrous ethanol in an amount greater than the 25% permitted by applicable law (the overall taxation of anhydrous ethanol is lower than hydrated ethanol and gasoline). Taxes constitute a significant portion of the cost of fuels sold in Brazil. For this reason, tax evasion on the part of some fuel distributors has been prevalent, allowing them to lower the prices they charge. These practices have enabled certain distributors to supply large quantities of fuel products at prices lower than those offered by the major distributors, including us, which has resulted in a considerable increase in the sales volumes of the distributors who have adopted these practices. The final prices for fuels are calculated based on the taxes levied on their purchase and sale, among others factors. As a result, anticompetitive practices as such tax evasion may affect our sales volume, which could have a material and adverse effect on our business. If such practices become more prevalent, it could lead to lower prices or reduced margins for the products we sell, which could have a material and adverse effect on our business or results of operations.

Petrobras is our principal supplier of our base oils and of our fuel distribution and natural gas businesses.

Significant disruption to our fuels and lubricant sales may occur, in the event of an interruption of supply from Petrobras. Any interruption would immediately affect our ability to provide fuel and lubricant products to our customers. If we are not able to obtain an adequate supply of fuel and base oil products from Petrobras under acceptable terms, we may seek to meet our demands through purchases on the international market. The cost of fuel and base oil products on the international market may be more expensive than the price we obtain through Petrobras.

The production of lubricants and the storage and transportation of fuel products, lubricant products are inherently hazardous.

The complex manufacturing operations we perform at our Lubricants Oil Blending Plant, or LOBP, involve a variety of safety and other operating risks, including the handling, production, storage and transportation of toxic materials. These risks could result in personal injury and death, severe damage to or destruction of property and equipment and environmental damage. A material accident at one of our plants, service stations or storage facilities could force us to suspend our operations and result in significant remediation costs and lost revenue. In addition, insurance proceeds, if available, may not be received on a timely basis and may be insufficient to cover all losses, including lost profit. Equipment breakdowns, natural disasters, and delays in obtaining supplies or required replacement parts or equipment could also materially adversely affect our manufacturing operations and consequently our results of operations.

We may not be able to maintain rights to use blending formulas and brands supplied by ExxonMobil.

We, through our subsidiary CLE (previously CCL) are the exclusive manufacturer and distributor of lubricant products in Brazil based on formulas provided to us under a license from ExxonMobil under the Master Lubricants Agreement, which expires on December 1, 2018. We have also been granted a license to use the ExxonMobil brand to market fuels under the Fuels Trademark License Agreement, which expires on December 1, 2013. The termination or failure to renew any of these licenses, or the failure by ExxonMobil to adequately maintain and protect its intellectual property rights, could materially and adversely affect our results of operations or could require significant unplanned investments by us if we are forced to develop or acquire alternative technology. In the future, it may be necessary or desirable to obtain other third-party technology licenses relating to one or more of our products or relating to current or future technologies to enhance our product offerings. However, we may not be able to obtain licensing rights to the needed technology or components on commercially reasonable terms or at all.

Our subsidiary's port concession is subject to expiration, limitation on renewal, early termination by the granting authority and other risks and uncertainties.

We own and operate a sugar-loading terminal at the Port of Santos in the state of São Paulo through our subsidiary Rumo Logística Operadora Multimodal S.A., or Rumo Logística. This port terminal is a result of the association of two previous terminals, Cosan Operadora Portuária S.A., or Cosan Portuária, and Teaçú Armazéns Gerais S.A., or Teaçú (previously owned by Nova América). We are required to obtain a series of authorizations and licenses from public bodies or entities in order to operate our public ports, which authorizations may be subject to fixed expiration dates or periodic review or renewal. While we anticipate that renewals will be given as and when sought, there is no assurance that such renewals will be granted as a matter of course and there can be no assurance that new conditions will not be imposed in connection with such renewals. Furthermore, if we no longer comply with the conditions specified under these licenses and authorizations, they may be revoked. In addition, the port agreements and the applicable legislation to our port concessions establish a set of prerogatives to the granting authority. Thus, there are some specific contractual provisions that enable, among other things, the unilateral amendment and termination of the contract by the granting authority, as well as the imposition of fines and penalties on the concessionaire. Pursuant to the port concession agreement with the state of São Paulo's Port Authority (*Companhia de Docas do Estado de São Paulo – CODESP*), or CODESP, Cosan Portuária's concession to operate this terminal will expire in 2016, and it may be renewed for an additional 20 years if Cosan Portuária meets its obligations under the port concession agreement. We are already discussing with the CODESP the renewal of this concession, but we cannot provide assurances that we will be able to renew the concession at all or on favorable terms. The South Terminal concession (formerly Teaçú) was initially scheduled to expire in 2016, but has been extended until 2036. Among other situations, port concessions may be unilaterally terminated by the granting authority prior to that time upon:

- expropriation of the port concession in the public interest;
- default by Rumo Logística in the performance of its obligations under the port concession agreement, including the payment of concession fees or failure to comply with other legal and regulatory obligations;
- Rumo Logística's failure to comply with determinations by the granting authority; or
- bankruptcy or dissolution of Rumo Logística.

Termination of the port concession agreement may adversely impact our transportation costs and the turn-around time for the export of our products as well as our revenues from service agreements related to our port facilities.

We are subject to certain environmental inspection and infraction notices concerning the operational conditions of the sugar-loading terminal at the port of Santos. Failure to adequately address these notices may subject us to legal and administrative actions.

In addition, the assets considered essential to the concession will revert to the granting authority upon expiration. At termination of the concession, it is possible that the investments made in those assets will have not been entirely amortized or depreciated. In this case, the granting authority and Rumo Logística will discuss the value of any indemnification for such investments. As the final decision on this amount will be issued solely by the

granting authority, the financial condition of Rumo Logística may be negatively impacted if indemnification eventually approved is not sufficient to account for the investments made.

We are unable to estimate the impacts of new regulations applicable to port operations in Brazil.

Until December 6, 2012, port operations in Brazil were governed by Federal Law No. 8,630, dated February 25, 1993 (the “Ports Modernization Law”), which provided the legal framework applicable to the exploration of the organized ports and the ports installations in Brazil. In view of the need to improve the applicable legislation, the Brazilian Federal Government implemented Provisional Measure No. 595/2012 (the “MP 595/2012”) that expressly revoked the Ports Modernization Law and established a new legal framework with respect to port operations in Brazil. As a result, the public ports are governed by MP 595/2012 and by specific complementing regulations that are yet to be published.

According to the provisions of MP 595/2012, there are no more distinctions between third party and own cargo handled at private port terminals. Going forward, the activities performed at the private terminals shall be the same as those carried out at the public terminals. As a result, public ports are expected to face higher competition. Accordingly, it is possible that Rumo Logística may not be able to reach the minimum cargo movement provided for in its port concession agreements, which may subject it to fines and, upon repeated violations, to the early termination of the concession.

Even though MP 595/2012 does not provide for the adjustments of the terms of any concession agreement currently in place, it is possible that the regulations mentioned above make such provision. New regulations applicable to port operations in Brazil that might cause an adjustment of the terms in our concession agreements, may adversely affect our results of operations.

Our subsidiary Rumo Logística may not obtain the expected return on its contracts with ALL América Latina Logística S.A.

Our subsidiary Rumo Logística entered into long term contracts with ALL, that provides for Rumo Logística to make investments to expand ALL’s rail transport capacity in exchange for ALL transporting raw sugar and other derivatives. The contracts provide that Rumo Logística will invest approximately R\$1.3 billion by fiscal year ended March 31, 2014, (with the remaining balance as of December 31, 2012 being approximately R\$300 million) in a rail transport system, to be supported by ALL’s operations, with investments in (1) the duplication, expansion and improvements to the railway line and the yards in the Bauru-Santos/São Paulo railway corridor, sharply increasing its operating capacity; (2) the acquisition of locomotives and hopper railcars; and (3) the construction and expansion of terminals. In return, ALL will provide transport services, guaranteeing (1) a minimum volume curve; (2) competitive tariffs in comparison with truck transport; (3) management of locomotive and wagon suppliers; and (4) payment of rent on equipment in proportion to the actual volume of the product transported. In the event Rumo Logística is not able to originate the volume of sugar to the transported, we may not receive the contractual fees, which could impact negatively the return of invested capital.

The expansion of our business through acquisitions and strategic alliances creates risks that may reduce the benefits we anticipate from these transactions.

We have grown substantially through acquisitions. We plan to continue to acquire, from time to time, other ethanol or sugar producers or facilities in Brazil or elsewhere to complement or expand our sugar and ethanol existing operations. Moreover, we plan to acquire and build, from time to time, fuel terminals, lubricant production assets, retail distribution stations and other assets that complement and expand our existing fuel and lubricants operations and also intend to expand our network of service stations through increased branding. We also may enter into strategic alliances to increase our competitiveness. However, our management is unable to predict whether or when any prospective acquisitions or strategic alliances will occur, or the likelihood of any particular transaction being completed on favorable terms and conditions. Our ability to continue to expand our business through acquisitions or alliances depends on many factors, including our ability to identify acquisitions or access capital markets on acceptable terms. Even if we are able to identify acquisition targets and obtain the necessary financing to make these acquisitions, we could financially overextend ourselves, especially if an acquisition is followed by a period of lower than projected ethanol and sugar prices.

Acquisitions, especially involving sizeable enterprises, may present financial, managerial and operational challenges, including diversion of management attention from existing business and difficulties in integrating operations and personnel. Any failure by us to integrate new businesses or manage any new alliances successfully could adversely affect our business and financial performance. Some of our major competitors may be pursuing growth through acquisitions and alliances, which may reduce the likelihood that we will be successful in completing acquisitions and alliances. In addition, any major acquisition we consider may be subject to antitrust and other regulatory approvals. We may not be successful in obtaining required approvals on a timely basis or at all.

Acquisitions also pose the risk that we may be exposed to successor liability relating to prior actions involving an acquired company, or contingent liabilities incurred before the acquisition. Due diligence conducted in connection with an acquisition, and any contractual guarantees or indemnities that we receive from sellers of acquired companies, may not be sufficient to protect us from, or compensate us for, actual liabilities. A material liability associated with an acquisition, such as labor- or environmental-related liabilities, could adversely affect our reputation and financial performance and reduce the benefits of the acquisition.

We have recently acquired a 60.1% stake in the share capital of Comgás. For further information regarding our acquisition of Comgás, please see “Management’s Discussion and Analysis of Financial Condition and Results of Operation—Principal Factors Affecting Our Results of Operations—Acquisitions, Partnerships and Corporate Restructuring.” We have also recently entered into agreements to acquire additional companies. For further information regarding our recent acquisitions, please see “Business—History and Recent Developments.”

We are subject to extensive environmental regulation.

Our business activities in Brazil are subject to extensive federal, state and municipal laws and regulations concerning environmental protection, which impose on us various environmental obligations, such as environmental licensing requirements, minimum standards for the release of effluents, use of agrochemicals, management of solid waste, protection of certain areas (legal reserve and permanent preservation areas), and the need for a special authorization to use water, among others. For example, pursuant to Law No. 12,651/2012 (Brazilian Forestry Code), we are required to maintain a percentage of our rural properties (sugarcane fields and other facilities) preserved and free of use, in order to contribute to the conservation of biodiversity and rehabilitation of ecologic processes. For rural areas located in the state of São Paulo, for example, 20% of the property must be preserved as legal reserve.

The failure to comply with such laws and regulations may subject the violator to administrative fines, mandatory interruption of activities and criminal sanctions, in addition to the obligation to cure and pay environmental and third-party damage compensation, without any caps. In addition, Brazilian environmental law adopts a joint and several and strict liability system for environmental damages, which makes the polluter liable even in cases where it is not negligent and would make us jointly and severally liable for the obligations of our producers or off-takers. If we become subject to environmental liabilities, any costs we may incur to rectify possible environmental damage would lead to a reduction in the financial resources which would otherwise remain at our disposal for current or future strategic investment, thus causing an adverse impact on us.

As environmental laws and their enforcement become increasingly stringent, our expenses for complying with environmental requirements are likely to increase in the future. Furthermore, the possible implementation of new regulations, changes in existing regulations or the adoption of other measures could cause the amount and frequency of our expenditures on environmental preservation to vary significantly compared to present estimates or historical costs. Any unplanned future expenses could force us to reduce or forego strategic investments and as a result could materially and adversely affect us.

We incur substantial costs to comply with environmental regulations and may be exposed to liabilities in the event we fail to comply with these regulations or as a result of our handling of hazardous materials.

We are subject to various Brazilian federal, state and municipal environmental protection and health and safety laws and regulations governing, among other matters:

- the issuance and renewal of environmental licenses and authorizations;
- the generation, storage, handling, use and transportation of hazardous materials;

- sugarcane burning;
- the conservation of soil and water resources;
- the protection of riparian vegetation and the recovery of water sources;
- the emission and discharge of hazardous materials into the ground, air or water; and
- the health and safety of our employees.

We are also required to obtain permits from governmental authorities for certain aspects of our operations. These laws, regulations and permits often require us to purchase and install expensive pollution control equipment or to make operational changes to limit actual or potential impacts on the environment and/or health of our employees. In addition, Brazilian labor laws establish restrictions to obtain financing from public entities in case of breach of certain labor rights. Currently, we do not anticipate any material claims or liabilities resulting from a failure to comply with these laws and regulations. However, any violations of these laws and regulations or permit conditions can result in substantial fines, criminal sanctions, and revocations of operating permits and/or shutdowns of our facilities.

Due to the possibility of changes to environmental regulations and other unanticipated developments, the amount and timing of future environmental expenditures may vary substantially from those currently anticipated. Under Brazilian environmental laws, we could be held strictly liable for all of the costs relating to any contamination at our or our predecessors' current and former facilities and at third-party waste disposal sites used by us or any of our predecessors. We could also be held responsible for any and all consequences arising out of human exposure to hazardous substances, such as pesticides and herbicides, or other environmental damage.

We are party to a number of administrative and judicial proceedings for alleged failures to comply with environmental laws, which may result in fines, shutdowns, or other adverse effects on our operations. We have not recorded any provisions or reserves for these proceedings as we do not currently believe that they will result in liabilities material to our business or financial performance. Our costs of complying with current and future environmental and health and safety laws, and our liabilities arising from past or future releases of, or exposure to, hazardous substances could adversely affect our business or financial performance.

The imposition of restrictions on acquisitions of agricultural properties by non-Brazilian nationals may materially restrict the development of our business.

In August 2010, the president of Brazil approved the opinion of the Attorney General of the federal government affirming the constitutionality of Brazilian Law No. 5,709/71 which imposes important limitations on the acquisition and lease of land in Brazil by foreigners and by Brazilian companies controlled by foreigners. Under this legislation, companies that are majority-owned by foreigners may not acquire agricultural properties in excess of 100 indefinite exploration modules (which are measurement units adopted within different Brazilian regions and range from five to 100 hectares). The Attorney General's opinion states that the sum of agricultural areas that may be owned by foreigners or companies controlled by foreigners may not exceed 25% of the surface of the relevant municipality, of which area up to 40% may belong to foreigners or companies controlled by foreigners of the same nationality, meaning that the sum of agricultural areas that belong to foreigners or companies controlled by foreigners of the same nationality may not exceed 10% of the surface area of the relevant municipality. The implementation of Law No. 5,709/71 may impose on us additional procedures and approvals in connection with our proposed acquisitions of land, which may result in material delays and/or our inability to obtain needed approvals. Any regulatory limitations and restrictions could materially limit our ability to acquire agricultural properties or increase the investments or complicate the regulatory procedures required to do so, any of which could materially and adversely affect us, our financial performance and our ability to successfully implement our business strategy.

We are exposed to the credit and other counterparty risk of our customers in the ordinary course of our business.

We have various credit terms with virtually all of our wholesale and retail industrial customers, and our customers have varying degrees of creditworthiness which exposes us to the risk of nonpayment or other default under our contracts and other arrangements with them. In the event that a significant number of material customers

default on their payment obligations to us, our financial condition, results of operations or cash flows, could be materially and adversely affected.

Our business would be materially adversely affected if operations at our transportation, terminal and storage and distribution facilities experienced significant interruptions. Our business would also be materially adversely affected if the operations of our customers and suppliers experienced significant interruptions.

Our operations are dependent upon the uninterrupted operation of our terminal and storage facilities and various means of transportation. We are also dependent upon the uninterrupted operation of certain facilities owned or operated by our suppliers and customers. Operations at our facilities and at the facilities owned or operated by our suppliers and customers could be partially or completely shut down, temporarily or permanently, as the result of any number of circumstances that are not within our control, such as:

- catastrophic events, including hurricanes and floods;
- environmental remediation;
- labor difficulties (including work stoppages, strikes and other events); and
- disruptions in the supply of our products to our facilities or means of transportation.

Any significant interruption at these facilities or inability to transport products to or from these facilities or to or from our customers for any reason would materially adversely affect our results of operations and cash flow.

Disruption of transportation and logistics services or insufficient investment in public infrastructure could adversely affect our operating results.

One of the principal disadvantages of the Brazilian agriculture sector is that key growing regions lie far from major ports. As a result, efficient access to transportation infrastructure and ports is critical to the growth of Brazilian agriculture as a whole and of our operations in particular. As part of our business strategy, we are investing in areas where existing transportation infrastructure is under developed. Improvements in transportation infrastructure are likely to be required to make more agricultural production accessible to export terminals at competitive prices. A substantial portion of Brazilian agricultural production is currently transported by truck, a means of transportation significantly more expensive than the rail transportation available to U.S. and other international producers. Our dependence on truck transport may affect our position as low-cost producer, so that our ability to compete in world markets may be impaired.

Even though road and rail improvement projects have been considered for some areas of Brazil, and in some cases implemented, substantial investments are required for road and rail improvement projects, which may not be completed on a timely basis – if at all. Any delay or failure in developing infrastructure systems could hurt the demand for our products, impede our delivery of products or impose additional costs on us. We currently outsource the transportation and logistics services necessary to operate our business. Any disruption in these services could result in supply problems at our processing plants and impair our ability to deliver processed products to our customers in a timely manner. In addition, a natural disaster or other catastrophic event could result in disruption in regional transportation infrastructure systems affecting our third-party transportation providers.

We depend on third parties to provide our customers and us with facilities and services that are integral to our business.

We have entered into agreements with third-party contractors to provide facilities and services required for our operations, such as the transportation and storage of ethanol and sugar. The loss or expiration of our agreements with third-party contractors or our inability to renew these agreements or to negotiate new agreements with other providers at comparable rates could harm our business and financial performance. Our reliance on third parties to provide essential services on our behalf also gives us less control over the costs, efficiency, timeliness and quality of those services. Contractors' negligence could compromise the safety of the transportation of ethanol from our production facilities to our export facilities and expose us to the risk of liability for environmental damage caused by such third parties. We expect to be dependent on such agreements for the foreseeable future, and if we enter any new market, we will need to have similar agreements in place. Also, pursuant to Brazilian law, if labor authorities understand such third party contractors are performing activities considered to be part of our core business, we may

be exposed to fines, prohibition on outsourcing such activities and labor liabilities in connection with the outsourced workforce.

Technological advances could affect demand for our products or require substantial capital expenditures for us to remain competitive.

The development and implementation of new technologies may result in a significant reduction in the costs of ethanol production. We cannot predict when new technologies may become available, the rate of acceptance of new technologies by our competitors or the costs associated with such new technologies. Advances in the development of alternatives to ethanol also could significantly reduce demand or eliminate the need for ethanol as a fuel oxygenate. Any advances in technology which require significant capital expenditures to remain competitive or which otherwise reduce demand for ethanol will have a material adverse effect on our business and financial performance.

We may be adversely affected by unfavorable outcomes in pending legal proceedings.

We are involved in a significant number of tax, civil and labor proceedings as to which, at December 31, 2012, we recorded a provision totaling R\$1,133.9 million and had net of judicial deposits or restricted bank accounts totaling R\$542.1 million. We cannot predict whether we will prevail in these or other proceedings, or whether we will have to pay significant amounts, including penalties and interest, as payment for our liabilities, which would materially and adversely impact our business and financial performance.

Funding, especially on terms acceptable to us, may not be available to meet our future capital needs.

Global market and economic conditions have been, and continue to be, disruptive and volatile. The debt capital markets have been impacted by significant write-offs in the financial services sector and the re-pricing of credit risk, among other things. These events have negatively affected general economic conditions. In particular, the cost of raising money in the debt capital markets has increased substantially while the availability of funds from those markets has diminished significantly. Also, as a result of concerns about the stability of financial markets generally and the solvency of counterparties specifically, the cost of obtaining money from the credit markets has increased as many lenders and institutional investors have increased interest rates, enacted tighter lending standards and reduced and, in some cases, ceased to provide funding to borrowers on commercially reasonable terms or at all. For example, we are unable to estimate the expected required investment if we are successful in our tender offer for the purchase of shares held by minority shareholders in Comgás, which is currently under the analysis of the CVM, as mandated by Brazilian law following our acquisition of Comgás in November 2012. The total investment will depend on the final approved price and the level of shareholder acceptance.

If funding is not available when needed, or is available only on unfavorable terms, meeting our capital needs or otherwise taking advantage of business opportunities or responding to competitive pressures may become challenging, which could have a material and adverse effect on our business and results of operations.

We are not insured against business interruption for our Brazilian operations and most of our assets are not insured against war or sabotage. In addition, our insurance coverage may be inadequate to cover all losses and/or liabilities that may be incurred in our operations.

We do not maintain coverage for business interruptions of any nature for our Brazilian operations, including business interruptions caused by labor disruptions. If, for instance, our workers were to strike, the resulting work stoppages could have a material and adverse effect on us. In addition, we do not insure most of our assets against war or sabotage. Therefore, an attack or an operational incident causing an interruption of our business could have a material and adverse effect on our financial condition or results of operations. Our operations are subject to a number of hazards and risks. We maintain insurance at levels that are customary in our industry to protect against these liabilities; however, our insurance may not be adequate to cover all losses or liabilities that might be incurred in our operations. Moreover, we will be subject to the risk that we may not be able to maintain or obtain insurance of the type and amount desired at reasonable rates. If we were to incur a significant liability for which we were not fully insured, it could have a materially adverse effect on our business, financial condition and results of operations.

We concluded formation of the Joint Venture with Shell to further develop our sugar and ethanol and fuel distribution businesses on June 1, 2011. We cannot guarantee that the Joint Venture will be successful.

On June 1, 2011, we concluded the formation of our Joint Venture with Shell, a Joint Venture relating to the production, supply, distribution and retailing of ethanol-based fuels. We may incur unanticipated expenses, fail to realize all anticipated benefits or synergies, disrupt relationships with current and new employees, customers and vendors, incur indebtedness or fail to successfully collaborate with Shell, and Shell may fail to perform its obligations under the relevant agreements. Any delays or difficulties encountered with the Joint Venture could materially adversely impact our business and results of operations. For further information regarding the formation of the Joint Venture, see “Business—Joint Venture.”

The shareholders’ and certain other definitive agreements with respect to the Joint Venture and Radar are subject to various put and call options and termination provisions.

Shell and Cosan have entered into certain definitive agreements with respect to the Joint Venture that are subject to various put and call options and termination provisions that if triggered would cause the Joint Venture, or our participation in it, to terminate prior to the scheduled expiration date of the agreements in June 2031. Under the shareholders’ agreements Cosan and Shell have granted each other reciprocal call options. On the tenth anniversary of the June 2011 closing, Shell will have a call option to buy half or all of Cosan’s equity interests in the Joint Venture. Cosan will have the right to elect whether it would sell half or all of its Joint Venture equity interests to Shell after the exercise of Shell’s option in that year. On the fifteenth anniversary of the June 2011 closing, one party will have the right to buy all or a portion of the other party’s equity stake in the Joint Venture. There will also be call and put options in certain other limited circumstances, including in the event of a fundamental breach by either party and in the case of the death or disability of Cosan’s Chairman, Rubens Ometto Silveira Mello. See “Principal Shareholders—Shareholders’ Agreements and Other Arrangements—Joint Venture Shareholders’ Agreement.”

Moreover, Radar’s shareholders’ agreement sets forth mutual put options between us and Mansilla Participações S.A., or Mansilla, to acquire up to all of Radar’s properties or each other’s shares upon notice during specific 5-day periods, the first on the tenth anniversary of the initial closing date of the subscription agreement between the parties and the each subsequent 18-month period after the first put date. See “Principal Shareholders—Shareholders’ Agreements and Other Arrangements—Radar’s Shareholders’ Agreement.”

If any of these or other similar provisions are triggered under the shareholders’ agreements or any of the other related agreements our partnerships, or certain rights we hold in connection therewith, could terminate prior to the scheduled expiration, which could adversely affect the results of our operations.

We have not included in this offering memorandum financial information regarding Shell or the fuel distribution assets of Shell that it contributed to the Joint Venture.

The Joint Venture is a material transaction. However, we have not included any historical financial information in this offering memorandum regarding Shell or the fuel distribution assets that Shell contributed to the Joint Venture prior to the formation of the Joint Venture in June 2011. Investors are therefore cautioned that the nature of the assets contributed by Shell to the Joint Venture and other aspects of the Joint Venture may have a material adverse effect on us.

With respect to the results of Raízen our management evaluates the results of Raízen Energia and Raízen Combustíveis on the same basis they are evaluated by the managers of Raízen, which is on a 100% basis before they are consolidated into Cosan’s consolidated financial statements. Accordingly, unless the context requires otherwise, information pertaining to Raízen Energia and Raízen Combustíveis included in this offering memorandum also pertains to 100% of the operations of the businesses. As from June 1, 2011 results of Raízen Energia and Raízen Combustíveis are proportionally consolidated at 50% in our consolidated financial statements, as we eliminate the 50% of the results of Raízen Energia and Raízen Combustíveis. Therefore, the full economic impact of the results of operations of Raízen Energia and Raízen Combustíveis reported in this offering memorandum is not reflected in our financial statements, to the extent that they involve the Shell operations or relate to the 50% proportion of the Joint Venture that we do not consolidate.

We are highly dependent on our chairman and other members of our management to develop and implement our strategy and to oversee our operations.

We are dependent upon Mr. Rubens Ometto Silveira Mello, our chairman, other members of senior management and certain members of our board of directors, especially with respect to business planning, strategy and operations. If any of these key members of our management leaves our Company, our business and financial performance may be negatively affected. Our business is particularly dependent on Mr. Rubens Ometto Silveira Mello, who is also our controlling shareholder. We currently do not carry any key man insurance.

We are indirectly controlled by a single individual who has the power to control us and all of our subsidiaries.

Mr. Rubens Ometto Silveira Mello, our controlling shareholder and chairman, has the power to indirectly control us, including the power to:

- elect a majority of our directors and appoint our executive officers, set our management policies and exercise overall control over our Company and subsidiaries;
- agree to sell or otherwise transfer his controlling stake in our Company; and
- determine the outcome of substantially all actions requiring shareholder approval, including transactions with related parties, corporate reorganizations, acquisitions and dispositions of assets, and dividends.

Currently, because of the share capital structure of our parent company Cosan Limited, our controlling shareholder is able to control substantially all matters submitted to our shareholders for a vote or approval even if the controlling shareholder comes to own less than 50% of our issued and outstanding share capital. The concentrated control will limit your ability to influence corporate matters and, as a result, we may take actions that our shareholders do not view as beneficial. As a result, the market price of our notes could be adversely affected.

We may face conflicts of interest in transactions with related parties.

We engage in business and financial transactions with our controlling shareholder and other shareholders that may create conflicts of interest between our Company and these shareholders. For example, we enter into land leasing agreements with our affiliates, including Amaralina Agrícola Ltda., or Amaralina, Santa Bárbara Agrícola S.A., or Santa Bárbara and São Francisco S.A., or São Francisco. The accounts payable balances result mainly from the lease of agriculture land, which are at prices and on terms equivalent to the average terms and prices of transactions that we enter into with third parties. Commercial and financial transactions between our affiliates and us, even on if entered into on an arm's length basis, create the potential for, or could result in, conflicts of interests.

Adoption of new IFRS standards may adversely affect our consolidated financial statements.

IFRS 11, "Joint Arrangements," will become effective for annual periods beginning on or after January 1, 2013 and eliminates the option to account for jointly controlled entities using proportional consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method on and after January 1, 2013. The application of this new standard will impact our consolidated financial statements, due to the change from proportionate consolidation to the equity accounting method for our investments in Raízen Energia and Raízen Combustíveis.

There can be no assurance that these modifications will not materially and adversely affect our consolidated financial statements, on a retrospective or prospective basis, in particular the adoption of IFRS 11, which may materially adversely impact the comparability of our financial statements for future periods with our historical consolidated financial statements presented herein and the financial covenants of our indebtedness.

Risks Relating to Brazil

Brazilian economic, political and other conditions, and Brazilian government policies or actions in response to these conditions, may negatively affect our business and financial performance and the market price of the notes.

The Brazilian economy has been characterized by frequent and occasionally extensive intervention by the Brazilian government and unstable economic cycles. The Brazilian government has often changed monetary, taxation, credit, tariff and other policies to influence the course of Brazil's economy. For example, the government's actions to control inflation have at times involved setting wage and price controls, blocking access to bank accounts, imposing exchange controls and limiting imports into Brazil. We have no control over, and cannot predict, what policies or actions the Brazilian government may take in the future.

Our business, financial performance and prospects, as well as the market prices of our notes, may be adversely affected by, among others, the following factors:

- exchange rate movements;
- exchange control policies;
- expansion or contraction of the Brazilian economy, as measured by rates of growth in gross domestic product, or GDP;
- inflation;
- tax policies;
- other economic, political, diplomatic and social developments in or affecting Brazil;
- interest rates;
- liquidity of domestic capital and lending markets; and
- social and political instability.

These factors, as well as uncertainty over whether the Brazilian government may implement changes in policy or regulations relating to these factors, may adversely affect us and our business and financial performance and the market price of our notes.

Cosan S.A., its subsidiaries and jointly controlled entities generally invoice their sales in Brazilian *reais*, but a substantial portion of Cosan S.A.'s, its subsidiaries and jointly controlled entities net sales is from export sales that are billed in U.S. dollars. At the same time, the majority of Cosan S.A.'s, its subsidiaries and jointly controlled entities costs are denominated in *reais*. As a result, our operating margins are negatively affected when there is an appreciation of the real to the U.S. dollar. Additionally, we have indebtedness with fixed and floating rates, and we are thus exposed to the risk of fluctuations in interest rates. If there is an increase in interest rates, our financial results may be affected.

Inflation and government measures to curb inflation, may adversely affect the Brazilian economy, the Brazilian securities market, our business and operations and the market prices of our notes.

At times in the past, Brazil has experienced high rates of inflation. According to the General Market Price Index (*Índice Geral de Preços – Mercado*), or IGP-M, a general price inflation index, the inflation rates in Brazil were 7.7% in 2007, 9.8% in 2008, deflation of 1.7% in 2009, 11.3% in 2010, 5.1% in 2011 and 5.2% in 2012. In addition, according to the National Extended Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*), published by the IBGE, the Brazilian price inflation rates were 4.5% in 2007, 5.9% in 2008, 4.3% in 2009, 5.9% in 2010, 6.5% in 2011 and 5.8% in 2012. The Brazilian government's measures to control inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting availability of credit and reducing economic growth. Inflation, actions to combat inflation and public speculation about possible additional actions

have also contributed materially to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets.

Brazil may experience high levels of inflation in future periods. Periods of higher inflation may slow the rate of growth of the Brazilian economy, which could lead to reduced demand for our products in Brazil and decreased net sales. Inflation is also likely to increase some of our costs and expenses, which we may not be able to pass on to our customers and, as a result, may reduce our profit margins and net income. In addition, high inflation generally leads to higher domestic interest rates, and, as a result, the costs of servicing any floating-rate real-denominated debt may increase, resulting in lower net income. Inflation and its effect on domestic interest rates can, in addition, lead to reduced liquidity in the domestic capital and lending markets, which could affect our ability to refinance our indebtedness in those markets. Any decline in our net sales or net income and any deterioration in our financial performance would also likely lead to a decline in the market price of our notes.

Significant volatility in the value of the real in relation to the U.S. dollar could harm our ability to meet our U.S. dollar-denominated liabilities.

The Brazilian currency has historically suffered frequent devaluations. In the past, the Brazilian government has implemented various economic plans and exchange rate policies, including sudden devaluations and periodic mini-devaluations, during which the frequency of adjustments has ranged from daily to monthly, floating exchange rate systems, exchange controls and dual exchange rate markets. There have been significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies. On December 31, 2012, the exchange rate was R\$2.043 per U.S.\$1.00.

Because Cosan S.A., its subsidiaries and jointly controlled entities generally invoices its sales in Brazilian *reais*, devaluation of the *real* against foreign currencies may generate losses from our foreign currency-denominated liabilities as well as an increase in our funding costs with a negative impact on our ability to finance our operations through access to the international capital markets and on the market value of the notes. A strengthening of the real in relation to the U.S. dollar generally has the opposite effect. Further devaluations of the Brazilian currency may occur and impact our business in the future. These foreign exchange and monetary gains or losses can be substantial, which can significantly impact our earnings from one period to the next. In addition, depreciation of the *real* relative to the U.S. dollar could (1) result in additional inflationary pressures in Brazil by generally increasing the price of imported products and services and requiring recessionary government policies to curb demand and (2) weaken investor confidence in Brazil and reduce the market price of the notes. On the other hand, further appreciation of the real against the U.S. dollar may lead to a deterioration of the country's current account and the balance of payments and may dampen export-driven growth.

Because a substantial portion of our indebtedness is, and will continue to be, denominated in or indexed to the U.S. dollar, our foreign currency exposure related to our indebtedness as of December 31, 2012 was R\$4.2 billion. We manage a portion of our exchange rate risk through foreign currency derivative instruments, but our foreign currency debt obligations are not completely hedged. In addition, a devaluation of the *real* would effectively increase the interest expense in respect of our U.S. dollar-denominated debt.

Changes in tax laws may increase our tax burden and, as a result, adversely affect our profitability.

The Brazilian government regularly implements changes to tax regimes that may increase the tax burden on Cosan S.A., its subsidiaries and jointly controlled entities and its customers. These changes include modifications in the rate of assessments and, on occasion, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes. In April 2003, the Brazilian government presented a tax reform proposal, which was mainly designed to simplify tax assessments, to avoid internal disputes within and between the Brazilian states and municipalities, and to redistribute tax revenues. The tax reform proposal provided for changes in the rules governing the federal Social Integration Program (*Programa de Integração Social*), or PIS, the federal Contribution for Social Security Financing (*Contribuição para Financiamento da Seguridade Social*), or COFINS, the federal Tax on Bank Account Transactions (*Contribuição Provisória sobre Movimentação ou Transmissão de Valores e de Créditos e Direitos de Natureza Financeira*), the State Tax on the Circulation of Merchandise and Services (*Imposto Sobre a Circulação de Mercadorias e Serviços*), or ICMS, and some other taxes. The effects of these proposed tax reform measures and any other changes that result from enactment of additional tax reforms have not been, and cannot be, quantified. Moreover, as a measure to avoid unfair competitive practices in the ethanol business, the federal government has enacted Law No. 11,727/08. According to this law, the collection of PIS and COFINS has

shifted from the distributors to distilleries, thereby increasing the burden of these taxes collected at the distilleries from 25% to 40%. The law further requires the installation of flow meters at distilleries to control the output of ethanol. Some of these measures may result in increases in our overall tax burden, which could negatively affect our overall financial performance.

Risks Relating to the Notes and the Guarantee

The notes may not be a suitable investment for all investors.

Each potential investor in the notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the notes, the merits and risks of investing in the notes and the information contained in this offering memorandum or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the notes and the impact the notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the notes;
- understand thoroughly the terms of the notes and be familiar with the behavior of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Payments on the notes and the guarantee will be junior to the guarantor's secured debt obligations and effectively junior to debt obligations of subsidiaries, as well as the Joint Venture and Radar.

The notes and the guarantee will constitute the issuer's and the guarantor's senior unsecured obligations and will rank equal in right of payment with all of the issuer's and the guarantor's other existing and future senior unsecured indebtedness. Although the holders of the notes will have a direct, but unsecured claim on our assets and property, payment by us in respect of the notes will be subordinated to any of our secured debt to the extent of the assets and property securing such debt, respectively. Payment by us in respect of the notes will also be structurally subordinated to the payment of secured and unsecured debt and other creditors of our subsidiaries and jointly controlled companies, including the Joint Venture and Radar. Our ability to meet our debt service obligations, including in respect of the notes, will be substantially dependent on the cash flow generation of the Joint Venture and our corresponding receipt of dividends from the Joint Venture. In addition, under Brazilian law, the issuer's obligations under the notes and our obligations under the guarantee are subordinated to certain statutory preferences, including post-petition claims, claims for salaries, wages, secured obligations, social security, taxes, court fees and expenses, among other claims. In the event of our or the issuer's liquidation, such statutory preferences will have preference over any other claims, including claims by any holder of the notes.

The Issuer does not have sufficient cash flow from operations to repay the notes.

The issuer's principal business activity is to act as a financing company for our activities and operations. The issuer has no material operational assets, and its only sources of cash flow are returns from its financing activities including any intercompany credit transactions and from capital contributions and other investments by us and our other subsidiaries. Accordingly, the issuer does not have, and is not expected to have through the maturity date of the notes, sufficient cash flow from its operations to pay amounts due in connection with the notes, and the holders of the notes must rely predominantly on our operations and cash flow to repay amounts due under the notes. If the issuer does not have sufficient cash flow from its financing activities, and if capital contributions and other investments in the issuer are not made by us or our subsidiaries, then the holders of the notes would have to rely upon claims against us for payment under the guarantee. In addition, payments under the guarantee are subject to the risks and limitations described under "—Payments on the notes and the guarantee will be junior to the guarantor's

secured debt obligations and effectively junior to debt obligations of subsidiaries, including the Joint Venture and Radar.”

Similarly, Cosan is a holding company with no operations other than to hold equity interests in the operating subsidiaries discussed in this offering memorandum and depends on the cash flow and profits thereof, distributed to Cosan in the form of dividends, in order to meet its financial obligations. Accordingly, the ability of Cosan to pay principal, interest and other amounts due on the notes and guarantee to us will depend upon the financial condition and results of operations of Cosan’s subsidiaries. In the event of an adverse change in the financial condition or results of operations of Cosan’s subsidiaries these entities may be unable to distribute dividends to the Cosan, which would result in the failure of Cosan to have sufficient funds to repay all amounts due on or with respect to the notes or the guarantee.

The restricted payments covenant in the indenture governing the notes contains an exception allowing us to make potentially significant dividend payments in connection with a corporate reorganization or delisting transaction involving the public shareholders of Cosan Limited.

The indenture governing the notes contains a restricted payment covenant that restricts our ability to make certain payments unless those payments are specifically permitted in accordance with the terms of the covenant. See “Description of the Notes—Certain Covenants—Limitation on Restricted Payments.” The covenant contains a number of qualifications and exceptions, including that we may declare or pay dividends or purchase, redeem, acquire or retire any equity interests, in any case with no dollar limit, in connection with any corporate reorganization or delisting transaction involving the public shareholders of Cosan Limited, subject only to the limitation that we must be able to incur at least U.S.\$1.00 of additional indebtedness pursuant the covenant restricting our ability to incur additional indebtedness. Accordingly, we could use a significant amount of cash in a corporate reorganization or delisting transaction involving our parent company.

Restrictions on the movement of capital out of Brazil may impair the ability of holders of the notes to receive payments on the notes.

Brazilian law provides that whenever there is a serious imbalance in Brazil’s balance of payments or reasons to foresee a serious imbalance, the Brazilian government may impose temporary restrictions on the remittance to foreign investors of the proceeds of their investments in Brazil. We cannot assure you that mechanisms for the transfer of *reais* and conversion into U.S. dollars will continue to be available at the time we are required to perform our obligations under the notes or the indenture or that a more restrictive control policy, which could affect our ability to make payments under the notes or the indenture in U.S. dollars, will not be instituted in the future. If such financial mechanisms are not available, the guarantor may have to rely on a special authorization from the Central Bank to make payments under the notes in U.S. dollars or, alternatively, be required to make such payments with any funds that we hold outside Brazil. We cannot assure you that any such Central Bank approval would be obtained or that such approval would be obtained on a timely basis or that we will have such funds available.

Holders of notes may be subject to the EU Savings Directive.

Under EU Council Directive 2003/48/EC of June 3, 2003 on the taxation of savings income (“EU Savings Directive”), Member States are required to provide to the tax authorities of another Member State details of payments of interest within the meaning of EU Savings Directive or other similar income paid by a paying agent within its jurisdiction (within the meaning of EU Savings Directive) to an individual resident or certain types of entities defined in article 4.2 of the EU Savings Directive established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead permitted (unless during that period they elect otherwise) to apply a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories of certain Member States have adopted similar measures (either provision of information or transitional withholding).

On September 15, 2008, the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission’s advice on the need for changes to the Directive. On November 13, 2008, the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. If any of those proposed changes are made in relation to the

Directive, they may amend or broaden the scope of the requirements described above. For more information, please see “EU Savings Directive.”

If a payment with respect to any note were to be made or collected through a Member State that has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, none of Cosan Luxembourg, any guarantor or any paying agent nor any other person would be obliged to pay additional amounts with respect to any note as a result of the imposition of such withholding tax. Cosan Luxembourg is required to maintain a paying agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

Brazilian bankruptcy laws may be less favorable to you than bankruptcy and insolvency laws in other jurisdictions.

If we are unable to pay amounts due under our guarantee, then we may become subject to bankruptcy proceedings in Brazil. The bankruptcy laws of Brazil currently in effect are significantly different from, and may be less favorable to creditors than, those of certain other jurisdictions. Noteholders may have limited rights at creditors’ meetings in the context of a court reorganization proceeding. In addition, in the event of our bankruptcy, all of our debt obligations, that are denominated in foreign currency, including the notes, will be converted into *reais* at the prevailing exchange rate on the date of declaration of our bankruptcy by the court. We cannot assure you that such rate of exchange will afford you full compensation of the amount invested in the notes plus accrued interest.

Judgments of Brazilian courts enforcing our obligations under the notes are payable only in Brazilian reais.

If proceedings were brought in the courts of Brazil seeking to enforce our obligations under the notes, we would be required to discharge our obligations in *reais*. Any judgment obtained against us in Brazilian courts in respect of any payment obligations under the notes will be expressed in *reais* equivalent to the U.S. dollar amount of such payment at the exchange rate published by the Central Bank on (1) the date of actual payment, (2) the date on which such judgment is rendered or (3) the actual due date of the obligations, in which case the amount would be subject to a monetary adjustment as determined by the relevant court. There can be no assurance that such rate of exchange will afford you full compensation of the amount invested in the notes plus accrued interest. For further information, see “Enforceability of Civil Liabilities.”

We may not have the ability to raise the funds necessary to finance any change of control offer required by the indenture governing the notes.

Upon the occurrence of certain specific change of control events, we will be required to offer to repurchase all outstanding notes at 101% of the principal amount thereof plus accrued and unpaid interest to the date of repurchase. However, it is possible that we will not have sufficient funds at the time of any such change of control event to make the required repurchase of the notes. In addition, our existing and future indebtedness may contain prohibitions on the occurrence of events that would constitute a change of control or require such indebtedness to be repurchased upon a change of control. Moreover, the exercise of the right of the holders of the notes to require us to repurchase the notes upon a change of control event may cause a default under such indebtedness even if the change of control event itself does not. Accordingly, we may not be able to satisfy our obligations to purchase the notes unless we are able to refinance or obtain waivers under such indebtedness. The failure to repurchase the notes upon a change of control event would result in an event of default under the indenture governing the notes. In addition, certain important corporate events, such as leveraged recapitalizations, that would increase the level of our indebtedness may not constitute a change of control event under the indenture governing the notes. Therefore, if an event occurs that does not constitute a change of control event under the indenture, we will not be required to make an offer to repurchase the notes and the holders may be required to continue to hold the notes despite such event.

We cannot assure you that a judgment of a court for liabilities under the securities laws of a jurisdiction outside Brazil would be enforceable in Brazil, or that an original action can be brought in Brazil against us for liabilities under applicable securities laws.

We are incorporated under the laws of Brazil, and substantially all of our assets are located in Brazil. All or substantially all of our directors, executive officers and certain advisers named herein reside in Brazil. As a result, it may not be possible for investors to effect service of process within the United States upon us or our respective directors, executive officers and advisers or to enforce against us in U.S. courts any judgments predicated upon the

civil liability provisions of the applicable securities laws. For further information, see “Enforceability of Civil Liabilities.”

Luxembourg bankruptcy laws may be less favorable to you than bankruptcy and insolvency laws in other jurisdictions.

The issuer is a public limited liability company incorporated under the laws of Luxembourg, and as such any insolvency proceedings applicable to such a company are in principle governed by Luxembourg law. The insolvency laws of Luxembourg may not be as favorable to your interests as creditors as the laws of the United States or other jurisdictions with which you may be familiar. For further information, see “Enforceability of Civil Liabilities—Insolvency Proceedings in Luxembourg.”

You may be unable to recover damages in civil proceedings for U.S. securities laws violations.

The issuer is organized under the laws of Luxembourg and does not have any assets in the United States. It is anticipated that some or all of the directors and executive officers of the issuer will be nonresidents of the United States and that all or a majority of their assets will be located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the issuer or its directors and executive officers, or to enforce any judgments obtained in U.S. courts predicated upon civil liability provisions of the U.S. securities laws. In addition, the issuer cannot assure you that civil liabilities predicated upon the federal securities laws of the United States will be enforceable in Luxembourg. See “Enforceability of Civil Liabilities - Enforcement of Judgments”.

Cosan Luxembourg is incorporated in Luxembourg, and Luxembourg law differs from U.S. law and may afford less protection to holders of the Notes.

Holders of the notes may have more difficulty protecting their interests than would security holders of a corporation incorporated in a jurisdiction of the United States. As a Luxembourg company, Cosan Luxembourg is incorporated under and subject to the Luxembourg law on commercial companies of August 10, 1915 (as amended) (the “Luxembourg Companies Law”) and other provisions of Luxembourg law. The Luxembourg Companies Law differs in some material respects from laws generally applicable to U.S. corporations and security holders, including the provisions relating to interested directors, mergers, amalgamations and acquisitions, takeovers, security holder lawsuits and indemnification of directors.

Under Luxembourg law, the duties of directors, managers and officers of a company are generally owed to the company only. Holders of notes issued by Luxembourg companies generally do not have rights to take action against directors, managers or officers of the company, except in limited circumstances. Directors, managers or officers of a Luxembourg company must, in exercising their powers and performing their duties, act in good faith and in the interests of the company as a whole and must exercise due care, skill and diligence. Directors have a duty not to put themselves in a position in which their duties to the company and their personal interests may conflict and also are under a duty to disclose any personal interest in any contract or arrangement with the company or any of its subsidiaries. If a director or officer of a Luxembourg company is found to have breached his or her duties to that company, he or she may be held personally liable to the company in respect of that breach of duty. A director or manager may be jointly and severally liable with other directors implicated in the same breach of duty.

We cannot assure you that an active trading market for the new notes will develop.

We have applied for admission of the new notes to trading on the Euro MTF Market of the Luxembourg Stock Exchange. Furthermore, no assurance can be provided regarding the future development of a market for the notes, the ability of holders of the notes to sell their notes or the price at which such holders may be able to sell their notes. If such a market were to develop, the notes could trade at prices that may be higher or lower than the initial offering price of the new notes depending on many factors, including prevailing interest rates, our results of operations and financial condition, prospects for other companies in our industry, political and economic developments in and affecting Brazil, risks associated with Brazilian issuers of such type of securities and the market for similar securities. If an active market for the notes is interrupted, the market price and liquidity of the notes may be adversely affected.

Transfer of the notes will be restricted.

We have not registered and do not intend to register the offer and sale or resale of the notes under the Securities Act or the securities laws of any jurisdiction. The holders of the notes may not offer or sell the notes, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and other applicable securities laws. The holders of the notes should read the disclosures in the section “Transfer Restrictions” for further information about these and other transfer restrictions. It is the holder’s obligation to ensure that offers and sales of notes comply with applicable securities laws.

A finding that a guarantee of the notes was a fraudulent conveyance could result in noteholders losing their legal claim against the relevant guarantor.

The issuer’s obligation to make payments on the notes is supported by Cosan’s guarantees on such notes. In the event that Brazilian or U.S. fraudulent conveyance or similar laws are applied to Cosan’s guarantees and at the time Cosan entered into such guarantee, we:

- were rendered insolvent by reason of our entering into such guarantee;
- were engaged in business or transactions for which the assets remaining with us constituted unreasonably low capital;
- intended to incur, or believed that we would incur, debts beyond our ability to pay such debts as they mature; or
- received less than reasonably equivalent value or fair consideration in exchange for such guarantee;

then Cosan’s obligations under its guarantee could be voided, or claims in respect of the guarantee could be subordinated to the claims of other creditors. A legal challenge to a guarantee on fraudulent conveyance grounds may focus, among other claims, on the benefits, if any, realized by such guarantor as a result of the issuance of the notes so guaranteed. If a guarantee is held to be a fraudulent conveyance or unenforceable for any other reason, the holders of the notes would not have a claim against Cosan, under the applicable guarantee, or such claim could be subordinated to claims of other creditors of Cosan, as applicable, and would solely have a claim against the issuer. The issuer and Cosan cannot assure you that, after providing for all prior claims, there will be sufficient assets to satisfy the claims of the noteholders relating to any voided portion of Cosan’s guarantee.

USE OF PROCEEDS

We estimate that our net proceeds from this offering will be approximately U.S.\$492.5 million, after deducting discount, commissions and estimated offering expenses.

We expect to receive the proceeds from the notes through an intercompany transaction with the issuer. We intend to use the net proceeds from the offering to prepay a portion our indebtedness incurred in the form of debentures issued to Banco Bradesco S.A., the controlling shareholder of Banco Bradesco BBI S.A., an initial purchaser in this offering, and Banco Itaú BBA S.A., an affiliate of Itaú BBA U.S.A Securities, Inc., an initial purchaser in this offering, which are being repaid in part with proceeds of this offering, in the aggregate principal amount of R\$3.3 billion. This loan bears interest at 123% of the CDI index per annum, with interest payable semi-annually and principal payable from August 2014 through October 2020.

THE ISSUER

Cosan Luxembourg S.A. is a wholly-owned subsidiary of Cosan S.A. Indústria e Comércio and is a limited liability company incorporated under the laws of Luxembourg on February 28, 2013 and registered with the Luxembourg Register of Commerce and Companies under number B 175.646. The registered office of the issuer is at 13-15 Avenue de la Liberté, L-1931 Luxembourg, Grand Duchy of Luxembourg.

Cosan Luxembourg has not published financial statements for any period. The notes are the only outstanding debt of the Issuer. In the future, Cosan Luxembourg will prepare financial statements which will be published annually.

The Issuer is managed by a board of directors, currently consisting of four directors. The issuer is unaware of any conflicts of interest between the duties that any director owes to the issuer and such director's private interests or other duties.

The following persons are A directors of Cosan Luxembourg S.A.:

- Rubens Ometto Silveira Mello, engineer, born on February 24, 1950 in Piracicaba, Brazil, with business address at Avenida Presidente Juscelino Kubitschek, 1327, 4th floor, 04543-011 São Paulo, Brazil; and
- Marcelo Eduardo Martins, officer, born on October 21, 1966 in São Paulo, Brazil, with business address at Avenida Presidente Juscelino Kubitschek, 1327, 4th floor, 04543-011 São Paulo, Brazil.

The following persons are B directors of Cosan Luxembourg:

- Elizabeth Timmer, manager, born in Zuidelijke IJsselmeerpolder in the Netherlands on 24 July 1965, with business address at 13-15 Avenue de la Liberté, L-1931 Luxembourg; and
- Richardus Brekelmans, director, born in Amsterdam in the Netherlands on September 12, 1960, with business address at 13-15 Avenue de la Liberté, L-1931 Luxembourg.

The share capital of Cosan Luxembourg is set at fifty thousand dollars (U.S.\$50,000), represented by five hundred thousand (500,000) shares fully paid in and in registered form, having a nominal value of ten cents of a dollar (U.S.\$0.10) each.

The opening balance of the Issuer consisted of US\$50,000 in cash and cash equivalents, corresponding to shareholder's equity of US\$50,000.

The board of directors of Cosan Luxembourg is authorised, for a period of five years from the date of the publication of the deed of incorporation, to:

- increase the current share capital once or more by an amount of up to one million dollars (U.S.\$1,000,000), by the issue of new shares, having the same rights as the existing shares;
- limit or withdraw the shareholders' preferential subscription rights to the new shares and determine the persons who are authorised to subscribe to the new shares; and
- record each share capital increase by way of a notarial deed and amend the share register accordingly.

The issuer does not have subsidiaries or any equity investments. The issuer may have subsidiaries and other equity investments in the future.

The Issuer published its articles of incorporations in the Recueil du Mémorial on February 28, 2013.

The Issuer's objective and principal activity is the acquisition of participations, in Luxembourg or abroad, in any company or enterprise in any form whatsoever, and the management of those participations. For a detailed description of the Issuer's objectives, see Article 3 of the Issuer's articles of association.

EXCHANGE RATES

Brazil's foreign exchange system allows the purchase and sale of currency and the international transfer of *reais* by any person or legal entity, regardless of amount, subject to certain regulatory procedures.

The Brazilian currency has during the last decades experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies. Most recently, the *real* was R\$1.566 per U.S.\$1.00 in August 2008. Primarily as a result of the crisis in the global financial markets, the *real* depreciated 31.9% against the U.S. dollar and reached R\$2.313 per U.S.\$1.00, at year end 2008. In 2009 and 2010, the *real* appreciated against the U.S. dollar and reached R\$1.659 per U.S.\$1.00 at year end 2010. During 2011, the *real* depreciated and on December 31, 2011, the exchange rate was R\$1.863 per U.S.\$1.00. During 2012, the *real* continued to depreciate, reaching R\$2.043 per U.S.\$1.00 as of December 31, 2012. The exchange rate was R\$1.990 per U.S.\$1.00 as of January 31, 2013.

The Central Bank has intervened occasionally to combat instability in foreign exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to allow the *real* to float freely or will intervene in the exchange rate market through a currency band system or otherwise.

The following tables present the selling rate, expressed in *reais* to the U.S. dollar (R\$/U.S.\$), for the periods indicated:

	Period-End	Average for Period ⁽¹⁾	Low	High
	(reais per U.S. dollar)			
Year				
2008.....	2.313	1.836	1.554	2.620
2009.....	1.742	1.994	1.692	2.450
2010.....	1.659	1.759	1.643	1.916
2011.....	1.863	1.675	1.527	1.949
2012.....	2.043	1.955	1.686	2.138
2013 (through June 7).....	2.137	2.026	1.953	2.139

	Period-End	Average for Month ⁽²⁾	Low	High
	(reais per U.S. dollar)			
Month				
September 2012.....	2.025	2.028	2.006	2.045
October 2012.....	2.030	2.030	2.015	2.044
November 2012.....	2.135	2.068	2.029	2.136
December 2012.....	2.048	2.078	2.038	2.138
January 2013.....	1.988	2.031	1.988	2.047
February 2013.....	1.975	1.974	1.957	1.989
March 2013.....	2.014	1.983	1.953	2.019
April 2013.....	2.002	2.002	1.974	2.024
May 2013.....	2.139	2.035	2.003	2.139
June 2013 (through June 7).....	2.137	2.130	2.124	2.137

Source: Central Bank

(1) Represents the average of the exchange rates on the last day of each month during the period.

(2) Average of the lowest and highest rates in the month.

The rate used to translate *real* amounts contained in this offering memorandum into U.S. dollars was R\$2.043 to U.S.\$1.00, which was the commercial rate for the purchase of U.S. dollars in effect as of December 31, 2012, as reported by the Central Bank.

CAPITALIZATION

The following table sets forth our shareholders' equity and total capitalization as of December 31, 2012 and as adjusted to reflect the amount of approximately U.S.\$492.5 million in estimated net proceeds from the sale of the notes, after the deduction of discount, commissions and estimated expenses payable by us and the payment of a portion of the debentures in the aggregate principal amount of R\$3.3 billion, as described in "Use of Proceeds."

	As of December 31, 2012					
	Actual		As Adjusted(2)		As further Adjusted(3)	
	(in R\$ millions)	(in U.S.\$ millions)(4)	(in R\$ millions)	(in U.S.\$ millions)(4)	(in R\$ millions)	(in U.S.\$ millions)(4)
Indebtedness	11,661.5	5,708.0	11,661.5	5,708.0	11,661.5	5,708.0
Current debt	1,789.6	876.0	1,789.6	876.0	1,789.6	876.0
Non-current debt	9,871.9	4,832.1	9,871.9	4,832.1	9,871.9	4,832.1
Debentures	3,343.9	1,636.8	2,337.7	1,144.3	1,842.2	901.7
Senior notes due 2018.....	—	—	—	—	495.5	242.5
Senior notes due 2023.....	—	—	1,006.2	492.5	1,006.2	492.5
Other non-current debt.....	6,528.0	3,195.3	6,528.0	3,195.3	6,528.0	3,195.3
Shareholders' equity	13,463.0	6,589.8	13,463.0	6,589.8	13,463.0	6,589.8
Total capitalization(1).....	25,124.5	12,297.8	25,124.5	12,297.8	25,124.5	12,297.8

- (1) Total capitalization is the sum of total indebtedness plus shareholders' equity.
- (2) Adjusted to reflect the receipt of net proceeds from the sale of the notes, after deducting discount, commissions and estimated expenses of the offering payable by us and the prepayment of a portion of the debentures in aggregate principal amount of R\$3.3 billion.
- (3) Further adjusted to reflect the receipt of net proceeds from the sale of R\$500 million aggregate principal amount of the 2018 BRL notes and the prepayment of a portion of the debentures in aggregate principal amount of R\$3.3 billion.
- (4) We have converted the amounts included in the tables above from *reais* into U.S. dollars using the exchange rate as of December 31, 2012 of R\$2.043 to U.S.\$1.00, which was the commercial selling exchange rate reported by the Central Bank. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.

No material change has occurred to our capitalization since December 31, 2012. You should read this table in conjunction with "Selected Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the related notes included elsewhere in this offering memorandum.

SELECTED FINANCIAL AND OTHER INFORMATION

The following tables present selected historical financial and operating data derived from our audited consolidated financial statements as of and for the fiscal years ended March 31, 2012, 2011 and 2010 and our unaudited interim consolidated financial statements as of December 31, 2012 and for the nine-month periods ended December 31, 2012 and 2011, included elsewhere in this offering memorandum.

The interim consolidated financial statements as of December 31, 2012 and for the nine months ended December 31, 2012 and 2011 are unaudited. However, according to our management, such interim consolidated financial information includes all relevant information necessary for a fair presentation of the results of the interim periods. The results of operations for the nine months ended December 31, 2012 are not necessarily indicative of the results to be expected for the year ending March 31, 2013.

You should read and analyze the information below in conjunction with our financial statements and related notes included elsewhere in this offering memorandum, as well as the section “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Income Statement Data	Nine-Month Period Ended December 31,			Year Ended March 31,			
	(in U.S.\$ millions)	(in R\$ millions)		(in U.S.\$ millions)	(in R\$ millions)		
	2012(1)	2012	2011	2012(1)	2012	2011	2010
Net sales.....	10,550.7	21,555.0	17,795.8	11,794.9	24,096.9	18,063.5	15,336.1
Cost of sales and services	(9,423.2)	(19,251.5)	(15,918.5)	(10,506.6)	(21,465.0)	(15,150.1)	(13,271.3)
Gross profit	1,127.5	2,303.5	1,877.3	1,288.3	2,631.9	2,913.4	2,064.8
Selling expenses.....	(422.2)	(862.6)	(797.2)	(556.2)	(1,136.3)	(1,026.0)	(862.7)
General and administrative expenses.....	(281.4)	(574.9)	(429.7)	(314.2)	(641.9)	(541.0)	(496.3)
Gain on tax recovery program	—	—	—	—	—	—	270.3
Gain on the de-recognition of subsidiaries to form the Joint Venture	—	—	3,297.0	1,564.7	3,196.7	—	—
Other income (expenses), net.....	99.7	203.6	54.8	71.2	145.5	(33.8)	37.5
Operations income (expenses)	(604.0)	(1,233.9)	2,124.8	765.5	1,564.0	(1,600.8)	(1,051.2)
Income before financial results, equity income of associates and income taxes	523.5	1,069.6	4,002.1	2,053.8	4,195.9	1,312.6	1,013.6
Equity income of associates.....	31.8	65.0	0.6	16.3	33.3	25.2	4.2
Financial results, net	(214.0)	(437.2)	(453.7)	(232.1)	(474.1)	(146.7)	455.2
Income before income taxes	341.4	697.4	3,549.0	1,838.0	3,755.1	1,191.1	1,473.0
Income taxes:							
Current.....	(102.2)	(208.8)	(96.9)	(72.2)	(147.4)	(85.4)	(78.4)
Deferred	59.1	120.8	(1,013.2)	(471.2)	(962.7)	(329.1)	(344.9)
Net income for the year from continuing operations.....	298.3	609.4	2,438.8	1,294.7	2,645.0	776.6	1,049.7
Net income for the year from discontinued operations	69.7	142.3	57.2	—	—	—	—
Net income for the year attributable to non-controlling interests.....	(70.0)	(143.1)	(39.7)	(19.1)	(39.0)	(4.9)	4.1
Net income for the year attributable to our owners of the Company	297.9	608.6	2,456.3	1,275.6	2,606.0	771.6	1,053.8

- (1) Solely for the convenience of the reader, we have translated certain amounts included in this offering memorandum from *reais* into U.S. dollars using the exchange rates as of December 31, 2012 of R\$2.043 to U.S.\$1.00, as reported by the Central Bank. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.

Statement of Financial Position Data

	As of December 31,		As of March 31,			
	(in U.S.\$ millions)	(in R\$ millions)	(in U.S.\$ millions)	(in R\$ millions)		
	2012(1)	2012	2012(1)	2012	2011	2010
Cash and cash equivalents	1,137.8	2,324.6	791.1	1,616.2	1,254.1	1,078.4
Inventories	835.3	1,706.6	366.2	748.1	670.3	612.7
Biological assets	465.3	950.6	473.8	968.0	1,561.1	963.2
Property, plant and equipment	3,434.4	7,016.5	3,850.7	7,866.9	7,980.5	6,114.5
Intangible assets	6,830.7	13,955.1	2,414.2	4,932.2	3,445.7	3,381.5
Total assets	17,062.6	34,858.8	10,829.2	22,124.1	18,146.3	15,934.9
Current liabilities	2,180.2	4,454.1	1,017.1	2,077.9	2,457.4	2,113.6
Non-current						
Long-term debt	4,832.1	9,871.9	2,191.3	4,476.9	6,274.9	5,136.5
Legal proceedings	555.0	1,133.9	514.8	1,051.7	666.3	612.0
Equity attributable to owners of the Company	4,763.4	9,731.6	4,479.6	9,151.8	6,458.9	5,919.1
Equity attributable to non-controlling interests	1,826.4	3,731.4	227.4	464.6	325.5	63.1
Total equity	6,589.8	13,463.0	4,707.0	9,616.4	6,784.4	5,982.2

- (1) Solely for the convenience of the reader, we have translated certain amounts included in this offering memorandum from *reais* into U.S. dollars using the exchange rates as of December 31, 2012 of R\$2.043 to U.S.\$1.00, as reported by the Central Bank. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.

Other Financial Data	As of and for the Nine-Month Period Ended December 31,		As of and for the Year Ended March 31,			
	(in U.S.\$ millions)	(in R\$ millions, except where otherwise indicated)	(in U.S.\$ millions)	(in R\$ millions, except where otherwise indicated)		
	2012(1)	2012	2012(1)	2012	2011	2010
Depreciation and amortization	534.9	1,092.7	559.4	1,142.8	1,359.0	1,127.9
Adjusted net debt (2)	4,406.8	9,003.1	1,590.0	3,248.4	5,679.7	4,647.5
Working capital (3)	1,278.3	2,611.5	1,290.8	2,637.2	1,004.9	1,251.2
Cash flow provided by (used in):						
Operating activities	543.7	1,110.7	960.1	1,961.5	2,337.1	2,131.4
Investing activities	(1,860.5)	(3,801.0)	(1,097.8)	(2,242.8)	(3,145.7)	(2,389.5)
Financing activities	1,663.5	3,398.6	314.9	643.4	984.3	617.1
Earnings per share from continuing operations (basic)	0.74	1.515	3.15	6.430	1.900	2.810
Earnings per share from continuing operations (diluted)	0.73	1.496	3.10	6.340	1.900	2.720
Number of shares outstanding		407,214,353		407,214,353	407,214,353	406,560,317
Dividends paid		565,207		192,661	193,095	—
Dividends paid per share (<i>reais</i>)		0.001388		0.000473	0.000474	—
Adjusted EBITDA(4)	1,090.3	2,227.2	1,064.8	2,175.3	2,696.8	1,875.4
Adjusted EBITDA margin	10.3%	10.3%	9.2%	9.0%	14.9%	12.2%
Annualized adjusted EBITDA (5)	1,696.8	3,466.5	1,064.8	2,175.3	2,696.8	1,875.4
Adjusted net debt/Annualized adjusted EBITDA(6)	2.6	2.6	1.5	1.5	2.1	2.5

- (1) Solely for the convenience of the reader, we have translated certain amounts included in this offering memorandum from *reais* into U.S. dollars using the exchange rates as of December 31, 2012 of R\$2.043 to U.S.\$1.00, as reported by the Central Bank. The U.S. dollar

equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.

- (2) Adjusted net debt consists of current and non-current debt, net of cash and cash equivalents, CTNs and derivative assets on debt. Adjusted net debt is a non-GAAP measure. We use this definition of adjusted net debt to be consistent with the definition required for the calculation of financial ratios applicable under the notes. The following table sets forth a reconciliation of adjusted net debt to current debt:

Reconciliation of Total Debt to Adjusted Net Debt	As of December 31,		As of March 31,			
	(in U.S.\$ millions)	(in R\$ millions)	(in U.S.\$ millions)	(in R\$ millions)		
	2012(a)	2012	2012(a)	2012	2011	2010
Current debt.....	876.0	1,789.6	262.9	537.1	916.4	795.0
Non-current debt.....	4,832.1	9,871.9	2,191.3	4,476.9	6,274.9	5,136.6
Total debt.....	5,708.0	11,661.5	2,454.2	5,014.0	7,191.3	5,931.6
Cash and cash equivalents	(1,137.8)	(2,324.6)	(791.1)	(1,616.2)	(1,254.1)	(1,078.4)
CTN (b)	(85.1)	(173.8)	(73.1)	(149.4)	(257.5)	(205.7)
Derivative assets on debt	(78.3)	(160.0)	—	—	—	—
Adjusted net debt.....	4,406.8	9,003.1	1,590.0	3,248.4	5,679.7	4,647.5

- (a) Solely for the convenience of the reader, we have translated certain amounts included in this offering memorandum from *reais* into U.S. dollars using the exchange rates as of December 31, 2012 of R\$2.043 to U.S.\$1.00, as reported by the Central Bank. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.
- (b) CTNs are bonds issued by the Brazilian National Treasury under the Special Program for Agricultural Securitization (*Programa Especial de Saneamento de Ativos*), or PESA, with original maturities of 20 years to April 2023. We hold these CTNs in connection with our long-term PESA debt and the value of these CTNs at maturity is expected to be equal to our long-term PESA debt. See note 5 to our audited consolidated financial statements as of and for the fiscal years ended March 31, 2012 and 2011 and note 17 to our unaudited interim consolidated financial statements as of December 31, 2012 and for the nine-month periods ended December 31, 2012 and 2011, included elsewhere in this offering memorandum.
- (3) Working capital consists of total current assets less total current liabilities.
- (4) We define adjusted EBITDA as our consolidated net sales, *minus* our consolidated cost of sales and services, *minus* our consolidated general and administrative expenses and selling expenses *minus/plus* other recurring income (expenses), net (with individual items of U.S.\$50 million or less deemed recurring expenses and individual items in excess of such amount determined by us, in good faith, as recurring or non-recurring on an item-by-item basis), *minus/plus* equity income of associates, *plus* any depreciation or amortization included in any of the foregoing expenses. We use this definition of adjusted EBITDA to be consistent with the definition required for the calculation of financial ratios applicable under the notes. The table below sets forth a reconciliation of our consolidated net sales to adjusted EBITDA and adjusted EBITDA margin.

Reconciliation of Net Sales to Adjusted EBITDA	Nine-Month Period Ended December 31,			Year Ended March 31,			
	(in U.S.\$ millions)	(in R\$ millions)		(in U.S.\$ millions)	(in R\$ millions)		
	2012(a)	2012	2011	2012(a)	2012	2011	2010
Net sales	10,550.7	21,555.0	17,795.8	11,794.9	24,096.9	18,063.5	15,336.1
Cost of sales and services	(9,423.2)	(19,251.5)	(15,918.5)	(10,506.6)	(21,465.0)	(15,150.1)	(13,271.3)
General and administrative expenses.....	(281.4)	(574.9)	(429.7)	(314.2)	(641.9)	(541.0)	(496.3)
Selling expenses	(422.2)	(862.6)	(797.2)	(556.2)	(1,136.3)	(1,026.0)	(862.7)
Other income (expenses), net.....	99.7	203.6	54.8	71.2	145.5	(33.8)	37.5
Depreciation and amortization.....	534.9	1,092.7	922.7	559.4	1,142.8	1,359.0	1,127.9
Equity income of associates	31.8	64.9	0.6	16.3	33.3	25.2	4.2
Adjusted EBITDA	1,090.3	2,227.2	1,628.5	1,064.8	2,175.3	2,696.8	1,875.4
Adjusted EBITDA margin(b)	10.3%	10.3%	9.2%	9.0%	9.0%	14.9%	12.2%

- (a) Solely for the convenience of the reader, we have translated certain amounts included in this offering memorandum from *reais* into U.S. dollars using the exchange rates as of December 31, 2012 of R\$2.043 to U.S.\$1.00, as reported by the Central Bank. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.
- (b) Adjusted EBITDA margin is adjusted EBITDA divided by net sales, expressed as a percentage.

- (5) Annualized adjusted EBITDA at December 31, 2012 represents the last twelve months of adjusted EBITDA reported under our consolidated financial statements adjusted by: (a) adjusted EBITDA from the last twelve months of Comgás and Radar, which has not been considered in the financial statements due to the fact that such entities started being consolidated only after November 1, 2012 and July 1, 2012, respectively, amounting to R\$835.9 million; (b) excluding the positive results from the discontinued operations represented by Cosan Alimentos of R\$11.2 million; and (c) non-recurring losses from the formation of Raízen incurred in the last quarter of the fiscal year ended March 31, 2012 amounting to R\$100.3 million.
- (6) Represents adjusted net debt divided by adjusted EBITDA for a twelve month period. In the case of the December 31, 2011 and 2012 columns, represents adjusted net debt divided by adjusted EBITDA for the twelve month period ended December 31, 2011 and 2012.

Other Operating Data	Nine-Month Period Ended December 31,		Year Ended March 31,		
	2012	2011	2012	2011	2010
Raízen Energia:					
Crushed sugarcane (in million tonnes).....	56.2	53.0	52.9	54.2	50.0
Sugar production (in million tonnes)	4.2	4.0	3.9	3.9	3.5
Ethanol production (in billion liters).....	1.9	1.9	1.9	2.2	1.8
Raízen Combustíveis:					
Volume of fuels sold (in million liters).....	16,656.3	10,630.1	18,526.3	6,076.9	5,490.6
Rumo:					
Sugar elevated (in million tonnes)	6.4	6.6	7.8	7.5	8.1
Other Businesses:					
Volume of lubricants and base oil sold (in million liters)	214.0	160.5	216.7	166.4	130.8
Comgás:					
Volume of gas sold (in million cbm)	3,829.7	3,651.7	5,258.6	4,834.7	4,909.5

UNAUDITED *PRO FORMA* CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following unaudited condensed consolidated *pro forma* financial information has been developed by applying *pro forma* adjustments (1) to the historical audited consolidated income statement of Cosan S.A. for the fiscal year ended March 31, 2012, giving effect to (i) the presentation as discontinued operations of Cosan Alimentos as a result of the sale of Docelar Alimentos e Bebidas S.A. as if it had occurred on April 1, 2011; and (ii) the acquisition of Comgás, as if it had occurred on April 1, 2011; and (2) to the historical unaudited interim consolidated income statement for the nine months ended December 31, 2012, giving effect to the acquisition of Comgás as if it had occurred on April 1, 2012. The assumptions underlying the *pro forma* adjustments are described in the accompanying notes, which should be read in conjunction with this unaudited *pro forma* condensed consolidated financial information.

On October 24, 2012, we sold our subsidiary Docelar Alimentos e Bebidas S.A., our segment Cosan Alimentos in the sugar retail business and we have reported the results from operations from this segment as “discontinued operations” in our unaudited interim consolidated financial statements for the nine months ended December 31, 2012 and 2011. The Company has yet to retrospectively recast this discontinued operations presentation in its previously issued annual audited consolidated financial statements for the fiscal year ended March 31, 2012. However, it will be retrospectively presenting such segment as discontinued operations when it ultimately prepares its annual consolidated financial statements as of March 31, 2013.

On November 5, 2012, we acquired 60.1% of the share capital of Comgás. We financed the acquisition in part by debentures we issued to Itaú BBA and Bradesco totaling R\$3.3 billion, issued in two series, the first series has a six-year term counting from the date of issuance, with final maturity on October 1, 2018, while the second series has an eight-year term counting from the date of issuance and will mature on October 1, 2020, and accruing interest at 123% of the Interbank Deposit Certificate (*Certificado de Depósito Interbancário*), or CDI rate, which is paid on a semi-annual basis. Comgás is the largest distributor of piped natural gas in Brazil, with a network reaching over nine thousand kilometers and delivering natural gas to more than one million residential, commercial and industrial consumers in over 70 cities. The Comgás concession area covers approximately 27% of Brazil’s gross domestic product, including 177 municipalities in the metropolitan regions of São Paulo, Campinas and Santos as well as the Paraíba Valley.

The unaudited *pro forma* condensed consolidated financial information is provided for illustrative purposes only and does not purport to represent what our actual consolidated results of operations would have been had the acquisition of Comgás occurred on the date assumed, nor is it necessarily indicative of the consolidated company’s future consolidated results of operations or financial position. The unaudited *pro forma* condensed consolidated financial information does not include the anticipated realization of cost savings from any operating efficiencies or synergies resulting from the acquisition of Comgás.

This unaudited *pro forma* condensed consolidated financial information should be read in conjunction with the accompanying notes presented below and the historical consolidated financial statements and accompanying notes of Cosan S.A. and Comgás, included elsewhere in this offering memorandum.

Furthermore, we are currently in the process of determining the fair values of the net assets acquired in the aforementioned acquisitions; therefore, the adjustments related to the business combination are based on preliminary estimates and assumptions.

The unaudited *pro forma* condensed consolidated income statement for the year ended March 31, 2012 does not give effect to: (i) the Joint Venture with Shell formed on June 1, 2011, for the unaudited *pro forma* condensed income statement for the fiscal year ended March 31, 2012, as if the Joint Venture was formed on April 1, 2011; (ii) the acquisition of Comma in July 2012, as if this acquisition had occurred on April 1, 2011; and (iii) the consolidation of Radar as from July 14, 2012, as a result in the change in Radar’s bylaws and shareholders’ agreement and as a result we will report a new business line in our financial information that was previously recognized by equity accounting, as if the consolidation of Radar had begun on April 1, 2011. The unaudited *pro forma* condensed consolidated income statement for the fiscal year ended March 31, 2012 presents a non-recurring gain on the formation of the Joint Venture with Shell in the amount of R\$3,196.7 million.

The unaudited *pro forma* condensed consolidated income statement for the nine months ended December 31, 2012 does not give effect to: (i) the acquisition of Comma in July 2012, as if this acquisition had occurred on April 1, 2012; (ii) the consolidation of Radar as from July 14, 2012, as a result in the change in Radar's bylaws and shareholders' agreement and as a result we will report a new business line in our financial information that was previously recognized by equity accounting, as if the consolidation of Radar had begun on April 1, 2012.

Basis of preparation

The unaudited *pro forma* adjustments are based upon available information and certain assumptions that our management believe are reasonable, and factually supportable and directly related to the acquisition of Comgás, , including that we are in the process of determining the fair value of the net assets acquired in the Comgás acquisition. These unaudited *pro forma* condensed consolidated financial statements are not prepared based on Article 11 of Regulation S-X. These unaudited *pro forma* condensed consolidated financial statements should be read in conjunction with other financial information included elsewhere in the offering memorandum.

The unaudited *pro forma* condensed consolidated financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical consolidated financial statements appearing elsewhere in this offering memorandum. The unaudited *pro forma* condensed consolidated financial information is presented for information purposes only and is not intended to represent or be indicative of the consolidated results of operations that we would have reported had the Comgás acquisition been completed as of the date and for the period presented, and should not be taken as representative of our consolidated results of operations or financial condition following the completion of the Comgás acquisition.

The acquisition of Comgás is accounted for as a business combination using the purchase method of accounting. The *pro forma* information presented, including allocation of purchase price, is based upon our preliminary estimates of the fair value of assets acquired and liabilities assumed, available information as of this date and management assumptions, and will be revised upon final calculations. A final determination of these fair values will reflect asset appraisals with a definitive allocation of the purchase price. This final valuation will be based on the actual net tangible and intangible assets and liabilities as of the closing dated of the Comgás acquisition. Any final adjustment may change the allocation of purchase price, which could affect the fair value assigned to the assets and liabilities and could result in a material change to the unaudited *pro forma* condensed consolidated financial information, including, but not limited to, an increase or decrease in goodwill and changes to cost of sales and services, depreciation and amortization. Therefore, the amounts reported in our historical unaudited interim consolidated financial statements as of and for the nine months ended December 31, 2012 with respect to this acquisition reflects the preliminary fair values of the net assets acquired and are thus provisional and are subject to change upon final determination of the fair value of the net assets acquired.

Comgás has a fiscal year ending on December 31. As the fiscal years and interim periods between Cosan S.A. and Comgás do not differ by 93 days, the *pro forma* condensed consolidated income statement is presented without adjust Comgás income statements for nine months ended September 30, 2012 and for the year ended December 31, 2012 for the unaudited condensed consolidated *pro forma* income statements for the nine months ended December 31, 2012 and for the fiscal year ended March 31, 2012, respectively.

Unaudited Pro Forma Condensed Consolidated Income Statement for the Nine Months Ended December 31, 2012

	Nine months ended December 31, 2012			
	Historical Cosan S.A. (1)	Historical Comgás (2)	Pro Forma Adjustments (3)	Cosan Pro Forma
	(millions of reais)			
Net sales.....	21,555.0	3,812.3	(951.3)	24,416.0
Cost of sales and services	(19,251.5)	(2,798.7)	705.9	(21,344.3)
Gross profit.....	2,303.5	1,013.6	(245.4)	3,071.7
Selling expenses	(862.6)	(85.8)	14.6	(933.8)
General and administrative expenses.....	(574.9)	(432.3)	57.2	(950.0)
Other income (expenses), net	203.6	(7.9)	0.9	196.6
Operating income (expenses), net.....	(1,233.9)	(526.0)	72.7	(1,687.2)
Income before equity income of associates, financial results and income taxes	1,069.6	487.6	(172.6)	1,384.7
Equity income of associates.....	65.0	—	—	65.0
Financial results, net	(437.2)	(134.7)	(173.6)	(745.5)
Income before income taxes	697.2	353.0	(346.2)	704.0
Income taxes	(88.0)	(115.7)	94.4	(109.3)
Net income for the period from continuing operations.....	609.4	237.2	(251.8)	594.9
Net income for the period from discontinued operations.....	142.3	—	—	142.3
Net income for the period attributable to non- controlling interests.....	(143.1)	—	(43.6)	(186.7)
Net income for the period attributable to owners of the Company	608.6	237.2	(295.4)	550.4

- (1) Represents the historical unaudited interim consolidated income statement of Cosan for the nine months ended December 31, 2012.
- (2) Represents the historical unaudited interim consolidated income statement of Comgás for the nine months ended September 30, 2012.
- (3) Represents the adjustments of amortization expenses arising from the preliminary fair value allocated to the concession rights of Comgás in the amount of R\$93.6 million, interest expenses from R\$3.3 billion debentures issued in connection with the acquisition of Comgás in the amount of R\$191.3 million, deferred taxes effects in connection with the previously mentioned adjustments and non-controlling interests. The pro forma adjustments also consider the exclusion of Comgás' results of operations from the acquisition date through December 31, 2012 which are recorded in Cosan S.A.'s historical consolidated income statement for the nine-month period ended December 31, 2012.

Unaudited *Pro Forma* Condensed Consolidated Income Statement for the Fiscal Year Ended March 31, 2012

	Fiscal Year Ended March 31, 2012				
	Historical Cosan S.A. (1)	Sale of Cosan Alimentos (2)	Historical Comgás (3)	Pro Forma Adjustments (4)	Cosan Pro Forma
Net sales.....	24,096.9	(706.4)	4,102.7	—	27,493.2
Cost of sales and services	(21,465.0)	577.4	(2,996.6)	—	(23,884.2)
Gross profit.....	2,631.9	(129.0)	1,106.1	—	3,609.0
Selling expenses	(1,136.3)	82.6	(115.7)	(124.8)	(1,294.2)
General and administrative expenses.....	(641.9)	13.4	(512.7)	—	(1,141.2)
Gain on the de-recognition of subsidiaries to form the Joint Venture	3,196.7	—	—	—	3,196.7
Other income (expenses), net	145.5	(23.1)	(2.0)	—	120.4
Operations income / (expenses).....	1,564.0	72.9	(630.4)	(124.8)	881.7
Income before equity income of associates, financial results and income taxes	4,195.9	(56.2)	475.7	(124.8)	4,490.6
Equity income of associates.....	33.3	—	—	—	33.3
Financial results, net	(474.1)	(1.9)	(160.0)	(445.1)	(1,081.1)
Income before income taxes	3,755.1	(58.1)	315.7	(569.9)	3,442.8
Income taxes	(1,110.1)	(6.2)	(79.6)	193.8	(1,002.1)
Net income for the year from continuing operations.....	2,645.0	(64.3)	236.1	(376.1)	2,440.7
Net income for the year from discontinued operations	—	64.3	—	—	64.3
Net income for the year attributable to non- controlling interests	(39.0)	—	—	(61.4)	(100.4)
Net income for the year attributable to owners of the Company	2,606.0	—	236.1	(437.5)	2,404.6

(1) Represents the historical consolidated income statement of Cosan S.A. for the fiscal year ended March 31, 2012.

(2) Represents the exclusion of the historical income statement of Cosan Alimentos for the year ended March 31, 2012, which was sold on October 24, 2012.

(3) Represents the historical consolidated income statement of Comgás for the year ended December 31, 2012.

(4) Refers to the adjustments of amortization expense of R\$124.8 million from the preliminary fair value allocated to the concession rights of Comgás in amount of R\$4,567.3 million with an estimated useful life of 36.6 years, interest expenses from the R\$3.3 billion debentures issued in connection with the acquisition of Comgás in amount of R\$445.1 million, deferred taxes effects in connection with the pro forma adjustments and the effects on non-controlling interests of R\$61.4 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set forth in "Presentation of Financial and Certain Other Information," "Forward-Looking Statements and Projections," and the other matters set forth in this offering memorandum. The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements and the notes thereto included elsewhere in this offering memorandum, as well as the information presented under "Presentation of Financial and Certain Other Information" and "Selected Financial and Other Information."

Overview

We are an integrated energy and infrastructure company and, when considered together with the Joint Venture, a Brazilian market leader in fuel distribution, sugar and ethanol production, natural gas distribution and logistics. Our main operations include: (1) the distribution of fuels in the Brazilian market through Raízen Combustíveis, our downstream Joint Venture company; (2) the production and sale of sugar and ethanol and the cogeneration of electricity from sugarcane bagasse through Raízen Energia, our upstream sugar and ethanol Joint Venture company; (3) piped natural gas distribution in the state of São Paulo through our recently acquired subsidiary Comgás; (4) the manufacturing and distribution of lubricants under the Mobil licensed trademark in Brazil, Bolivia, Uruguay and Paraguay, and in the European and Asian market under the Comma brand; (5) providing logistics services for the transportation of sugar, including truck and rail transportation, as well as port loading services through our subsidiary Rumo; and (6) the purchase, leasing and sale of agricultural land through our subsidiary Radar.

Financial Presentation and Accounting Policies

Presentation of Financial Statements

The discussion in this section is based on our unaudited interim consolidated financial statements as of December 31, 2012 and for the nine months ended December 31, 2012 and 2011, audited consolidated financial statements as of and for the fiscal years ended March 31, 2012, 2011 and 2010 under IFRS as issued by the IASB. Our consolidated interim financial statements and our audited consolidated financial statements include the financial statements of Cosan and its subsidiaries and jointly controlled entities. Investments in entities in which Cosan does not have control but has significant influence over managing the business are accounted for using the equity method. The results of operations of Raízen Energia and Raízen Combustíveis, our Joint Venture, are accounted for using the proportionate consolidation method, under IAS 31, in each case, at the 50% level, which will be replaced by IFRS 11, Joint Arrangements, as for annual periods beginning on or after January 1, 2013. IFRS 11 eliminates the option to account for jointly controlled entities using proportional consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method on and after January 1, 2013. The application of this new standard will impact our consolidated financial statements, due to the change from proportionate consolidation to the equity accounting method for our investments in Raízen Energia and Raízen Combustíveis. The adoption of IFRS 11 will affect significantly the presentation of our consolidated financial statements, on a retrospective or prospective basis, and impact the comparability of our financial statements for future periods with our historical consolidated financial statements presented herein.

The results of operations of Comgás are consolidated in our financial statements for the nine months ended December 31, 2012 since November 5, 2012.

For further details on the impacts of adopting IFRS 11, see note 2.3 of our unaudited interim consolidated financial statements as at December 31, 2012. Intercompany accounts and transactions are eliminated upon consolidation.

Business Segments and Presentation of Segment Financial Data

The following information regarding 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.

Following the business combinations with Radar and Comgás, Cosan has changed the presentation of its business reporting into six segments, as reflected below:

Continuing operations

- (i) Raízen Energia: production and marketing of a variety of products derived from sugar cane, including raw sugar (VHP), anhydrous and hydrated ethanol, and activities related to energy cogeneration from sugarcane bagasse. In addition, this segment includes interests in companies engaged in research and development on new technologies.
- (ii) Raízen Combustíveis: distribution and marketing of fuels and lubricants, mainly through a franchised network of service stations under the “Shell” and “Esso” brands throughout Brazil.
- (iii) Radar: buying, selling and leasing of agricultural land for sugarcane plants and grains.
- (iv) Rumo: logistics services for transport, storage and port lifting, mainly of sugar products and sugar by-products.
- (v) Comgás: distribution of piped natural gas within the state of São Paulo (our distribution network reaches 177 municipalities, including the region called Greater São Paulo) to customers in the industrial, residential, commercial, automotive, thermo generation and cogeneration sectors.
- (vi) Cosan’s other businesses: sale and distribution of lubricants and other investments, in addition to our corporate activities.

Discontinued operations

- (i) Cosan Alimentos: sale of food products, primarily sugar, in the retail market under the main brands “União” and “Da Barra.” Our participation was sold on October 24, 2012, for R\$463.8 million. For further information regarding the sale of Cosan Alimentos, see “—Recent Developments—Sale of Sugar Retail Business.”

Our discussion and analysis of the results of the nine-month period ended December 31, 2012 in comparison to the nine-month period December 31, 2011, and of fiscal year ended March 31, 2012 in comparison to fiscal year ended March 31, 2011 and fiscal year ended March 31, 2011 in comparison to fiscal year ended March 31, 2010 have been performed based on our new segment reporting put in place on June 1, 2011. The presentation of financial segment data for fiscal year ended March 31, 2011 and 2010 has been reclassified in accordance with IFRS 8 to allow for greater comparability. Certain segment data items (primarily for cost of sales and services, selling expenses and general and administrative expenses) are not fully comparable between the fiscal year ended March 31, 2011 and the fiscal year ended March 31, 2010 and so tabular comparisons of such costs by segment are not included in the period-on-period comparisons for such items. Our lubricants business, CLE, was previously reported as part of the former fuel and lubricants, or CCL segment, and is now reported under “other businesses.” Our sugar retail business, Cosan Alimentos, recently discontinued, was previously not segregated from the sugar and ethanol, or S&E segment, and since July 1, 2011 has been reported as a separate segment.

We evaluate and manage business segment performance based on information prepared in accordance with IFRS as issued by the IASB, and accordingly the segment data included in this offering memorandum is presented in accordance with IFRS as issued by the IASB.

With respect to the results of Raízen, our chief operating decision-makers evaluate the results of Raízen Energia and Raízen Combustíveis on the same basis that they are evaluated by the management and chief operating decision-makers of Raízen, and thus we present our discussion and analysis of the results of these segments at a 100% level, before they are 50% proportionally consolidated into Cosan’s consolidated financial statements. However, in our consolidated financial statements, we eliminate 50% of the results of Raízen Energia and Raízen Combustíveis. Nonetheless, the full economic impact of the results of operations of Raízen Energia and Raízen Combustíveis reported in this offering memorandum are not reflected in our consolidated financial statements, to the extent that they are related to the 50% proportion of the Joint Venture that we do not consolidate in our financial statements. For more information on this potential difference, see “Risk Factors— Risks Related to Our Business, the Operations of Our Joint Venture, and Industries in Which We Operate—We have not included in this offering memorandum financial information regarding Shell or the fuel distribution assets of Shell that it contributed to the Joint Venture.”

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the end of the reporting period. Such estimates and assumptions are reviewed on a continuous basis and changes are recognized in the period in which the estimates are revised and in any future periods affected.

A significant change in the facts and circumstances on which judgments, estimates and assumptions are based, may cause a material impact on our results and financial condition. The significant judgments, estimates and assumptions under IFRS as issued by the IASB are as follows:

Deferred income taxes and social contribution. Deferred tax assets are recognized for all unused tax losses and temporary differences between the accounting and tax books to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Biological Assets. Before harvest, our crops are biological assets. Subsequent to harvest, biological transformation ceases and the harvested crops meet the definition of agricultural produce under IAS 41 “Biological Assets.” As prescribed by IAS 41, we initially recognize planted crops at fair value. We capitalize expenses incurred for the initial planting and immediately adjust this to fair value, recognizing any gain or loss in cost of sales. Capitalized expenses for growing crops include land preparation expenses and other direct production expenses incurred during the sowing period including costs of labor, fuel, seeds, agrochemical and fertilizer, among other costs. We re-measure biological assets at each subsequent measurement reporting date and at the point of harvest at fair value less cost to sell. The objective of the fair value model under IAS 41 is to recognize gains and losses arising from such measurements gradually over the asset’s life rather than only on sale or realization. IAS 41 prescribes, among other things, the accounting treatment for biological assets during the period of growth, degeneration, production and procreation, and for the initial measurement of agricultural produce at the point of harvest.

The fair value is determined based on the discounted cash flow method, taking into consideration expected future harvest volumes, market prices, sugarcane productivity or harvest yields, discount rates and other assumptions.

The discounted cash flow method requires the input of highly subjective assumptions, including observable and unobservable data. Changes in the assumptions underlying such subjective inputs can materially affect the fair value estimate and impact our results of operations and financial condition from period to period.

- As of March 31, 2012, the impact of a reasonable 10% increase (decrease) in estimated market prices, with all other variables held constant, would result in an increase (decrease) in the fair value of our plantations less cost to sell of R\$652 million for sugarcane.
- A reasonable 10% increase (decrease) in estimated costs, with all other variables held constant, would result in an increase (decrease) in the fair value of our plantations less cost to sell of R\$(547) million for sugarcane.
- A reasonable 10% increase (decrease) in estimated yields, with all other variables held constant, would result in an increase (decrease) in the fair value of our plantations less cost to sell of R\$331 million for sugarcane.
- A reasonable 100 basis points increase (decrease) in discount rates, with all other variables held constant, would result in an increase (decrease) in the fair value of our plantations less cost to sell of R\$(38) million for sugarcane.

Intangible assets, including goodwill, and Property, Plant and Equipment. The calculation of depreciation and amortization of intangible assets and property, plant and equipment includes the estimation of the useful lives. Also, the determination of the acquisition date fair value of intangible assets and property, plant and equipment acquired in business combinations is a significant estimate. We annually perform a review of impairment indicators for intangible assets and property, plant and equipment. Also, an annual impairment test is undertaken for goodwill. An

impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

Business Combinations. Accounting for business combinations requires the allocation of our purchase price to the various assets and liabilities of the acquired business at their respective fair values. We use all available information to make these fair value determinations. In some instances, assumptions with respect to the timing and amount of future revenues and expenses associated with an asset might have to be used in determining its fair value. Actual timing and amount of net cash flows from revenues and expenses related to that asset over time may differ materially from those initial estimates, and if the timing is delayed significantly or if the net cash flows decline significantly, the asset could become impaired. Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date.

Joint Venture Formation. The deconsolidation of the assets and liabilities contributed to form the Joint Venture and the recording of the remaining interest in the Joint Venture at fair value generated a significant gain which we recognized in our results of operations in the fiscal year ended March 31, 2012. Had the assumptions and determinations used in measuring fair values been different, our gain recorded on bargain purchase could have been materially higher or lower, and significantly affected our results of operations recorded in the fiscal year ended March 31, 2012.

Fair value of financial instruments. When the fair value of financial assets and liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Contingent liabilities. We are currently involved in certain legal and administrative proceedings that arise from our normal course of business. We believe that the extent to which these contingencies are recognized in our consolidated financial statements is adequate. It is our policy to record accrued liabilities in regard to contingencies when the probability of an existing obligation is considered more likely than not to occur in the opinion of our management, based on information available to us, including information obtained from our internal and external legal advisors. Future results of operations could be materially affected by changes in our assumptions, by the effectiveness of our strategies relating to these proceedings, by future developments in each matter being discussed or by changes in approach, such as a change in settlement in dealing with these matters.

Share based payments. We measure the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The estimation of fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the assumption of the expected life of the share option, volatility and dividend yield.

Pension benefits. The cost of defined benefit pension plans and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual results in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. A defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Investment property. Investment property is property held to earn rental income or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost upon initial recognition and subsequently at its fair value. Changes in fair value are recognized in profit or loss as they are generated.

Brazilian Economic Environment

The Brazilian economic environment has historically been characterized by significant variations in economic growth, inflation and currency exchange rates. Our results of operations and financial condition are influenced by these factors and the effect that these factors have on employment rates, the availability of credit and average wages in Brazil. The following table sets forth Brazilian inflation rates, interest rates, and exchange rates as of and for the

nine-month period ended December 31, 2012 and as of and for the fiscal years ended March 31, 2012, 2011 and 2010:

	For the Nine Months Ended December 31,	For the Year Ended March 31,		
	2012(5)	2012	2011	2010
GDP growth.....	1.0%	1.2%	6.3%	2.5%
Inflation (IGP-M)	7.2%	3.2%	10.9%	1.9%
Inflation (IPCA)(1)	4.6%	5.2%	6.3%	5.2%
Interbank rate – CDI (average)(2)	7.9%	11.4%	10.4%	9.0%
Long-term interest rates (average)(3)	5.7%	6.0%	6.0%	6.1%
Exchange rate at the end of the period per U.S.\$1.00.....	2.04	1.82	1.63	1.78
Average exchange rate per U.S.\$1.00.....	2.02	1.70	1.72	1.86
Appreciation (depreciation) of the real against the U.S. dollar (4)	12.0%	11.6%	(8.4)%	(19.7)%

Sources: IBGE, Central Bank, Cetip and FGV.

- (1) IPCA is a consumer price index calculated by IBGE.
- (2) CDI refers to the average overnight interbank loan rates in Brazil.
- (3) The Brazilian long-term interest rate (*taxa de juros de longo prazo*), or TJLP, is the rate applicable to long-term loans by BNDES.
- (4) Comparing the PTAX exchange rate (the rate calculated by the Central Bank) at the end of the period's last day with the day immediately prior to the first day of the period discussed. PTAX is the exchange rate calculated at the end of each day by the Central Bank. It is the average rate of all business conducted in U.S. dollars on the determined date in the interbank exchange market.
- (5) Refers to the period from April 1 to December 31, 2012.

Historically, the macroeconomic scenario in Brazil has been characterized by significant variations in economic growth and interest rates, inflation and exchange rates. The growth rates for Brazilian GDP have fluctuated from year to year. In 2009, the Brazilian economy recorded a slight contraction of 0.3% (in real terms), according to IBGE. In part, the negative performance may be related to the effects of the international crisis in 2008 that made accessing debt more difficult and increased the cost of debt for firms around the world. As a result of government measures to stimulate economic activity, especially household consumption and employment levels, Brazilian GDP grew 2.5% in 2010 (in real terms), according to IBGE data, and subsequently experienced inflationary pressures, which raised questions about the ability of the country to grow sustainably at similar rates for prolonged periods of time. In 2011, in response to a new scenario of global uncertainty and volatility and the expiration of some of the measures taken to stimulate the economy, the Brazilian GDP had a lower growth rate of 6.3% (in real terms), according to data from IBGE and is expected to have been 1.2% for the year ended December 31, 2012.

Inflation in Brazil, as measured by the IPCA, experienced an upward trend since 2009, with inflation of 5.2% in 2010, 6.3% in 2011 and 5.2% in 2012. These levels were consistent with the annual inflation targets set by the Central Bank, although, in 2011, the inflation rate touched both limits of the target range (between 2.5% and 6.5% per year).

To balance growth and inflation, the Brazilian government undertook, starting in March 2010, a policy of raising the economy's basic interest rates. As a result, Brazil's benchmark rate, the *Sistema Especial de Liquidação e Custódia*, or SELIC, gradually jumped from 8.75% per year to 10.75% per year in December 2010. The upward trend continued through early 2011, with the SELIC rate as high as 12.50% per year in August of that year. By December 2012 it had been significantly reduced to 7.25%.

With the worsening of indicators and projections for the global economic outlook, influenced by the fiscal crisis and the crisis of confidence in Europe, economic activity began a process of deceleration in Brazil in 2011, prompting the government to reverse the SELIC policy, and the rate was reduced gradually to 11.00% per year in December 2011, finally reaching single digits (9.75% per year) in March 2012. On December 31, 2012, the SELIC rate was 7.25% per year. Given the uncertainties that also impacted the currency markets, the Brazilian currency, which had significant valuations against the U.S. dollar in the previous years, lost ground in 2011, and the exchange rate at the end of the year was R\$1.82 per U.S.\$1.00, as compared to a rate of R\$1.63 per U.S.\$1.00 in the previous

year. As of December 31, 2012, and the *real* had depreciated by 9.0% against the U.S. dollar, reaching R\$2.043 (according to the Central Bank).

Despite concerns sparked by the global economy, unemployment in Brazil at the end of 2011 reached the lowest level ever recorded by the IBGE, 4.7% of the economically-active population. Moreover, the real income of Brazilian workers remained high, according to data from the Department of Statistics and Socioeconomic Studies (*Departamento Intersindical de Estatística e Estudos Socioeconômicos*). These data reinforced the growth trend of the Brazilian middle class and the continued growth of the domestic consumption market.

Principal Factors Affecting Our Results of Operations

In addition to the factors that are described in “Business—Business Overview,” our results of operations have been influenced and will continue to be influenced by the following key factors:

Acquisitions, Partnerships and Corporate Restructurings

Our strategy is to be a leading Brazilian group in the Energy and Infrastructure industries. For this reason since May 2004, we have expanded our annual sugarcane crushing capacity by approximately 161.8% from 24.8 million tonnes to approximately 65 million tonnes as of December 31, 2012, primarily through acquisitions, partnerships and corporate restructurings. We have also diversified into other operations along the sugarcane value chain to become a vertically integrated company. As a result, our net sales and gross profit have increased significantly.

On November 5, 2012, we acquired 60.1% of the share capital of Comgás. We financed the acquisition in part by debentures we issued to Itaú BBA and Bradesco totaling R\$3.3 billion, issued in two series, the first series has a six-year term counting from the date of issuance, with final maturity on October 1, 2018, while the second series has an eight-year term counting from the date of issuance and will mature on October 1, 2020. For more information regarding the acquisition of Comgás, see “Summary—Recent Developments—Acquisition of Comgás.”

Sugar

The profitability of our sugar products is principally affected by fluctuations in the international price of raw sugar and in the *real*/dollar exchange rate. International raw sugar prices are determined based on the New York Board of Trade Futures Contract No. 11, or NY11. Refined sugar trades at a premium to raw sugar, known as the “white premium,” and its price is determined based on the London International Financial Futures and Options Exchange Contract No. 5, or LIFFE No. 5. Prices are affected by the perceived and actual supply and demand for sugar and its substitute products. The supply of sugar is affected by weather conditions, governmental trade policies and regulations and the amount of sugarcane and sugar beet planted by farmers, including substitution by farmers of other agricultural commodities for sugarcane or sugar beet. Demand is affected by growth in worldwide consumption of sugar and the prices of substitute sugar products. From time to time, imbalances may occur between overall sugarcane and sugar beet processing capacity, sugarcane and sugar beet supply and the demand for sugar products. Prices of sugar products are also affected by these imbalances, which, in turn, impact our decisions regarding whether and when to purchase, store or process sugarcane, or whether to produce sugar or whether to produce more ethanol.

The table below sets forth the prices for raw sugar NY11 for the periods indicated:

	Sugar NY11 (U.S.\$/lb)				
	For Nine Months Ended December 31,		For Fiscal Year Ended March 31,		
	2012	2011	2012	2011	2010
Initial quote.....	0.2456	0.2213	0.2744	0.1670	0.1273
Closing quote.....	0.1951	0.2336	0.2471	0.2711	0.1659
Daily average quote	0.2104	0.2350	0.2563	0.2376	0.2080
Monthly average quote	0.2075	0.2364	0.2542	0.2391	0.2138
High quote	0.2478	0.2525	0.3134	0.3531	0.2990
Low quote	0.1854	0.2137	0.2047	0.1367	0.1222

Source: NYBOT; prices from the first Generic Future

Ethanol

Our ethanol products are affected by domestic Brazilian and international prices of ethanol, competition, governmental policies and regulations and market demand for ethanol as an alternative or additive to gasoline. The price for ethanol we sell in Brazil is set in accordance with market prices, using indices published by the Agriculture School of the University of São Paulo (*Escola Superior de Agricultura Luiz de Queiroz—ESALQ*) and BM&FBOVESPA as a reference. Prices for ethanol we export are set based on international market prices, including the New York Board of Trade's recently-launched ethanol futures contract. Prices for the industrial alcohol and bottled alcohol products we sell are also set based on market prices and have been historically higher than market prices for ethanol.

The table below sets forth the prices for hydrous ethanol in the Brazilian market for the periods indicated:

	Hydrous Ethanol Esalq (U.S.\$/thousand liters)				
	For Nine Months Ended December 31,		For Fiscal Year Ended March 31,		
	2012	2011	2012	2011	2010
Initial quote.....	663.10	890.30	890.30	431.10	248.60
Closing quote.....	553.80	640.60	667.40	982.20	420.11
Daily average quote	540.90	720.40	705.80	557.85	453.91
Monthly average quote	542.34	717.54	703.07	576.16	454.97
High quote	663.10	922.80	922.80	982.20	677.10
Low quote.....	494.90	597.50	597.50	381.10	248.40

Source: ESALQ.

The table below sets forth the prices for anhydrous ethanol in the Brazilian market for the periods indicated:

	Anhydrous Ethanol Esalq (U.S.\$/thousand liters)				
	For Nine Months Ended December 31,		For Fiscal Year Ended March 31,		
	2012	2011	2012	2011	2010
Initial quote.....	705.90	1,219.70	1,219.70	495.70	286.40
Closing quote.....	651.10	722.70	709.40	1,157.20	489.20
Daily average quote	625.10	883.60	840.11	636.49	518.70
Monthly average quote	625.69	880.66	832.68	638.69	520.14
High quote	705.90	1,726.50	1,726.50	1,157.20	734.10
Low quote.....	545.80	708.80	666.00	435.60	286.40

Source: ESALQ.

The following table sets forth our average selling prices (in R\$ per thousand liters) for ethanol in the export market for the periods indicated:

	Ethanol (R\$/thousand liters)				
	For Nine Months Ended December 31,		For Fiscal Year Ended March 31,		
	2012	2011	2012	2011	2010
Average Unitary Price	1,604	1,549	1,406	950	717

Source: Cosan/Raízen.

Demand for Fuels

Demand for gasoline, ethanol and diesel is susceptible to volatility related to the level of economic activity in Brazil and may also fluctuate depending on the performance of specific industries in the Brazilian market. We expect that a decrease in economic activity would adversely affect demand for fuels.

Currency Fluctuations

A significant proportion of the sales of sugar of Raízen Energia and a significant proportion of the base oil purchases of CLE are conducted in U.S. dollars. Therefore a depreciation of the Brazilian real against the U.S. dollar would have the effect of increasing our sales in Raízen Energia, and increasing our costs of sales in CLE. An appreciation of the Brazilian real against the U.S. dollar would have the opposite effect.

A significant proportion of our debt is denominated in U.S. dollars. A depreciation of the Brazilian real against the U.S. dollar would increase our debt burden and the related financial expenses. However, we have receivables and other financial assets denominated in U.S. dollars, which would partially offset the impact that a depreciation of the Brazilian *real* would have on our financial position. An appreciation of the Brazilian *real* against the U.S. dollar would have the opposite effect.

Seasonality

Raízen Energia is subject to seasonal trends based on the sugarcane growing cycle in the central-south region of Brazil. The annual sugarcane harvesting period in the central-south region of Brazil begins in April and ends in December. This creates fluctuations in our inventory, usually peaking in December to cover sales between crop harvest (*i.e.*, January through March), and a degree of seasonality in our gross profit. This seasonality also impacts our sugar logistics segment, Rumo, by concentrating demand for transport to the Port of Santos during the peak months of the sugarcane harvest. None of our other business segments are subject to significant seasonal trends.

Inflation

Inflation rates in Brazil were 4.3% in 2009, 5.9% in 2010, 6.5% in 2011 and 5.8% in 2012 as measured by the Broad Consumer Price Index (*Índice Nacional de Preços ao Consumidor Ampliado*), or IPCA, published by the Brazilian Institute for Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or IBGE. Inflation affects our financial performance by increasing certain of our operating expenses denominated in *reais* (and not linked to the U.S. dollar). These operating expenses include labor costs, leases, selling and general administrative expenses. However, inflation did not have a material impact on our business for the periods presented.

Other Factors

Other factors that will impact the results of our operations include:

- Hedging transactions (as discussed under “Hedging Transactions and Exposures”);
- Trade barriers in the U.S., European and other markets that currently limit access to their domestic sugar industry through quotas, subsidies and restrictions on imports;
- The evolving use of ethanol derivatives as an alternative to oil derivatives and as a cleaner-burning fuel, derived from renewable sources;
- The use of ethanol as a cleaner-burning fuel, derived from renewable sources;
- Changes in international prices of oil (denominated in U.S. dollars) and related changes in the domestic prices of oil (denominated in *reais*);
- The growth rate of the global economy and its resulting corresponding growth in worldwide sugar consumption;
- The growth rate of Brazil’s gross domestic product, which impacts the demand for our products and, consequently, our sales volume in Brazil; and
- The tax policies adopted by the Brazilian federal government and the governments of the Brazilian states in which we operate, and our resulting tax obligation.

Cost Structure

Our cost structure for Raízen Energia may be divided into costs that are linked to the prices of our products and costs that are not linked to the prices of our products. Two of our principal cost components, raw materials and land leases, are linked to the prices of our products. Accordingly, we adjust the prices of our products to follow fluctuations in the cost of our raw materials and leased land, substantially minimizing the impact of this cost volatility on our results of operations. In addition, another relevant portion of our costs is represented by agricultural and industrial inputs, some of which are imported and which are also subject to price fluctuations primarily as a result of exchange rate variations. As 45.8% of our net sales were derived from exports, a portion of fluctuations in the costs of these inputs is offset by similar fluctuations in our Brazilian and international prices, minimizing the impact of this cost volatility on our results of operations for the nine months ended December 31, 2012.

Our cost structure for Raízen Combustíveis is affected by costs of products we sell to our network such as diesel, hydrous ethanol, gasoline, oil, vehicle natural gas, jet fuel and others. The cost is also impacted by the collection and transfer freight from the refineries to the terminals and between the terminals.

Our cost structure for Rumo is affected by fixed and variable costs. Costs related to our property, plant and equipment incur fixed depreciation charges which increase in line with our capital expenditure. Costs relating to the transportation of sugar and other commodities are partially dependent on sales volumes.

Our cost structure for Comgás is affected by fixed and variables costs. Costs related to our intangible assets incur fixed amortization charges which increase in line with our capital expenditures.

Hedging Transactions and Exposures

Raízen Energia hedges part of the future price risk of its sugar production estimated to be exported and exchange rate derivative transactions, using future contracts, options and swaps.

Raízen Energia's hedging strategy seeks to protect it from cash flow risks caused by commodities price and exchange rates fluctuation and as most of the derivative instruments have been designated for hedge accounting, Raízen Energia has not experienced material gains or losses in their financial results.

Comgás hedges part of its future price risk using futures contracts, options and currency swaps. For contracts above R\$500,000, the minimum hedge is 75% of the notional value pursuant to our internal policies.

Operating Results

The following discussion of our results of operations is based on the financial information derived from our unaudited interim consolidated as of December 31, 2012 and for the nine months ended December 31, 2012 and 2011 and our audited consolidated financial statements as of and for the fiscal years ended March 31, 2012, 2011 and 2010. In the following discussion, references to increases or decreases in any year are made by comparison with the corresponding prior year, as applicable, except as the context otherwise indicates.

Nine Months Ended December 31, 2012 compared to Nine Months Ended December 31, 2011

The following table sets forth our consolidated income statement for the nine months ended December 31, 2012 and 2011:

	For Nine Months Ended December 31,		
	2012	2011	% Variation
	(in millions of reais, except percentages)		
Consolidated Income Statement			
Net sales.....	21,555.0	17,795.8	21
Cost of sales and services	(19,251.5)	(15,918.5)	21
Gross profit.....	2,303.5	1,877.3	23
Selling expenses	(862.6)	(797.2)	8
General and administrative expenses.....	(574.9)	(429.7)	34
Other income, net	203.6	54.8	272
Gain on the de-recognition of subsidiaries to form the Joint Venture	—	3,297.0	(100)
Operations income (expenses).....	(1,233.9)	2,124.8	(158)

	For Nine Months Ended December 31,		
	2012	2011	% Variation
	(in millions of reais, except percentages)		
Consolidated Income Statement			
Income before financial results, equity income of associates and income taxes	1,069.6	4,002.1	(73)
Equity income of associates.....	65.0	0.6	10,733
Financial results, net	(437.2)	(453.7)	(4)
Income before income taxes	697.4	3,549.0	(80)
Income taxes (Current)	(208.8)	(96.9)	115
Income taxes (Deferred)	120.8	(1,013.2)	(112)
Net income for the year from continuing operations	609.4	2,438.8	(75)
Net income for the year from discontinued operations.....	142.3	57.2	149
Net income for the year attributable to non-controlling interests	(143.1)	(39.7)	260
Net income attributable to owners of the Company	608.6	2,456.3	(75)

Net Sales

We report net sales after deducting Brazilian federal and state taxes assessed on gross sales (ICMS, PIS, COFINS), IPI (a federal value-added tax assessed on our gross sales in the Brazilian market at rates that vary by product) and INSS (federal social contribution taxes assessed on our gross sales in the Brazilian market of our agribusiness entities at a rate of 2.85%). Deductions from gross sales in the Brazilian domestic market, which are subject to these taxes, are significantly greater than our deductions from gross sales in export markets.

Net sales increased 21% to R\$21,555.0 million during the nine months ended December 31, 2012, from R\$17,795.8 million during the nine months ended December 31, 2011, primarily as a result of:

- an increase of 1% to R\$6,118.0 million in net sales in the Raízen Energia (sugar and ethanol), due to increased sales of sugar, ethanol and energy from cogeneration;
- an increase of 30% to R\$32,574.5 million in the net sales of Raízen Combustíveis (fuel distribution), primarily due to the rise in average gasoline, diesel and aviation fuel prices;
- an increase in the transportation and loading operations of Rumo Logística, due to our contractual agreement with America Latina Logística S.A., or ALL, primarily responsible for the increase of 9% in net sales, to R\$544.4 million;
- an increase in net sales related to the Radar acquisition and the consolidation of Radar's results for the six months following its acquisition on June 1, 2012; and
- an increase in net sales related to the Comgás acquisition and the consolidation of Comgás' results for the months of November and December 2012.

The table below presents a breakdown of our net sales for the nine months ended December 31, 2012 and 2011:

Net Sales	For Nine Months Ended December 31,		
	2012	2011	% Variation
	(in millions of reais, except percentages)		
Raízen Energia (sugar, ethanol and cogeneration)(1)			
Sugar.....	3,177.3	3,247.2	(2)
Ethanol.....	2,190.0	2,370.1	(8)
Energy cogeneration	556.8	233.8	138
Other products and services.....	193.9	203.4	(5)
	6,118.0	6,054.5	1

Net Sales

	For Nine Months Ended December 31,		
	2012	2011	% Variation
	(in millions of reais, except percentages)		
Raízen Combustíveis (fuel distribution)(1)			
Fuels	32,574.5	25,097.1	30
Other services	10.5	16.9	(37)
	32,585.1	25,114.0	30
Rumo (logistics)			
Transportation.....	420.9	359.8	17
Loading.....	113.4	123.5	(8)
Other	10.1	14.4	(30)
	544.4	497.7	9
Radar (land development)			
Property sale	4.7	—	—
Land lease.....	31.7	—	—
	36.4	—	—
Comgás (natural gas retail)			
Industrial.....	589.0	—	—
Residential	89.1	—	—
Thermo generation.....	63.9	—	—
Cogeneration.....	44.3	—	—
Automotive	32.5	—	—
Commercial	35.6	—	—
Construction revenue.....	94.9	—	—
Other	1.8	—	—
	951.1	—	—
Other businesses			
Lubricants (CLE).....	928.9	767.4	21
Other products and services.....	136.0	27.2	400
	1,064.9	794.6	34
Eliminations(1).....	(19,744.9)	(14,665.0)	35
Net sales.....	21,555.0	17,795.8	21

(1) The information of Raízen Energia and Raízen Combustíveis and the discussion herein represents 100% of the revenues generated by the businesses. As from June 1, 2011, the results of Raízen Energia and Raízen Combustíveis are proportionally consolidated at 50% in our consolidated financial statements.

Raízen Energia (Sugar and Ethanol)

Sugar sales totaled R\$3.2 billion in the nine months ended December 31, 2012, a decrease of 2% in relation to the prior period. The main factor contributing to the decrease of R\$69.8 million was the reduction in volumes sold due to a decrease in TSR of sugarcane during this harvest season.

Ethanol sales in the nine months ended December 31, 2012 totaled R\$2.1 billion, decreasing 8% or R\$180.1 million when compared to the nine months ended December 31, 2011 primarily due to a reduction in volumes sold.

Energy cogeneration sales totaled R\$556.8 million in the nine months ended December 31, 2012. The growth of 138% in the volume sold was principally due to a higher volume of energy generated and sold, due in part to an extended crushing period in the 2012/2013 harvest, higher energy prices in the spot market due to a lack of rains and the resultant depletion of reserves in the major reservoirs in the Southeast and Mid-West regions, and energy resale transactions in the spot market, which increased total volume sold.

Other products and services, consisting of principally sales of steam, molasses and raw materials to service providers in the agricultural industry, decreased 5% to R\$193.9 million in the nine months ended December 31, 2012, from R\$203.4 million in the nine months ended December 31, 2011.

Raízen Combustíveis (Fuel distribution)

Net sales (prior to eliminations for proportionate consolidation) increased from R\$25,114.0 million in the nine months ended December 31, 2011 to R\$32,585.1 million in the nine months ended December 31, 2012 primarily due to an increase in total fuel sales volume in the period. This increase is primarily a result of the addition of sales at Shell gas stations, which operations began with the formation of Raízen on June 1, 2011.

Rumo (Logistics)

Rumo's sales in the nine months ended December 31, 2012 increased 9% from those in the nine months ended December 31, 2011, totaling R\$544.4 million, primarily due to increased transportation volume.

Revenue from transportation increased by R\$61.1 million, or 17%, to R\$420.9 million, primarily as a result of the increase sugar export volume in the period as compared to the previous period due to the extension of the harvest season and better prices as a result of the mix of routes operated in the period.

Loading sales revenue decreased R\$10.1 million in the nine months ended December 31, 2012, as compared to the previous the nine-month period, to R\$113.4 million. Revenue per loaded tonne decreased 11% during this same period as compared to the nine months ended December 31, 2011, to R\$17.3 per ton. Loading volume increased to 6,551 tonnes in the nine months ended December 31, 2012, representing an increase of 1.7% as compared to the nine months ended December 31, 2011.

Radar

Radar's revenues derived from investments in agricultural properties and the leasing of land in Brazilian rural markets totaled R\$36.4 million, representing the results of operations from June 1, 2012 to December 31, 2012.

Comgás

Comgás' revenues from November 5, 2012 to December 31, 2012 were R\$951.1 million, representing the results of its activities of distribution and trading of natural gas in the concession region of the state of São Paulo.

Other Businesses

Our other businesses comprise of our lubricants and specialties business and other operations.

The net revenue of CLE was R\$928.9 million in the nine months ended December 31, 2012 resulting in an increase of 21% compared to the nine months ended December 31, 2011, primarily due to the consolidation of Comma Oil & Chemical's results, which saw increased sales due to harsh winter weather in the Northern Hemisphere, which increased demand for winter car care products in the period. The initiation of lubricant sales and distribution in Bolivia, Uruguay and Paraguay also helped to increase net revenue. Sales volume increased 33.3% in the nine months ended December 31, 2012, to 214.0 million liters.

Revenue from other products and services consists of land leased by Cosan to Raízen Energia, as well as revenues from the sale of base oils, amounted to R\$136.0 million in the nine months ended December 31, 2012.

Cost of Sales and Services

Cost of Sales and Services

	For Nine Months Ended December 31,		
	2012	2011	% Variation
	(in millions of reais, except percentages)		
Raízen Energia (1)	(4,790.9)	(4,821.7)	(1)
Sugar	(2,171.8)	(2,308.1)	(6)
Ethanol	(2,019.7)	(1,991.8)	1

Cost of Sales and Services	For Nine Months Ended December 31,		
	2012	2011	% Variation
	(in millions of reais, except percentages)		
Energy cogeneration	(388.1)	(86.0)	351
Other products and services	(211.3)	(435.8)	(52)
Raízen Combustíveis (1)	(30,847.4)	(23,827.8)	29
Rumo (logistics)	(325.4)	(316.7)	3
Radar	(1.7)	—	—
Comgás	(705.9)	—	—
Other businesses	(792.8)	(539.8)	47
Eliminations (1):	18,212.7	13,587.5	34
Cost of sales and services	<u>(19,251.5)</u>	<u>(15,918.5)</u>	<u>21</u>

(1) The information for Raízen Energia and Raízen Combustíveis represents 100% of the cost incurred by the businesses. As from June 1, 2011, the results of Raízen Energia and Raízen Combustíveis are proportionally consolidated at 50% in our consolidated financial statements.

We divide Raízen Energia's sugar and ethanol cost of sales and services into two major categories: agricultural costs and industrial costs. Agricultural costs include costs related to the production of sugarcane, acquiring sugarcane from suppliers, fertilizers, personnel costs, delivery and logistical services, land and equipment leases, depreciation and third-party services. Industrial costs include the purchase of raw materials (other than sugarcane), personnel costs, depreciation and other chemical and maintenance expenses. Raízen Combustíveis' cost of sales and services includes petroleum derived products and feedstock purchased from Petrobras and ethanol from distilleries, freight costs between our terminals in our fuel distribution business and additives. Rumo Logística's cost of sales and services includes personnel costs, equipment and port lease agreements, electricity and maintenance costs. Other Businesses' costs of sales and services principally includes costs associated with Cosan's corporate structure and packaging materials, raw material and feedstock purchased from third parties in our lubricants business.

Cost of sales and services increased by 21% to R\$19.2 billion during the nine months ended December 31, 2012, from R\$15.9 billion during the nine months ended December 31, 2011 due to the factors described below.

Raízen Energia (Sugar, Ethanol and Cogeneration)

The cost of sales and services amounted to R\$4.7 billion in the nine months ended December 31, 2012, representing a decrease of 1% compared to the previous nine month period. Energy generation increases were offset by decreases in sugar and other products and services. Costs of sales and services is reported together with the average unit costs, net of effects of depreciation and amortization (cash and cost).

Raízen Combustíveis (Fuel distribution)

Raízen Combustíveis cost of sales and services increased 29% from R\$23.9 billion in the nine months ended December 31, 2011 to R\$30.9 billion in the nine months ended December 31, 2012 primarily due to the increase in total fuel sales volume in the period.

Rumo (Logistics)

The cost of Rumo's services provided in the nine months ended December 31, 2012 increased 3%, to R\$325.4 million, as compared to the nine months ended December 31, 2011, due to an increase in volumes transported, also causing an increase in the dilution of fixed costs and driving total cost of services provided to 59.7% of net revenue, while in the nine month period ended December 31, 2011 total cost of services accounted for 63.6% of net revenue.

Radar

Radar's costs of sales and services totaled R\$1.7 million, considering its results of operations from July 1, 2012 to December 31, 2012, which corresponds to the cost related to activities relating to sales of assets.

Comgás

Comgás' costs of sales and services for the period from November 5, 2012 to December 31, 2012 totaled R\$705.9 million, which corresponds to the cost of gas, transportation and construction.

Selling Expenses

Selling expenses are primarily related to transportation costs, including freight and shipping costs for ethanol, sugar, fuel and lubricant sold in Brazil and exported, as well as storage and loading expenses of ethanol and sugar for export at our and third parties' port facilities. The major portion of our sales of ethanol in Brazil is sold at the mill to distribution companies, and therefore there are no shipping costs. CLE's lubricant marketing expenses, as well as fuel storage expenses, are also included as selling expenses.

	For Nine Months Ended December 31,		
	2012	2011	% Variation
	(in millions of reais, except percentages)		
Raízen Energia (1)	(442.1)	(433.8)	2
Raízen Combustíveis (1)	(761.1)	(730.0)	4
Comgás	(108.2)	—	—
Other businesses	(152.7)	(149.2)	2
Eliminations (1):	601.6	515.8	17
Selling expenses	<u>(862.6)</u>	<u>(797.2)</u>	<u>8</u>

(1) The information of Raízen Energia and Raízen Combustíveis represents 100% of the selling expenses of the businesses. As from June 1, 2011, the results of Raízen Energia and Raízen Combustíveis are proportionally consolidated at 50% in our consolidated financial statements.

Selling expenses increased by 8% to R\$862.6 million during the nine months ended December 31, 2012 from R\$797.2 million during the nine months ended December 31, 2011.

Raízen Energia (Sugar and Ethanol)

Raízen Energia's selling expenses increased 2% in the nine months ended December 31, 2012 as compared to the nine months ended December 31, 2011, to R\$442.1 million, due primarily to the change in the ethanol sales mix from the domestic to the foreign market and consequent increases in freight costs.

Raízen Combustíveis (Fuel distribution)

Raízen Combustíveis selling expenses increased by 4% to R\$761.1 million in the nine months ended December 31, 2012 as compared to the nine months ended December 31, 2011. This increase was primarily due to the increase in volume sold in the period.

Comgás

Comgás' selling expenses for the period from November 5, 2012 to December 31, 2012 totaled R\$108.2 million.

Other businesses

Selling expenses increased 2% in the nine months ended December 31, 2012, to R\$152.7 million, as compared to R\$149.2 million in the nine months ended December 31, 2011, primarily due to a growth in sales and investments in marketing campaigns and promotions for Comma Oil & Chemicals.

General and Administrative Expenses

	For Nine Months Ended December 31,		
	2012	2011	% Variation
	(in millions of reais, except percentages)		
Raízen Energia (1)	(354.9)	(317.4)	12
Raízen Combustíveis (1)	(269.0)	(238.6)	13
Rumo	(41.4)	(29.8)	39
Radar	(10.1)	—	—
Comgás	(57.2)	—	—
Other businesses	(154.2)	(89.8)	72
Eliminations (1):	312.0	245.9	27
General and administrative expenses	(574.9)	(429.7)	34

(1) The information for Raízen Energia and Raízen Combustíveis represents 100% of the general and administrative expenses incurred by the businesses. As from June 1, 2011, the results of Raízen Energia and Raízen Combustíveis are proportionally consolidated at 50% in our consolidated financial statements.

General and administrative expenses consist of salaries and benefits paid to employees, taxes, expenses related to third-party services, rentals and other expenses.

Raízen Energia (Sugar and Ethanol)

General and administrative expenses were R\$354.9 million in the nine months ended December 31, 2012, an increase of 11.8% when compared to the nine months ended December 31, 2011. This increase is primarily due to the collective wage increase.

Raízen Combustíveis (Fuel distribution)

General and administrative expenses totaled R\$269.0 million in the nine months ended December 31, 2012, an increase of 13.0% compared to the nine months ended December 31, 2011, reflecting the new corporate structure of Raízen Combustíveis as compared to its first year of operations.

Rumo (Logistics)

General and administrative expenses totaled R\$41.4 million in the nine months ended December 31, 2012, an increase of 39% compared to the nine months ended December 31, 2011. This increase in expenses was largely due to the beginning of operations at the Itirapina terminal and consulting services.

Radar and Comgás

General and administrative expenses totaled R\$67.3 million in the nine months ended December 31, 2012, for Radar and Comgás, which businesses were consolidated in 2012.

Other businesses

General and administrative expenses totaled R\$154.2 million in the nine months ended December 31, 2012, an increase of 71.6% when compared to the nine months ended December 31, 2011, due principally to the expansion in the lubricants operations and expenditures related to the reorganization of Cosan's corporate structure.

Other income, net

Other income, net comprises other income and expenses. Other income, net increased from R\$54.8 million in the nine months ended December 31, 2011 to R\$203.6 million in the nine months ended December 31, 2012, principally reflecting the result of the sale of Cosan Alimentos announced on October 24, 2012 and the appreciation of the lands classified as investment property of R\$85.9 million.

Gain on the de-recognition of subsidiaries to form the Joint Venture

Due to the formation of the Raízen Energia and Raízen Combustíveis joint ventures during the nine month period ended December 31, 2011, Cosan contributed its sugar and ethanol businesses, which resulted in a deconsolidation of the related assets and liabilities and recording the remaining interest at fair value, resulting in a one-time gain of R\$3,297.0 million before income tax and social contribution.

Equity income of associates

Equity income of associates includes our interests in Codexis Inc. (7.7%), Logum Logística S.A. (10.0%), Uniduto Logística (23.0%) and other investments. Equity income increased to R\$65.0 million in the nine months ended December 31, 2012 from R\$0.6 million in the nine months ended December 31, 2011.

Financial Results, Net

Financial results, net in the nine months ended December 31, 2012 totaled a net financial expense of R\$437.2 million compared with net financial expense of R\$453.7 million in the nine months ended December 31, 2011.

	For Nine Months Ended December 31,	
	2012	2011
	(in millions of reais)	
Financial expenses	(489.9)	(482.1)
Financial income	305.3	205.6
Foreign exchange variation, net.....	(296.7)	(179.5)
Derivatives, net.....	44.1	2.3
	<u>(437.2)</u>	<u>(453.7)</u>

Financial Expenses. Our financial expenses primarily consist of: (1) accrued interest on our indebtedness; (2) losses on monetary variation related to our financial investments; and (3) fees, commissions and other charges paid to financial institutions.

Financial expenses in the nine months ended December 31, 2012 totaled R\$489.9 million, as compared to R\$482.1 million in the nine months ended December 31, 2011.

Expenses of debt charges, net of financial investments yields, represented an increase of 33.1%, when compared to the previous the nine-month period, mainly due to greater average indebtedness. The increase was mainly attributable to increased debt charges related to the acquisition of Comgás.

Financial Income. Our financial income consists primarily of: (1) gains on monetary variation related to our financial investments; (2) income from financial investments; and (3) financial income related to compensation awarded in a legal proceeding against the Brazilian federal government.

Financial income during the nine months ended December 31, 2012 totaled R\$305.3 million, compared to financial income of R\$205.6 million during the nine months ended December 31, 2011.

Foreign exchange variation, net. Foreign exchange variation, net resulted in a loss of R\$296.7 million in the nine months ended December 31, 2012 compared to a net loss of R\$179.5 million in the nine months ended December 31, 2011. The negative effects from exchange variation occurred due to the depreciation of the *real* against the U.S. dollar. Our gross indebtedness denominated in U.S. dollars was R\$4,082.4 million and R\$2,230.0 million at December 31, 2012 and December 31, 2011, respectively.

Derivatives, net. Derivatives, net resulted in a gain of R\$44.1 million in the nine months ended December 31, 2012 compared with a net gain of R\$2.3 million in the nine months ended December 31, 2011.

Income Taxes

Income tax expenses decreased to R\$88.0 million for the nine months ended December 31, 2012, compared to expenses of R\$1,110.1 million in the nine months ended December 31, 2011, mainly resulting from gain on the de-recognition of subsidiaries to form the Joint Venture recorded in 2011.

Net Income from continuing operations

As a result of the foregoing, net income from continuing operations for the period decreased 75% to R\$609.4 million in the nine months ended December 31, 2012, compared to a net income from continuing operations of R\$2,438.8 million in the nine months ended December 31, 2011.

Net income attributable to our owners

Net income attributable to our owners was R\$608.6 million in the nine months ended December 31, 2012, compared to R\$2,456.3 million in the nine months ended December 31, 2011, a decrease of 75% after deducting net income attributable to non-controlling interests of R\$143.1 million and R\$39.7 million in the nine months ended December 31, 2012 and 2011, respectively.

Fiscal Year Ended March 31, 2012 compared to Fiscal Year Ended March 31, 2011

The following table sets forth our consolidated income statement for the fiscal years ended March 31, 2012 and 2011:

	For Fiscal Year Ended March 31, (1)		
	2012	2011	% Variation
	(in millions of reais, except percentages)		
Consolidated Income Statement			
Net sales.....	24,096.9	18,063.5	33.4
Cost of sales and services	(21,465.0)	(15,150.1)	41.7
Gross profit.....	2,631.9	2,913.4	(9.7)
Selling expenses	(1,136.3)	(1,026.0)	10.8
General and administrative expenses.....	(641.9)	(541.0)	15.7
Other income (expenses), net	145.5	(33.8)	(530.5)
Gain on the de-recognition of subsidiaries to form the Joint Venture.....	3,196.7	—	—
Operations income (expenses)	1,564.0	(1,600.8)	(197.7)
Income before financial results, equity income of associates and income taxes.....	4,195.9	1,312.6	219.7
Equity income of associates.....	33.3	25.2	32.1
Financial results, net	(474.1)	(146.7)	223.2
Income before income taxes	3,755.1	1,191.1	215.3
Income taxes (Current)	(147.4)	(85.4)	72.6
Income taxes (Deferred)	(962.7)	(329.1)	192.5
Net income for the year	2,645.0	776.6	240.6
Net income attributable to non-controlling interests.....	(39.0)	(4.9)	695.9
Net income attributable to owners of the Company	2,606.0	771.6	237.7

- (1) As from June 1, 2011, the results of Raízen Energia and Raízen Combustíveis are proportionally consolidated at 50% in our consolidated financial statements.

Net Sales

We report net sales after deducting Brazilian federal and state taxes assessed on gross sales (ICMS, PIS, COFINS, IPI (a federal value-added tax assessed on our gross sales in the Brazilian market at rates that vary by product) and INSS (federal social contribution taxes assessed on our gross sales in the Brazilian market of our agribusiness entities at a rate of 2.85%). Deductions from gross sales in the Brazilian domestic market, which are subject to these taxes, are significantly greater than our deductions from gross sales in export markets.

Net sales increased by 33.4% to R\$24,096.9 million in the fiscal year ended March 31, 2012, from R\$18,063.5 million in the fiscal year ended March 31, 2011, primarily as a result of:

- an increase of 13.4% to R\$7,247.7 million in net sales in the Raízen Energia (Sugar and Ethanol), despite a difficult harvest;
- an increased in the net sales of Raízen Combustíveis (Fuel Distribution) by 220.0% to R\$35,096.0 million, primarily due to the formation of the Joint Venture; and
- in Rumo Logística, an increase in the transportation and loading operations due to our contractual agreement with America Latina Logística S.A., or ALL, which is primarily responsible for the increase of 27.7% in its net sales to R\$572.0 million in the fiscal year ended March 31, 2012.

The table below presents a breakdown of our net sales for the fiscal years ended March 31, 2012 and 2011:

Net Sales	For Fiscal Year Ended March 31, (1)		
	2012	2011	% Variation
	(in millions of reais, except percentages)		
Raízen Energia (Sugar, Ethanol and Cogeneration)(1).....	7,247.7	6,389.1	13.4
Sugar.....	3,912.8	3,853.4	1.5
Ethanol.....	2,871.5	2,203.7	30.3
Energy cogeneration.....	235.1	194.9	20.6
Other products and services.....	228.2	137.1	66.4
Raízen Combustíveis (fuel distribution)(1)	35,096.0	10,966.2	220.0
Fuels	35,032.8	10,895.6	221.6
Other services	63.2	70.6	(70.8)
Rumo (logistics)	572.0	448.0	27.7
Transportation.....	413.4	305.8	35.2
Loading.....	141.0	118.1	19.4
Other	17.6	24.1	(27.0)
Cosan Alimentos (Sugar Retail)	706.4	—	—
Refined sugar.....	631.5	—	—
Crystal sugar	39.0	—	—
Special sugars	35.9	—	—
Other businesses	1,065.5	829.0	28.5
Lubricants (CLE).....	1,018.8	829.0	22.9
Other products and services.....	46.7	—	—
Eliminations (1):.....	(20,590.7)	(568.9)	3,519.4
Net sales.....	24,096.9	18,063.4	33.4

- (1) The information of Raízen Energia and Raízen Combustíveis and the discussion herein represents 100% of the revenues generated by the businesses. As from June 1, 2011, the net sales of Raízen Energia and Raízen Combustíveis are proportionally consolidated at 50% in our consolidated financial statements.

Raízen Energia (Sugar, Ethanol and Cogeneration)

Sugar sales totaled R\$3,912.8 million in the fiscal year ended March 31, 2012, an increase of 1.5% in relation to the prior fiscal year. The main factors contributing to the increase of R\$59.4 million were:

- the 7.1% decline in the volume of sugar sold in the fiscal year ended March 31, 2012 as compared to fiscal year ended March 31, 2011, which was offset by the higher average sugar price per ton, which increased 9.3% to R\$981.3 from R\$898.0 over the same periods.
- The increase in net results were obtained despite adverse weather conditions that severely affected the Central-South region of Brazil, resulting in a decrease of 2.4% in the amount of sugarcane crushed in the fiscal year ended March 31, 2012 compared to fiscal year ended March 31, 2011, mitigated by improvements in harvesting mechanization, with 85.9% of production mechanized in the fiscal year ended March 31, 2012, as compared to 79.5% in the fiscal year ended March 31, 2011, an improvement of 6.4%.

Ethanol sales in the fiscal year ended March 31, 2012 totaled R\$2,871.5 million, increasing 30.3% or R\$667.8 million when compared to fiscal year ended March 31, 2011 primarily due to:

- sales of R\$334.1 million, due to a 32.2% increase in the average price of ethanol in the domestic and international markets; and
- an increase of 72.8% of ethanol sold in the international markets and a 48.0% increase on the average price per cbm into the international markets, when compared with fiscal year ended March 31, 2011.

Energy cogeneration sales totaled R\$235.1 million in the fiscal year ended March 31, 2012 from the sale of 1,491.3 thousand MWh of energy at an average price of R\$157.7/MWh. The growth of 18.9% in the volume sold is principally due to operations at the cogeneration plants at the Jataí, Barra, Univalem and Ipaussu units coming online that added 258 MW to Raízen Energia's total capacity resulting in 11 out of Raízen Energia's 24 mills selling energy from cogeneration.

Other products and services, comprising principally of sales of steam, molasses and raw materials to service providers in the agricultural industry, increased 66.4% to R\$228.2 million in the fiscal year ended March 31, 2012 from R\$137.1 million in the fiscal year ended March 31, 2011.

Raízen Combustíveis (Fuel distribution)

Revenues increased from R\$10,966.2 million in the fiscal year ended March 31, 2011 to R\$35,096 million (prior to elimination for proportionate consolidation) in the fiscal year ended March 31, 2012 primarily due to the formation of the Joint Venture between Cosan and Shell on June 1, 2011, increasing the volume of fuels sold. This resulted in:

- an expansion in the service stations network to 4,600 locations in the fiscal year ended March 31, 2012 from 1,710 (Cosan service station only) in the fiscal year ended March 31, 2011;
- an increase of 201% in the volume of gasoline sold representing revenues of R\$14,674.4 million;
- an increase of 5.5% in the volume of jet fuel sold resulting in revenues of R\$3,632 million in the fiscal year ended March 31, 2012 compared to fiscal year ended March 31, 2011; and
- Ethanol sales in the fiscal year ended March 31, 2012 totaled R\$2,117.9 million, resulting in an increase of 160.0% when compared to fiscal year ended March 31, 2011.

Rumo (Logistics)

Rumo's net sales in the fiscal year ended March 31, 2012 were 27.7% higher than fiscal year ended March 31, 2011, totaling R\$572.0 million primarily due to increased transportation volume.

Revenue from transportation increased by R\$107.6 million or 35.2% to R\$413.4 million in the fiscal year ended March 31, 2012 primarily as a result of the increase of 52.2% in the volume of sugar transported in the fiscal year ended March 31, 2012 compared to fiscal year ended March 31, 2011, and higher prices due to longer routes in the mix operated in the fiscal year ended March 31, 2012.

Loading sales revenue increased as compared with the previous fiscal year, at R\$141.0 million in the fiscal year ended March 31, 2012; Revenue per loaded tonne increased 23.0% in the fiscal year ended March 31, 2012 as

compared to fiscal year ended March 31, 2011 to R\$74.0 per ton. Loading volume increased to 7,759 tonnes in the fiscal year ended March 31, 2012, representing an increase of 3.7% as compared to fiscal year ended March 31, 2011. The effects of the lower sugar exported volumes were partially offset by the loading and elevation of other products such as soybeans and soybean meal in the off-season period (November 2011 to March 2012).

Cosan Alimentos (Sugar retail)

Cosan Alimentos net sales in the fiscal year ended March 31, 2012 totaled R\$706.4 million. As Cosan Alimentos was formed on July 1, 2011 there is no comparable information.

Other businesses

Our other businesses are comprised of our lubricants and specialties business and other operations, including agricultural land development through Radar.

The net revenue of CLE was R\$1.0 billion in the fiscal year ended March 31, 2012 resulting in an increase of 22.9% compared to fiscal year ended March 31, 2011, primarily due to sales volume increasing by 30.2% in the fiscal year ended March 31, 2012, reaching 216.7 million liters as compared to fiscal year ended March 31, 2011.

This increase is due to a larger volume of premium lubricants sold, which are higher margin products, and to the start of our base oil distribution operations. Base oil is a raw material used in manufacturing lubricants and was added to CLE's distribution portfolio in the first quarter of 2012. In addition, CLE began distributing lubricants in three countries in January 2012—Bolivia, Uruguay and Paraguay.

Sales volume increased 39.5% in the fiscal year ended March 31, 2012 to 216.7 million liters. In spite of the increase in the volume sold and product revenues and the addition of base oil to the mix contributed to the reduction in the average unit price, which averaged R\$4,702/thousand liters in the fiscal year ended March 31, 2012, compared to R\$4,942/thousand liters in the fiscal year ended March 31, 2011.

Revenue from other products and services consists of land leased by Cosan to Raízen Energia, as well as revenues from the sale of base oils amounted to R\$46.7 million in the fiscal year ended March 31, 2012.

Cost of Sales and Services

Cost of Sales and Services	For Fiscal Year Ended March 31, (1)		
	2012	2011	% Variation
	(in millions of reais, except percentages)		
Raízen Energia (1)	(5,578.7)	(4,400.5)	26.8
Sugar	(2,802.1)	(2,609.1)	7.4
Ethanol	(2,454.0)	(2,016.1)	21.7
Energy cogeneration.....	(86.1)	(102.3)	(15.8)
Other products and services	(236.5)	327.1	(172.1)
Raízen Combustíveis(1)	(33,137.3)	(10,499.3)	216.0
Rumo (logistics)	(394.1)	(316.4)	24.6
Cosan Alimentos.....	(577.3)	—	—
Other businesses	(732.9)	(514.9)	42.3
Eliminations(1):	18,955.3	581.1	3,161.9
Cost of sales and services	<u>(21,465.0)</u>	<u>(15,150.1)</u>	<u>41.7</u>

- (1) The information of Raízen Energia and Raízen Combustíveis represents 100% of the cost of sales and services incurred by the businesses. As from June 1, 2011, the cost of sales and services of Raízen Energia and Raízen Combustíveis are proportionally consolidated at 50% in our consolidated financial statements.

We divide Raízen Energia's sugar and ethanol cost of sales and services into two major categories: agricultural costs and industrial costs. Agricultural costs include costs related to the production of sugarcane, acquiring sugarcane from suppliers, fertilizers, personnel costs, delivery and logistical services, land and equipment leases, depreciation and third-party services. Industrial costs include the purchase of raw materials (other than sugarcane),

personnel costs, depreciation and other chemical and maintenance expenses. Raízen Combustíveis cost of sales and services includes petroleum derived products and feedstock purchased from Petrobras and ethanol from distilleries, freight costs between our terminals in our fuel distribution business and additives. Rumo Logística's cost of services includes personnel costs, equipment and port lease agreements, electricity and maintenance costs. Cosan Alimentos' costs of sales and services is principally comprised of raw sugar. Its long-term requirements are generally guaranteed through long-term contracts with its principal supplier – Raízen Energia, which increases stability and limits spot purchases where prices have generally been more volatile. Other businesses' costs of sales and services principally includes costs associated with Cosan's corporate structure and packaging materials, raw material and feedstock purchased from third parties in our lubricants business.

Cost of sales and services increased by 41.7% to R\$21.5 billion in the fiscal year ended March 31, 2012, from R\$15.2 billion in the fiscal year ended March 31, 2011.

Raízen Energia (Sugar, Ethanol and Cogeneration)

The cost of sales and services amounted to R\$5.6 billion in the fiscal year ended March 31, 2012, representing an increase of 26.8%, compared to the previous fiscal year. Costs of sales and services is reported together, with the average unit costs, net of effects of depreciation and amortization (cash and cost). This increase was mainly due to the rise in the average price of products sold in the period, which increased by 5.6% for sugar and 21.5% for ethanol as compared to fiscal year ended March 31, 2011. The main factors that contributed to this increase in the cost of sales and services by Raízen Energia are:

- A 24.8% increase in the TSR/kg cost, up from R\$0.4022 in the fiscal year ended March 31, 2011 to R\$0.5018 in the fiscal year ended March 31, 2012, directly impacting the cost of sugarcane from suppliers and the cost of land leases;
- An increase in the cost of proprietary sugarcane due to the rise in leasing costs—up from R\$10.4 per tonne of sugarcane in the fiscal year ended March 31, 2011 to R\$17 per tonne in the fiscal year ended March 31, 2012;
- A decrease in the TSR level to 136.5 kg/tonne in the fiscal year ended March 31, 2012, compared to 138.5 kg/ton in the fiscal year ended March 31, 2011.

This was partially offset by the improved productivity of the sugarcane fields, represented by a higher TCH level (tonne of cane per hectare), which was 76.0 fiscal year ended March 31, 2012, up from 73.8 in the fiscal year ended March 31, 2011.

Raízen Combustíveis (Fuel distribution)

The cost of sales and services was primarily impacted by the formation of the Joint Venture on June 1, 2011 which added additional volumes sold (as described above) due to the increase in the number of service stations in its portfolio.

Rumo (Logistics)

The cost of Rumo's services provided in the fiscal year ended March 31, 2012 increased 24.6% in the fiscal year ended March 31, 2012 to R\$394 million in the fiscal year ended March 31, 2012 as compared to fiscal year ended March 31, 2011 due to an increase in volume transported.

Cosan Alimentos (Sugar retail)

The cost of sales and services by Cosan Alimentos totaled R\$577.3 million in the fiscal year ended March 31, 2012. As Cosan Alimentos was formed in July 1, 2011 there is no comparable information.

Selling Expenses

Selling expenses are primarily related to transportation costs, including freight and shipping costs for ethanol, sugar, fuel and lubricant sold in Brazil and exported, as well as storage and loading expenses of ethanol and sugar for export at our and third parties' port facilities. The major portion of our sales of ethanol in Brazil is sold at the

mill to distribution companies, and therefore there are no shipping costs. CLE's lubricant marketing expenses, as well as fuel storage expenses, are also included as selling expenses.

	For Fiscal Year Ended March 31, (1)		
	2012	2011	% Variation
	(in millions of reais, except percentages)		
Raízen Energia (1)	(511.4)	(568.3)	(10.0)
Raízen Combustíveis (1)	(1,095.6)	(280.9)	290.0
Rumo	—	—	—
Cosan Alimentos.....	(82.8)	—	—
Other businesses	(187.5)	(176.8)	6.0
Eliminations (1):.....	741	—	—
Selling expenses	(1,136.3)	(1,026.0)	10.8

(1) The information for Raízen Energia and Raízen Combustíveis represents 100% of the selling expenses of the businesses. As from June 1, 2011, the selling expenses of Raízen Energia and Raízen Combustíveis are proportionally consolidated at 50% in our consolidated financial statements.

Selling expenses increased by 10.8% to R\$1,136.3 million in the fiscal year ended March 31, 2012 from R\$1,026.0 million in the fiscal year ended March 31, 2011.

Raízen Energia (Sugar, Ethanol and Cogeneration)

Raízen Energia's selling expenses decreased 10.0% to R\$511.4 million in the fiscal year ended March 31, 2012 as compared to fiscal year ended March 31, 2011, due to savings resulting from lower freight and commissions following the transfer of the sugar trading activities in the domestic retail market to Cosan Alimentos that in the fiscal year ended March 31, 2012 was R\$82.2 million.

Raízen Combustíveis (Fuel distribution)

Raízen Combustíveis selling expenses increased by 290.0% to R\$1,095.6 million in the fiscal year ended March 31, 2012 as compared to fiscal year ended March 31, 2011. This was principally due to the formation of Raízen in June 1, 2011. A portion of the depreciation referring to the fair value of assets contributed to the formation of Raízen Combustíveis has increased selling expenses by R\$52 million.

Rumo (Logistics)

Due to the nature of its business, no selling expenses are recorded by Rumo Logística.

Cosan Alimentos (Sugar retail)

Cosan Alimentos selling expenses totaled R\$82.8 million in the fiscal year ended March 31, 2012, composed basically of payroll, depreciation and amortization, logistics expenses, freights, commissions on sales, allowance for doubtful accounts and other expenses.

Other businesses

Other businesses selling expenses increased 7.0% in the fiscal year ended March 31, 2012 to R\$187.5 million as compared to R\$176.8 million in the fiscal year ended March 31, 2011, primarily due to an increase in marketing and promotional activities.

General and Administrative Expenses

	For Fiscal Year Ended March 31, (1)		
	2012	2011	% Variation
	(in millions of reais, except percentages)		
Raízen Energia (1)	(454.0)	(393.0)	15.5
Raízen Combustíveis (1)	(349.8)	(91.5)	282.3
Rumo	(41.6)	(29.1)	43.0

	For Fiscal Year Ended March 31, (1)		
	2012	2011	% Variation
	(in millions of reais, except percentages)		
Cosan Alimentos.....	(13.1)	—	—
Other businesses	(128.7)	(27.4)	369.7
Eliminations (1):.....	345.3	—	—
General and administrative expenses.....	(641.9)	(541.0)	18.6

(1) The information for Raízen Energia and Raízen Combustíveis represents 100% of the general and administrative expenses incurred by the businesses. As from June 1, 2011, the general and administrative expenses of Raízen Energia and Raízen Combustíveis are proportionally consolidated at 50% in our consolidated financial statements.

General and administrative expenses consist of salaries and benefits paid to employees, taxes, expenses related to third-party services, rentals and other expenses.

Raízen Energia (Sugar, Ethanol and Cogeneration)

General and administrative expenses were R\$454.0 million in the fiscal year ended March 31, 2012, an increase of 15.5% when compared to fiscal year ended March 31, 2011. This increase is a result of expenses associated with the new corporate structure of Raízen Energia and expenses with services provided by the CSC – Shared Service Center.

Raízen Combustíveis (Fuel distribution)

General and administrative expenses totaled R\$349.8 million in the fiscal year ended March 31, 2012, an increase of 282.3% compared to fiscal year ended March 31, 2011, reflecting the new structure to support Raízen Combustíveis as well as costs related to the Joint Venture formation such as headcount reallocation among other expenses.

Rumo (Logistics)

General and administrative expenses totaled R\$41.6 million in the fiscal year ended March 31, 2012, an increase of 43.0% compared to fiscal year ended March 31, 2011. This increase in expenses was due to the restructuring of Rumo's managerial staff in the fiscal year ended March 31, 2012 as well as expenses related to the Shared Services Center which were not present in the fiscal year ended March 31, 2011.

Cosan Alimentos (Sugar retail)

General and administrative expenses totaled R\$13.1 million in the fiscal year ended March 31, 2012.

Other businesses

General and administrative expenses totaled R\$128.7 million in the fiscal year ended March 31, 2012, an increase of 369.7% when compared to R\$27.4 million in the fiscal year ended March 31, 2011, due to expenses associated with Cosan's corporate structure.

Other income (expenses), net

Other income (expenses), net comprises of other income and expenses. Other income (expenses), net increased from a net expense of R\$33.8 million in the fiscal year ended March 31, 2011 to a net income R\$145.5 million in the fiscal year ended March 31, 2012, principally reflecting increased gain on the disposal of property plant and equipment, and increased rental and leasing income, a reversal of allowances for doubtful accounts, and revenue from royalties and customer base and other income. This was partly offset by a provision for judicial demands, and other expenses.

Gain on the de-recognition of subsidiaries to form the Joint Venture

Due to the formation of the Raízen Energia and Raízen Combustíveis joint ventures, Cosan contributed its sugar and ethanol businesses, which resulted in a deconsolidation of the related assets and liabilities and recording the remaining interest at fair value, resulting in a gain of R\$3,196.7 million in the fiscal year ended March 31, 2012, before income tax and social contribution.

Equity income of associates

Equity income of associates includes our interests in Radar Propriedades Agrícolas S.A. (18.9%), Codexis Inc. (15.5%), Logum Logística S.A. (20.0%) and other investments. Equity income of associates increased by 32.1% to R\$33.3 million in the fiscal year ended March 31, 2012.

Financial Results, Net

Financial results, net in the fiscal year ended March 31, 2012 totaled a net expense of R\$474.1 million compared to a net financial expense of R\$146.7 million in the fiscal year ended March 31, 2011.

	For Fiscal Year Ended March 31,	
	2012	2011
	(in millions of reais)	
Financial expenses	(582.2)	(672.9)
Financial income	206.4	188.8
Foreign exchange variation, net.....	(93.9)	282.7
Derivatives, net.....	(4.4)	54.7
	<u>(474.1)</u>	<u>(146.7)</u>

Financial Expenses. Our financial expenses primarily consist of: (1) accrued interest on our indebtedness; (2) losses on monetary variation related to our financial investments; and (3) fees, commissions and other charges paid to financial institutions.

Financial expenses totaled R\$582.2 million in the fiscal year ended March 31, 2012 as compared to R\$672.9 million in the fiscal year ended March 31, 2011.

Expenses of debt charges, net of financial investments yields, represented a decrease of 6.8%, when compared to the previous fiscal year, mainly due to the greater average indebtedness. The reduction is mainly due to the change in the debt profile, as well as the effects of proportional consolidation of debt of Raízen, recorded in the first quarter of 2012.

Financial Income. Our financial income primarily consists of: (1) gains on monetary variation related to our financial investments; (2) income from financial investments; and (3) financial income related to compensation awarded in a legal proceeding against the Brazilian federal government.

Financial income in the fiscal year ended March 31, 2012 totaled R\$206.4 million, compared to financial income of R\$188.8 million in the fiscal year ended March 31, 2011.

Foreign exchange variation, net. Foreign exchange variation, net resulted in a loss of R\$93.9 million in the fiscal year ended March 31, 2012 compared to a net gain of R\$282.7 million in the fiscal year ended March 31, 2011. The negative effects from exchange variation occurred due to the impact on assets and liabilities denominated in foreign currency and the fluctuation in the *reais*' dollar exchange rates. Our gross indebtedness denominated in U.S. dollars was R\$2,730.1 million and R\$3,750.8 million at March 31, 2012 and March 31, 2011, respectively.

Derivatives, net. Derivatives, net resulted in a net loss of R\$4.4 million in the fiscal year ended March 31, 2012 compared to a net gain of R\$54.7 million in the fiscal year ended March 31, 2011.

Income Taxes

Current income tax expense increased to R\$147.4 million in the fiscal year ended March 31, 2012, compared to an expense of R\$85.4 million in the fiscal year ended March 31, 2011, mainly resulting from the increase in taxable income in the fiscal year ended March 31, 2011 compared to fiscal year ended March 31, 2012. Deferred income tax expense increased from R\$329.1 million in the fiscal year ended March 31, 2011 to R\$962.7 million in the fiscal year ended March 31, 2012, mainly due to the formation of the Joint Venture.

Net Income for the year

As a result of the foregoing, net income for the year increased 240.6% to R\$2,645.0 million in the fiscal year ended March 31, 2012, compared to a net income of R\$776.6 million in the fiscal year ended March 31, 2011.

Net income attributable to owners of the Company

Net income attributable to owners of the Company was R\$2,606.0 million in the fiscal year ended March 31, 2012 an increase of 237.7% as compared to R\$771.6 million in the fiscal year ended March 31, 2011, after deducting net income attributable to non-controlling interests of R\$39.0 million and R\$4.9 million in the fiscal years ended March 31, 2012 and 2011, respectively.

Fiscal Year Ended March 31, 2011 compared to Fiscal Year Ended March 31, 2010

Consolidated Results

The following table sets forth our condensed consolidated income statement for the fiscal years ended March 31, 2011 and 2010, on the basis of our former business segment structure, in place prior to June 1, 2011:

	For Fiscal Year Ended March 31,		
	2011	2010	% Variation
	(in millions of reais, except percentages)		
Consolidated Income Statement			
Net sales	18,063.5	15,336.1	17.8
Cost of sales and services	(15,150.1)	(13,271.3)	14.2
Gross profit.....	2,913.4	2,064.7	41.1
Selling expenses	(1,026.0)	(862.7)	18.9
General and administrative expenses.....	(541.0)	(496.3)	9.0
Other income (expenses), net	(33.8)	37.5	(190.1)
Gain on tax recovery program	—	270.3	—
Operations income (expenses).....	(1,600.8)	(1,051.2)	52.3
Income before financial results, equity income of associates and income taxes	1,312.6	1,013.6	29.5
Equity income of associates	25.2	4.2	500.0
Financial results, net.....	(146.7)	455.2	(132.2)
Income before income taxes	1,191.1	1,473.0	(19.1)
Income taxes:			
Current.....	(85.4)	(78.4)	8.9
Deferred.....	(329.1)	(344.9)	4.6
Net income for the year	776.6	1,049.7	(26.0)
Net income attributable to non-controlling interests.....	(4.9)	4.1	(219.5)
Net income attributable to owners of the Company.....	771.6	1,053.8	26.8

Net Sales

Net sales increased by 17.8% to R\$18,063.5 million in the fiscal year ended March 31, 2011, from R\$15,336.1 million in the fiscal year ended March 31, 2010, primarily as a result of:

- an increase of 18.8% to R\$6.4 billion in net sales in the Raízen Energia segment. Despite a difficult harvest due to unfavorable weather conditions that affected the sugarcane, our production increased due to (1) the increase in the use of the installed capacity of two greenfields (Jataí and Caarapó), (2) expansion of our sugar plants and (3) the commencing of operations of other co-generation projects, coupled with better prices for sugar and ethanol;
- an increase in the net sales of Raízen Combustíveis by 15.4% to R\$11.0 billion, primarily because of the increase of 22.7% in the revenue of diesel and 13.3% in gasoline;
- in Rumo Logística, an increase in the transportation operations because of our contractual agreement with ALL, primarily responsible for the increase of 183.2% in its net sales to R\$448.0 million in the fiscal year ended March 31, 2011; and
- in Other businesses, an increase of 29.7% to R\$829.0 million in the lubricants.

The table below presents a breakdown of our net sales for the fiscal years ended March 31, 2011 and 2010:

Net Sales	For Fiscal Year Ended March 31,		
	2011	2010	% Variation
	(in millions of reais, except percentages)		
Raízen Energia.....	6,389.2	5,380.1	18.8
Sugar sales	3,853.4	3,377.8	14.1
Ethanol sales	2,203.7	1,747.6	26.1
Energy cogeneration	194.9	93.6	108.3
Other sales	137.1	161.1	(14.9)
Raízen Combustíveis	10,966.3	9,506.5	15.4
Fuels	10,895.7	9,437.3	15.5
Other	70.6	69.1	(2.2)
Rumo Logística (logistics operations)	448.0	158.2	183.2
Port lifting.....	118.1	142.1	(16.9)
Logistics	305.8	16.1	1,799.4
Other	24.1	—	—
Other businesses	829.0	638.6	29.7
Lubricants	829.0	634.0	29.7
Others	—	4.6	(100.0)
Eliminations:.....	(569.0)	(347.3)	(63.8)
Net sales.....	18,063.5	15,336.1	17.8

Raízen Energia

Sugar sales totaled R\$3.85 billion in the fiscal year ended March 31, 2011, an increase of 14.1% in relation to the prior fiscal year. The main factors contributing to the increase of R\$475.6 million were:

- an increase of R\$128 million arising from higher volumes sold which were 3.8% higher than the previous fiscal year. Sales in the domestic market increased 17.4%, with 1,238.2 thousand tonnes reflecting the effect of 12 months of sales as compared to approximately ten months of sales in the fiscal year ended March 31, 2010 following the acquisition of Cosan Alimentos in June 2009, and the greater concentration of total sugar recovered, or TSR, in the sugarcane (139.0 kg / tonne of sugarcane compared to 129.8 kg / tonne of sugarcane in the 2009/10 crop). However, the lower than expected harvest affected sugar production and exports of sugar decreased 1% in comparison to the previous fiscal year amounting to 3,052.6 thousand tonnes;

- an increase of R\$335 million due to a 10% increase in the price of sugar; the price in the domestic market increased by 11.2% in the fiscal year ended March 31, 2011 and the price in the foreign market increased by 7.4% in the fiscal year ended March 31, 2011 when compared to the same previous fiscal year period, due to the effect of hedge accounting, which had a negative impact of R\$160.3 million; and
- a higher mix of sugar sold in the domestic market at 29.0% for fiscal year ended March 31, 2011 as compared to 25.0% in the prior fiscal year resulted in a R\$13 million increase in sales.

Ethanol sales in the fiscal year ended March 31, 2011 totaled R\$2.2 billion, increasing 26.1% or R\$456.1 million when compared to fiscal year ended March 31, 2010 primarily due to:

- sales of R\$81.2 million arising from the increase in the volume of ethanol sold primarily due to: (1) the acquisition of Cosan Alimentos mills in June 2009 which provided us with increased crushing capacity for the full fiscal year when compared to fiscal year ended March 31, 2010; (2) the greater concentration of TSR and (3) the ramp-up of the greenfields in Jataí and Caarapó;
- sales of R\$358.3 million, due to a 20.5% increase in the average price of ethanol in the domestic and international markets; and
- sales of R\$16.6 million, due to increased sales in the domestic market and lower sales in the foreign market, which presented lower average prices than the domestic market.

Energy cogeneration sales totaled R\$194.9 million in the fiscal year ended March 31, 2011 through the sale of R\$8.9 million in steam and 1,254.0 thousand MWh of energy at an average price of R\$148.3/MWh. The growth of 107.0% in the volume sold due to the period from the beginning of operation of new cogeneration units (totaling ten this year, compared to six in the previous fiscal year) and to the ramp-up of the others.

Raízen Combustíveis

Net sales from Raízen Combustíveis for fiscal year ended March 31, 2011 increased by 15.4% to R\$11.0 billion, from R\$9.5 billion in the fiscal year ended March 31, 2010, primarily due to:

- an increase of 21.6% in the volume of diesel sold in the fiscal year ended March 31, 2011 when compared to fiscal year ended March 31, 2010. This increase occurred due to the following factors:
 - an increase of 9.0% in the domestic consumption of diesel according to the ANP, due to the increase in the demand from industrial clients and transportation activities due to the economic recovery in Brazil; and
 - gains of market-share in the retail market and in the industrial segment;
- an increase of 11.3% in the volume of gasoline C in the fiscal year ended March 31, 2011 as compared to fiscal year ended March 31, 2010, primarily due to increased sales of gasoline C, and the increase in the percentage of flex fuel vehicles users that opted for gasoline C instead of hydrous ethanol; and
- an increase in the average unit prices of ethanol, gasoline and diesel, and of higher sales of diesel and gasoline C in the sales mix, which present higher prices than ethanol.

Rumo Logística (logistics operations). Rumo Logística's sales in the fiscal year ended March 31, 2011 were 183.2% higher than fiscal year ended March 31, 2010, totaling R\$448.0 million, primarily due to transportation operations with ALL, which contributed R\$305.9 million in sales.

Loading sales revenue was broadly in line with the previous fiscal year, at R\$142.1 million in the fiscal year ended March 31, 2011; despite an 8.0% reduction in volume, revenues benefited from a 10.4% increase in the loading price.

The lower loaded volume was partly due to the lower than expected harvest, which reduced the amount of sugar available to be exported at the end of the harvest. This effect was partially offset by the increase in prices.

As a result of high transportation volume, revenue per loaded tonne in the fiscal year ended March 31, 2011 was 3.1 times higher than in the fiscal year ended March 31, 2010.

Other businesses

An increase of 29.7% in the net sales of lubricants, to R\$829 million for fiscal year ended March 31, 2011, due to increased sales of premium products, which are higher margin products, and a strong increase in sales volume, which reached 166.4 million liters resulting from the increase of approximately 9.0% in domestic consumption and gains of market share, following increased marketing.

Cost of sales and services

Cost of sales and services increased by 14.2% to R\$15.2 billion in the fiscal year ended March 31, 2011, from R\$13.3 billion in the fiscal year ended March 31, 2010.

Raízen Energia

The cost of sales and services of Raízen Energia amounted to R\$4.4 billion in the fiscal year ended March 31, 2011, representing an increase of 9.0%, or R\$362 million, compared to the previous fiscal year. The main factors that explain this increase are:

- the higher volume of sugar and ethanol sold, which was responsible for the increase of R\$161.1 million;
- R\$360.0 million from sugar origination, characterized by the purchase of raw materials for refining and finished products for later resale and distribution in the domestic market;
- R\$54.2 million of ethanol origination in order to benefit from market opportunities;
- an increase of R\$234.9 in the average value of total sugar recovered, which represents the total amount of sugar content in the sugarcane, or TSR, calculated by the CONSECANA, which increased from R\$0.3492/kg in the fiscal year ended March 31, 2010 to R\$0.4022/kg in the fiscal year ended March 31, 2011, giving rise to a higher cost of leasing of land and of sugarcane from suppliers, resulting in an additional cost of R\$234.9 million in the fiscal year ended March 31, 2011; and
- these effects were partially offset by the increase in the amount of TSR, from 131.1 kg/ton of sugarcane to 139.9 kg/ton due to more adequate weather conditions reducing the cost to R\$187.9 million in the fiscal year ended March 31, 2011.

Raízen Combustíveis

The cost of sales and services of Raízen Combustíveis increased by 16.3% in the fiscal year ended March 31, 2011 compared to fiscal year ended March 31, 2010. Excluding the volume factor, the unit cost of R\$1,764/cbm in the fiscal year ended March 31, 2011 was 4.9% higher than the previous fiscal year, primarily due to:

- an increase in the cost of ethanol, which impacts not only the hydrous ethanol that will be used in the flex fuel vehicles, but also the anhydrous ethanol that is blended into gasoline C (25% mandatory blend);
- a 1.7% increase in the unit cost of diesel in the fiscal year ended March 31, 2011; and
- increased sales of gasoline and diesel which present higher per unit costs than ethanol.

Rumo Logística

The cost of sales and services of Rumo Logística's in the fiscal year ended March 31, 2011 was R\$316.5 million represented an increase of 147.5% in the fiscal year ended March 31, 2011 compared to fiscal year ended March 31, 2010, due to the commencement of transportation, transfer, storage operations in the interior and contracting of railway freights. On the other hand, loading costs, which already occurred in the previous fiscal year, presented a slight reduction due to the lower loaded volume of bulk and bagged sugar, the latest presenting higher costs.

Selling Expenses

Selling expenses increased by 18.9% to R\$1,026.0 million in the fiscal year ended March 31, 2011 from R\$862.7 million in the fiscal year ended March 31, 2010. This increase was primarily due to higher volumes sold by Raízen Energia, and by Raízen Combustíveis segments, resulting in higher freight expenditures.

Raízen Energia

Raízen Energia selling expenses totaled R\$568.3 million in the fiscal year ended March 31, 2011 compared to the R\$469.8 million in the fiscal year ended March 31, 2010. The increase of 21.0%, or R\$98.5 million, was primarily due to:

- the 30% increase in the volume of sugar bagged for export, which represents a higher cost than sugar in bulk;
- significant increases in the volume of retail sugar sold in the domestic market;
- marketing expenses of the União brand; and
- increases in the volume of ethanol in the domestic market in the modality CIF, which implies an increase in the expenditures with freight which was more than offset by its higher price.

Raízen Combustíveis

Raízen Combustíveis' selling expenses reflected an increase of 14.5% to R\$280.8 million in the fiscal year ended March 31, 2011, mainly due to the higher volume sold. In unit terms, selling expenses were in line (R\$73.0/cbm) with fiscal year ended March 31, 2010 and benefited from the higher dilution of fixed expenditures due to the 10.7% increase in volumes sold.

Rumo Logística

Due to the nature of its business, no selling expenses are recorded by Rumo Logística.

General and Administrative Expenses

General and administrative expenses increased to R\$541.0 million in the fiscal year ended March 31, 2011 from R\$496.3 million in the fiscal year ended March 31, 2010. This increase occurred in all of our businesses, and reflects the efforts and investments that continue to be made to improve controls, management and operating efficiency, as well as non-recurring expenses of R\$46 million in association with the closing of the Joint Venture with Shell, including the transition to the Shared Services Center with Shell.

Gain on tax recovery program

In the fiscal year ended March 31, 2010, we recorded R\$270.3 million in gains due to our participation in the Programa de Recuperação Fiscal, or REFIS, tax recovery program.

Financial Results, Net

Financial results, net in the fiscal year ended March 31, 2011 totaled a net financial expense of R\$146.7 million compared to a net financial income of R\$455.2 million in the fiscal year ended March 31, 2010.

	For Fiscal Year Ended March 31,	
	2011	2010
	(in millions of reais)	
Financial expenses	(672.9)	(622.4)
Financial income	188.8	163.8
Foreign exchange variation, net	282.7	559.0
Derivatives, net	54.7	354.8
	(146.7)	455.2

Expenses of debt charges, net of financial investments yields, represented an increase of 5.7% in the fiscal year ended March 31, 2011, when compared to the previous fiscal year, mainly due to greater average indebtedness. This

increase was primarily due to debt financed by BNDES for new investment projects in Rumo Logística (the acquisition of locomotives, railcars and investment in permanent ways) as well as in energy cogeneration projects. In addition, we capitalized financial charges to fixed assets, which reduced the financial expenses at R\$70.5 million in the fiscal year ended March 31, 2011 and R\$43.3 million in the previous fiscal year.

Financial income in the fiscal year ended March 31, 2011 totaled R\$188.8 million compared to financial income of R\$163.8 million during the fiscal year ended March 31, 2010.

Foreign exchange variation, net. Foreign exchange variation, net resulted in a net gain of R\$282.7 million in the fiscal year ended March 31, 2011 compared to a net gain of R\$559.0 million in the fiscal year ended March 31, 2010. The positive effects from exchange variation occurred due to the impact on assets and liabilities denominated in foreign currency. Our gross indebtedness denominated in U.S. dollars was R\$3,750.8 million and R\$3,618.2 million at March 31, 2011 and March 31, 2010, respectively.

Derivatives, net. Derivatives, net totaled a net gain of R\$54.7 million in the fiscal year ended March 31, 2011 compared to R\$354.8 million in the fiscal year ended March 31, 2010, net of hedge accounting impacts. It should be noted that in the fiscal year ended March 31, 2010, we did not adopt hedge accounting and as a consequence the results from derivatives in both years are not comparable since the gains/losses with derivatives in the current year financial results refer only to the derivative instruments not designed for hedge accounting and the non-effective portion of the designed hedge. In addition, we measure warrants at fair value. As a result, Cosan's warrant in Radar was recognized as a derivative gain and totaled R\$13.2 million for fiscal year ended March 31, 2011, compared to R\$23.9 million in the fiscal year ended March 31, 2010.

Starting April 1, 2010, we adopted hedge accounting in the cash flow hedge category for certain financial derivative instruments designated for covering price risk and foreign exchange variance risk on revenues from sugar exports. In the fiscal year ended March 31, 2011, there was a deferral (reclassification between results and the "reserve" account in equity) of R\$143.3 million composed of R\$217.1 million regarding derivative fair value and R\$73.8 million related to deferred income tax. The derivatives will impact the net operating revenue in succeeding periods, in accordance with the period covered by the respective instrument.

Income Taxes

Current income tax expense increased to R\$85.4 million in the fiscal year ended March 31, 2011, compared to an expense of R\$78.4 million in the fiscal year ended March 31, 2010, mainly resulting from the increase in taxable income in the fiscal year ended March 31, 2010 compared to fiscal year ended March 31, 2011. Deferred income tax expense decreased from R\$344.9 million in the fiscal year ended March 31, 2010 to R\$329.1 million in the fiscal year ended March 31, 2011, mainly due to gain from a tax recovery program in the previous fiscal year, which tax effect was R\$59.0 million.

Net Income for the year

As a result of the foregoing, we had a net income of R\$776.6 million in the fiscal year ended March 31, 2011, compared to net income of R\$1,049.7 million in the fiscal year ended March 31, 2010.

Net income attributable to owners of the Company

Net income attributable to owners of the Company decreased from R\$1,053.8 million in the fiscal year ended March 31, 2010 to R\$771.6 million in the fiscal year ended March 31, 2011.

Liquidity and Capital Resources

Our financial condition and liquidity are influenced by several factors, including:

- our ability to generate cash flow from our operations;
- the level of our outstanding indebtedness and related accrued interest, which affects our net financial expenses;
- prevailing Brazilian and international interest rates, which affects our debt service requirements;

- our ability to continue to borrow funds from Brazilian and international financial institutions and to obtain pre-export financing from certain of our customers;
- our capital expenditure requirements, which consist primarily of investments in crop planting and the purchase of equipment; and
- credit ratings, including factors that may materially influence credit ratings, implications of potential changes in ratings and management's expectations; and covenant compliance, including the implications of a breach of financial or other covenants and our capacity for additional borrowing under its covenants.

Our cash needs have traditionally consisted of working capital requirements, servicing of our indebtedness, capital expenditures related to investments in operations, maintenance and expansion of plant facilities and acquisitions. Our sources of liquidity have traditionally consisted of cash flows from our operations and short and long-term borrowings. We have financed acquisitions through seller financing, third party-financing or capital contributions by our shareholders.

In the nine months ended December 31, 2012 and 2011, the cash flow used in investing activities was funded principally by increased borrowing. As of December 31, 2012, our consolidated cash and cash equivalents amounted to R\$2,324.6 million compared to R\$1,616.2 million as of March 31, 2012.

Cash Flow from Operating Activities

We had net cash flows from operating activities of R\$1,110.7 million in the nine months ended December 31, 2012, compared to R\$670.8 million in the nine months ended December 31, 2011. This increase was primarily attributable to increased revenues from our operating businesses offset by the variation in working capital.

We had net cash flows from operating activities of R\$1,961.5 million in the fiscal year ended March 31, 2012, compared to R\$2,337.1 million in the fiscal year ended March 31, 2011. This decrease was primarily attributable to an increase of net income deductible from gain on the de-recognition of subsidiaries operations to form the Joint Venture and net changes in assets/liabilities.

We had net cash flows from operating activities of R\$2,337.1 million in the fiscal year ended March 31, 2011, compared to R\$2,131.4 million in the fiscal year ended March 31, 2010. This increase was primarily attributable to increased sales, better management of our trade accounts receivable and payable and results from derivative financial instruments and an appreciation of the *real* against the U.S. dollar.

Cash Flow Used in Investing Activities

Net cash flows used in investing activities was R\$3,801.0 million in the nine months ended December 31, 2012, compared to R\$1,618.4 million in the nine months ended December 31, 2011. This variation was mainly attributable to the R\$3.4 billion acquisition of Comgás offset by R\$480.9 million in proceeds from sale of property, plant and equipment, software and intangible assets.

Net cash flows used in investing activities was R\$2,242.8 million in the fiscal year ended March 31, 2012, compared to R\$3,145.7 million in the fiscal year ended March 31, 2011. This variation was mainly attributable to: (1) a decrease in acquisitions of property, plant and equipment to R\$1,584.5 million in the fiscal year ended March 31, 2012 from R\$2,291.6 million in the fiscal year ended March 31, 2011; (2) a 25.9% decrease as compared to the fiscal year ended March 31, 2011 in sugarcane planting and growing costs to R\$552.0 million in the fiscal year ended March 31, 2012. This was mainly due to significantly lower capital expenditures for Raízen Energia, decreasing from R\$214.7 million in the fiscal year ended March 31, 2011 to R\$138.3 million in the fiscal year ended March 31, 2012, resulting from the completion of greenfield and cogeneration projects which was partially offset by increased investments in the mechanization of sugar plantations, biological assets, interharvest maintenance mechanization and health, safety and environmental costs; and (3) proceeds from sales of property plant and equipment, increasing from R\$48.8 million in the fiscal year ended March 31, 2011 to R\$182.1 million in the fiscal year ended March 31, 2012.

We had net cash flows used in investing activities of R\$3,145.7 million in the fiscal year ended March 31, 2011, compared to R\$2,389.5 million in the fiscal year ended March 31, 2010. This variation was mainly attributable to: (1) the acquisition of property, plant and equipment of R\$3,037.2 million (including R\$745.6 million of sugarcane

planting and growing costs) in the fiscal year ended March 31, 2011, 19.5% higher than in the fiscal year ended March 31, 2010, mainly influenced by investments in (1) increased investment by Rumo Logística, (2) higher operating capital expenditures in CAA, increasing from R\$1,229.6 million in the fiscal year ended March 31, 2010 to R\$1,756.8 million in the fiscal year ended March 31, 2011, particularly from the increase in investments in biological assets, interharvest maintenance mechanization and health, safety and environmental costs which offset significant reductions in expansion capital expenditures for greenfield and cogeneration due to the completion of such projects; and (2) the acquisition of Usina Zanin (R\$90.0 million) and a controlling interest in Logisport (R\$48.9 million) in the fiscal year ended March 31, 2011.

Cash Flow from Financing Activities

We had R\$3,398.6 million of net cash inflows from financing activities in the nine months ended December 31, 2012, compared to R\$888.4 million of net cash inflows from financing activities in the nine months ended December 31, 2011. The addition of long-term debt, net of repayments cash inflow increased from R\$989.4 million in the nine months ended December 31, 2011 to R\$3,300.9 million in the nine months ended December 31, 2012. Our increase in cash inflow from financing activities in the nine months ended December 31, 2012 was partially offset by dividends paid of R\$565.2 million.

We had R\$643.4 million of net cash inflows from financing activities in the fiscal year ended March 31, 2012, compared to R\$984.3 million of net cash inflows used in financing activities in the fiscal year ended March 31, 2011. The addition of long-term debt, net of repayments cash inflow decreased from R\$751.6 million in the fiscal year ended March 31, 2011 to R\$323.3 million in the fiscal year ended March 31, 2012, and cash inflow from non-controlling interests increased 40.3% to R\$561.0 million in the fiscal year ended March 31, 2012 from R\$400.0 million in the fiscal year ended March 31, 2011. Our cash inflow from financing activities in the fiscal year ended March 31, 2012 was partially offset by cash outflow of dividends paid which remained stable at R\$193.1 million in the fiscal year ended March 31, 2011, compared to R\$192.7 million in the fiscal year ended March 31, 2012.

We had R\$984.3 million of net cash inflows from financing activities in the fiscal year ended March 31, 2011, compared to R\$617.1 million of net cash inflows used in financing activities in the fiscal year ended March 31, 2010. Long-term debt, net of repayments, increased from R\$581.3 million in the fiscal year ended March 31, 2010 to R\$751.6 million in the fiscal year ended March 31, 2011, while financing resources from related parties were represented by a cash outflow of R\$498.0 million in the fiscal year ended March 31, 2010 and a cash inflow of R\$37.1 million in the fiscal year ended March 31, 2011. Our cash inflow from financing activities in the fiscal year ended March 31, 2011 was partially offset by our increased payments of long-term debt and dividends paid during the period.

Indebtedness

As of December 31, 2012, our outstanding debt totaled R\$11,661.5 million of which R\$1,789.6 million was short-term debt, including our current-portion of long-term debt and considering 50% of Raízen's debt. Our debt consisted of R\$7,579.0 million of local currency-denominated debt and R\$4,082.4 million of foreign currency-denominated debt.

Our total debt of R\$11,661.5 million at December 31, 2012 increased 127% as compared to our total debt of R\$5,014.0 million at March 31, 2012. Our short-term debt, comprised of our current portion of long-term debt and interest accrued, represented 15% of our total indebtedness at December 31, 2012. Our U.S. dollar-denominated debt at December 31, 2012 represented 35% of our total indebtedness. Our secured debt at December 31, 2012 represented 26.6% of our total indebtedness, mostly in the form of land mortgage deeds, assignment/ pledge of credit rights, machinery and equipment, sugar and ethanol.

Certain of our long-term debt agreements, require us or certain of our subsidiaries and Joint Venture entities, as applicable, to comply with certain financial and negative covenants, including our U.S.\$500 million 8.25% perpetual notes, and debt of the Joint Venture, including the U.S.\$400 million 7.0% senior notes due in 2017 and U.S.\$350 million 9.50% Senior Notes due in 2014 which limits the Joint Venture's ability and the ability of their subsidiaries to, among other things, enter into certain transactions with shareholders or affiliates, engage in a merger, sale or consolidation transactions and create liens. Certain agreements entered into by the Joint Venture subsidiaries and BNDES also require Cosan Limited, our parent company, to comply with certain financial and negative covenants.

We and our subsidiaries and jointly-controlled entities are subject to certain restrictive financial covenants set forth in existing loans and financing agreements. As at December 31, 2012, Cosan, the Joint Venture, its subsidiaries and jointly-controlled entities were in compliance with their debt covenants.

As of December 31, 2012, our long-term consolidated debt consists primarily of:

- R\$511.1 million of export pre-payment notes due from 2012 through 2016;
- R\$370.3 million senior notes due July 2014;
- R\$420.5 million senior notes due February 2017;
- R\$343.5 million PESA debt due between 2018 and 2025, payable against CTN credits;
- R\$2,764.7 million BNDES and Finame due between 2015 and 2025;
- R\$520.0 million export credit notes due between 2012 and 2020;
- R\$1,213.4 million perpetual notes with call option for Cosan exercisable as of November 5, 2015;
- R\$1,213.4 million working capital due between 2013 and 2015;
- R\$567.3 million loan EIB due September 2021;
- R\$3,412.9 million debentures due between 2014 and 2020; and
- R\$496.2 million other debts.

We believe we will be able to refinance our existing debt on favorable market conditions.

The table below shows the profile of our debt instruments:

Description	Index	Average annual interest rate	As of December 31, 2012	Maturity Date
Senior Notes Due 2014.....	Dollar (USD)	9.5%	740,706	Jul-14
Senior Notes Due 2017.....	Dollar (USD)	7.0%	841,082	Feb-17
	URTJLP	8.14%	1,295,316	Oct-25
	Pre fixed	4.5%	399,514	Jul-20
BNDES	UMBND	6.52%	35,284	Jul-19
	TJLP	8.53%	1,575,384	Jun-17
	Selic	1.80%	485,264	Oct-20
	TJ462	8.40%	123,970	Oct-20
ACC	Dollar (USD)	1.82%	155,034	Jun-13
Resolution 2471 (PESA)	IGP-M	11.97%	686,798	Apr-13
	Pre fixed	3.0%	100	Oct-25
Rural Credits	Pre fixed	5.5%	41,120	Nov-13
Working capital	Dollar (USD) + Libor	1.81%	920,408	Dec-15
	Pre fixed	14.0%	8,500	Mar-15
	106% CDI	—	230,064	Mar-13
Pre-Payments	Dollar (USD) + Libor	7.11%	1,022,370	Feb-16
Total Raízen			8,560,914	
Raízen consolidated (50%)			4,280,457	
Perpetual Notes	Dollar (USD)	8.25%	1,041,375	Nov-15
Credit Notes	110% CDI	7.27%	519,970	Feb-14
	Pre fixed	4.62%	385,790	Set-22
Finame	URTJLP	7.71%	419,078	Jan-22
Leasing.....	R\$	15.01%	128	Jun-14
	100% CDI	—	2,336	Oct-14
Foreign loans.....	Libor UK	4.64%	178,583	Jun-17
Loan EIB	Dollar USD + Libor	2.76%	567,333	Sep-21
Loan Resolution 4131	Dollar USD + Libor	3.25%	455,329	Jul-17
Debentures	123% CDI	8.49%	3,343,987	Oct-20
Non-convertible debentures.....	CDI	1.50%	68,959	Aug-14
Finep	Pre fixed	5%	89,828	Jan-21

Promissory note.....	105,20% CDI	—	159,846	Mar-13
Credit assignment.....	CDI	1.38%	59,724	May-13
Restricted Cash.....	Diverse	Diverse	29,497	Diverse
Debt issuance costs.....		—	(78,450)	
Others.....	Diverse	Diverse	137,668	Diverse
Total Cosan (excluding Raízen).....			7,380,981	
Total Consolidated Debt.....			11,661,438	
Current			1,789,555	
Non-Current			9,871,883	

The principal financing activities for the nine months ended December 31, 2012 are described below:

On April 1, 2011, one of our subsidiaries entered into a bank loan for U.S.\$450 million in order to replace (and repay) the perpetual notes issued in 2006. The borrower is controlled by our jointly-controlled subsidiary Raízen Energia. Interest on the loan is payable quarterly at a rate of Libor + interest of 2.15% per annum.

On July 13, 2011, Cosan Overseas Limited, a wholly owned subsidiary of Cosan S.A., issued U.S.\$200 million aggregate principal amount of perpetual notes guaranteed by Cosan S.A. and CLE in accordance with Regulation S of the Securities Act. These notes bear interest at a rate of 8.25% per year payable quarterly.

On October 22, 2012, we issued two series of debentures, the first series in the amount of R\$1.9 billion and the second in the amount of R\$1.4 billion, totaling R\$3.3 billion. The debentures are secured with (i) a pledge over Comgás' shares held by Cosan, (ii) an assignment of credit rights and (iii) guarantees by the former Provence Participações S.A. (which was incorporated into Comgás in December 2012) and Cosan Limited. The first series has a six-year term counting from the date of issuance, and will mature on October 1, 2018, while the second series has an eight-year term counting from the date of issuance, and will mature on October 1, 2020, except in the case of mandatory early redemption and/or prepayment of the debentures, in accordance with the indenture.

For additional information related to our indebtedness, see note 15 to our financial statements as of and for the fiscal years ended March 31, 2012 and 2011.

Working Capital

As of December 31, 2012, we had working capital of R\$2,611.5 million, compared to R\$2,637.2 million as at March 31, 2012, primarily attributable to the consolidation of Comgás and Radar.

We believe our current liquidity and our cash flow from operations will be sufficient to meet our working capital requirements for at least the next 12 months.

Capital Expenditures

Our capital expenditures in property, plant and equipment, including acquisitions (net of cash acquired), expenditures for crop formation and expenditures for purchases of land, were R\$1,348.2 million during the nine months ended December 31, 2012, compared to R\$1,523.2 million during the nine months ended December 31, 2011.

The following table sets forth our capital expenditures for the nine month period ended December 31, 2012 and the fiscal years ended March 31, 2012, 2011 and 2010:

	For the nine months ended December 31,	For Fiscal Year Ended March 31,		
	2012	2012	2011	2010
	(in millions of reais)			
Raízen Energia – Operational				
Biological assets	737.9	942.7	745.0	647.5
Inter-harvest maintenance costs.....	198.6	605.5	514.2	332.4
Health, Safety and Environmental & Sustaining (SSMA).....	46.5	149.2	237.5	45.0
Mechanization	120.7	138.3	214.7	30.5
Projects	54.5	—	—	174.2
Total – Operational	1,158.2	1,835.7	1,711.4	1,229.6

	For the nine months ended December 31,	For Fiscal Year Ended March 31,		
	2012	2012	2011	2010
	(in millions of reais)			
Raízen Energia – Expansion				
Co-generation projects.....	70.7	462.5	287.6	376.4
Greenfield projects		0.4	66.9	462.2
Other expansion projects	158.3	279.2	348.4	203.0
Total – Expansion	229.0	742.2	702.9	1,041.6
Raízen Energia – Total.....	1,387.4	2,577.9	2,414.3	2,271.2
Raízen Combustíveis	523.7	491.7	191.6	130.5
Total Raízen.....	1,911.1	3,069.6	2,605.9	2,401.7
Raízen consolidated (50%).....	955.6	1,765.2	—	—
Rumo	209.7	269.0	427.9	143.8
Radar	0.1			
Comgás	119.8			
Other business	63.2	102.3	3.3	—
Cosan Alimentos.....	—	—	—	—
Total Cosan (excluding Raízen)	—	371.3	431.2	143.8
Total consolidated capital expenditures.....	1,348.2	2,136.6	3,037.1	2,545.5

The main planned and undergoing projects related to capital expenditures are described in “Business—Property, Plant and Equipment.”

As of December 31, 2012, we have future commitments related to these projects in the amount of R\$535.7 million fully directed at the completion of the corresponding assets. Our management has determined that financing for such commitments will be primarily based on third party financing with financial institutions for terms of up to 2020.

Off Balance Sheet Arrangements

Sales

The jointly-controlled entity “Raízen Energia” is mainly engaged in the commodities market and sales are substantially performed at the price on the date of sale. However, Raízen Energia has several agreements in the sugar market, which undertake to sell volumes of those products in future harvests.

The commitments for the sale of sugar, in tons, as of December 31, 2012 were as follows:

Fiscal Year	As of December 31, 2012(1)
	(in thousands of reais)
2012-2013 harvest	1,092
2013-2014 harvest	1,891
Total.....	2,983

(1) Represents 100% of the commitments of Raízen Energia, of which we proportionately consolidate 50%.

Purchases

Raízen Energia has several commitments for the purchase of sugarcane from third parties in order to secure part of its production in subsequent years. The amount of sugarcane to be acquired has been calculated based on an estimate of the quantity to be ground by area. The amount to be paid by the jointly-controlled entities is determined at the end of each harvest, according to prices published by CONSECANA.

Purchase commitments by harvest, in thousands of tons as of December 31, 2012 were as follows:

Fiscal Year	As of December 31, 2012(1)
	(in thousands of reais)
2013-2014 harvest	27,729
2014-2015 harvest	24,249
2015-2016 harvest	22,040
2016-2017 harvest	18,938
After 2017	72,511
Total	165,467

(1) Represents 100% of the commitments of Raízen Energia, of which we proportionately consolidate 50%.

The jointly-controlled entity Raízen Energia has contracts to purchase industrial equipment intended for maintenance and expansion of the mills, as well as to meet the demand of the electric energy co-generation project, in the total amount of R\$226,996 thousand as of December 31, 2012.

Through our subsidiary, Rumo, we entered into a commitment to invest in rail track improvements aimed at the expansion of the logistics business, as follows:

Fiscal Year	2012
	(in thousands of reais)
2012	489,794
2013	44,000
2014	2,000
Total	535,794

Lease Agreements

Operating Leases

Raízen Energia has operating lease contracts on land used for planting sugarcane, which will end within 20 years. The minimum payments related to these obligations are calculated on a straight-line basis over the term of the lease. The costs for these contracts during the nine months ended December 31, 2012 consisted of the following:

	As of December 2012
	(in thousands of reais)
Minimum installment	212,525
Variable installment	299,473
Total	511,998

(*) Represents 100% of the commitments of Raízen Energia, of which we proportionately consolidate 50%

Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2012 were as follows:

	Raízen Energia (1)	Rumo
	(in thousands of reais)	
Within 1 year	553,074	7,808
Over 1 year, less than 5 years	1,934,138	46,653
More than 5 years	1,112,959	—
Total	3,600,171	54,461

(1) Represents 100% of the commitments of Raízen Energia, of which we proportionately consolidate 50%

Guarantees

As of December 31, 2012, we have entered into guarantee contracts with financial institutions relating to legal proceedings, debt, energy auctions and concession agreements, as follows:

	As of December 31, 2012
	(in thousands of reais)
Cosan	519,390.5
Raízen Energia.....	300,835.1
Raízen Combustíveis	936,300.6
Rumo	6,346.9
Total	1,762,873.1

Contractual Obligations

Contractual financial obligations

The following table sets forth the maturity schedule of our material contractual financial obligations at December 31, 2012:

	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
	(in millions of reais)				
Long-term debt obligations(1).....	9,871.9	1,721.3	3,347.7	2,488.8	2,314.1
Operating lease obligations.....	3,654.6	560.8	1,980.8	—	—
Purchase obligations	989.6	766.4	223.2	—	—
Total	14,516.1	3,048.5	5,551.7	2,488.8	2,314.1

(1) Less than one year amounts include accrued interest over existing long-term debt installments.

Sales commitments

Raízen Energia is highly affected by the commodities market, where sales are substantially performed at the price on the date of sale. However, Raízen Energia has several agreements in the sugar market, which undertake to sell volumes of those products in future harvests.

The commitments for future sales of sugar, in tonnes, as of December 31, 2012 were as follows:

	As of March 31,	
Year	2013	2014
December 31, 2012.....	1,092	1,891

Sales commitments have their price established contractually based on CONSECANA.

Since December 31, 2012, there have been no material changes to the contractual obligations described above.

Quantitative and Qualitative Disclosure on Market Risk

Risk Management

We consider market risk to be the potential loss arising from adverse changes in market rates and prices. We, our subsidiaries and jointly-controlled entities, including Raízen Energia and Raízen Combustíveis, are exposed to market risks, chief of which are: (1) credit risk; (2) liquidity risk; (3) commodities risk; (4) interest rate risk rates; and (5) foreign currency exchange rate risk. In order to manage their market risks, we have adopted policies and procedures which establish limits and monitor risk exposure, counterparties and approve financial instruments. Risk and financial instrument management activities are carried out through the definition of strategies, establishment of

control systems and the determination of limits to exposure to market risks. We periodically review our exposure to market risks and determine at the senior management level how to manage and reduce the impact of these risks.

We use derivatives solely to manage market risk, especially commodity price and foreign exchange rate fluctuations. Although the value of these hedge instruments varies, these variations are usually offset by the value of related hedged item. The parties to these agreements are mainly trade boards and trading companies in the case of futures, options and price setting, and major financial institutions in the case of foreign exchange derivatives and interest rate swaps. We do not use derivatives or other hedge instruments for speculative purposes.

As a result, we do not believe that we are subject to any material credit risk arising from these contracts, and accordingly, we do not anticipate any material credit related losses.

Credit Risk

Credit risk is managed through specific rules concerning client acceptance which require credit rating checks and limits for customer exposure, applicable to all subsidiaries and jointly-controlled entities. In Raízen Energia, a letter of credit from a reputable financial institution, is generally required for our sugar export sales. We do not believe that we are subject to any material credit risk and we do not anticipate any material credit-related losses. Management believes that any credit risk is covered by the allowance for doubtful accounts recorded in our balance sheet.

Liquidity Risk

Liquidity is the risk that we may encounter difficulties in meeting the obligations associated with our financial liabilities that are settled in cash or other financial assets. We manage our liquidity as to ensure, to the extent possible, that we always have sufficient liquidity to meet our obligations at a reasonable cost. We do not believe that we are subject to any material liquidity risk.

Commodities Risk

Mainly applicable to Raízen Energia, agricultural commodity prices and supply levels change according to unpredictable factors such as the weather, investments, government programs and policies and changes in world demand, among other things.

Raízen Energia conducts sensitivity tests to estimate its exposure to these risks and uses derivatives to mitigate its exposure to sugar price oscillation on the international market. Derivative operations allow us to ensure an average margin for future sales. Raízen Energia actively manages its open positions and monitors the result of these activities on a daily basis through effective mark-to-market controls and price impact simulations so that it may adjust targets and strategies due to changes in market conditions.

Based on the sugar sales volumes in the nine months ended December 31, 2012, a hypothetical 10% decrease in unhedged prices would reduce our sugar net sales by approximately R\$187.5 million in the nine months ended December 31, 2012 as set forth below.

	Fair Value - Net Sales (2)	Sales Volume	Market Risk - 10% Price Decrease
	(in millions of reais)	(thousand tonnes of sugar or thousand liters of ethanol)	(in millions of reais)
Ethanol sales volume (unhedged) in the nine months ended December 31, 2012.....	2,190.0	1,570.5	219.0
Sugar sales volumes in the nine months ended December 31, 2012	3,177.3	3,037.1	187.5
Hedged sugar position at December 31, 2012 (1).....	1,301.9	1,244.4	—
VHP sugar (NY no. 11)	1,296.9	1,244.4	—
White sugar (LIFFE no. 5).....	5.0	4.8	—
Unhedged sugar position at December 31, 2012	1,875.4	1,792.7	187.5

- (1) Includes derivative futures and firm commitments with customers where there are already fixed prices for the sugar to be sold.
- (2) Represents 100% of the financial instruments of Raízen Energia, of which the Cosan S.A. proportionately consolidates 50%.

For risk management purposes and to evaluate the overall level of commodity price exposure, Raízen Energia further reduces its exposure to commodity market risk related to the sugar and ethanol produced from sugarcane that is purchased from growers and sugarcane harvested from leased land, as both costs are linked to TSR. The price of sugarcane supplied by growers or the lease payments incurred to produce sugarcane harvested by Raízen Energia from leased land is indexed to the market price of sugar and ethanol, which provides a partial natural hedge to domestic sugar and ethanol sales price exposure.

Based on the foregoing, we believe that as of December 31, 2012 a hypothetical 10% decrease in prices would increase our net commodities risk by R\$571.0 million as set forth below.

	Fair Value - Net Purchases	Commodities Risk - 10% Price Decrease
	(in millions of reais)	
Total unhedged position at December 31, 2012	1,875.4	187.5
Sugarcane supplied by growers in the nine months ended December 31, 2012	1,709.5	171.0
Sugarcane from leased land in the nine months ended December 31, 2012	2,125.5	212.6
Net unhedged position at December 31, 2012	5,710.4	571.0

As of December 31, 2012, Raízen Energia had entered into hedging agreements with respect to 1,558.8 thousand tonnes of VHP sugar (Futures sold less Futures bought) at an average fixed price of R\$20.88 per tonne.

The table below provides information about our sugar derivative contracts that are sensitive to changes in commodity prices, specifically sugar prices as of December 31, 2012. For the derivative contracts the table presents the notional amounts in tons, the weighted average contract prices, and the total U.S. dollar contract amount by expected maturity dates.

Price Risk: derivatives of commodities open at December 31, 2012							
Derivatives	Purchased / Sold	Market	Contract	Maturity	Notional (units)	Notional (R\$ thousand)	Fair Value (R\$ thousand)
Composition of balances of derivative financial instruments designated in hedge accounting							
Future	Sold	NYBOT	Sugar#11	Mar-13	488,922 T	475,798	46,058
Future	Sold	NYBOT	Sugar#11	Jul-13	327,675 T	316,455	25,049
Future	Sold	NYBOT	Sugar#11	Oct-13	398,088 T	386,219	26,455
Future	Sold	NYBOT	Sugar#11	Mar-14	24,995 T	24,753	1,579
Future	Sold	ICE	Sugar#5	Mar-13	4,750 T	4,959	(124)
Sub-total of future sugar sold.....					1,244,430 T	1,208,184	99,016
Composition of balances of derivative financial instruments not designated in hedge accounting							
Future	Purchased	NYBOT	Sugar#11	Mar-13	(303,494 T)	(266,106)	651
Future	Purchased	NYBOT	Sugar#11	May-13	(3,709 T)	(3,366)	(91)
Future	Purchased	NYBOT	Sugar#11	Jul-13	(1,676 T)	(1,535)	(44)
Future	Purchased	NYBOT	Sugar#11	Oct-13	(762 T)	(707)	(18)
Future	Purchased	ICE	Sugar#5	Mar-13	(4,700 T)	(4,911)	119
Sub-total of future sugar purchased.....					(314,341 T)	(276,623)	617
Sub-total of future sugar					930,090 T	931,561	99,634
Future	Sold	BM&FBOV ESPA	ETH	Jan-13	9,270 m3	11,036	(130)
Future	Sold	BM&FBOV ESPA	ETH	Feb-13	27,630 m3	32,763	(166)
Future	Sold	BM&FBOV ESPA	ETH	Mar-13	21,720 m3	25,854	(130)

Price Risk: derivatives of commodities open at December 31, 2012

Derivatives	Purchased / Sold	Market	Contract	Maturity	Notional (units)	Notional (R\$ thousand)	Fair Value (R\$ thousand)
Future.....	Sold	Platts Chicago Ethanol Asian Swap	ETH	Oct-13	—	—	1,406
Future.....	Sold	Platts Chicago Ethanol Asian Swap	ETH	Dec-12	—	—	296
Future.....	Sold	Platts Chicago Ethanol Asian Swap	ETH	Feb-13	—	—	860
Future.....	Sold	Platts Chicago Ethanol Asian Swap	ETH	Jan-13	—	—	913
Future.....	Sold	Platts Chicago Ethanol Asian Swap	ETH	Jul-13	—	—	711
Future.....	Sold	Platts Chicago Ethanol Asian Swap	ETH	Mar-13	—	—	1,200
Future.....	Sold	Platts Chicago Ethanol Asian Swap	ETH	Jan-13	—	—	(96)
Future.....	Sold	BMF Ethanol Euro Swap	ETH	Feb-13	—	—	(27)
Future.....	Sold	BMF Ethanol Euro Swap	ETH	Jan-13	—	—	(4)
Sub-total of future ethanol sold					58,620 m3	69,654	4,833
Future.....	Purchased	BM&FBOV ESPA	ETH	Jan-13	(4,950 m3)	(5,764)	69
Future.....	Purchased	BM&FBOV ESPA	ETH	Feb-13	(4,260 m3)	(5,018)	26
Future.....	Purchased	Platts Chicago Ethanol Asian Swap	ETH	Nov-12	—	—	94
Future.....	Purchased	Platts Chicago Ethanol Asian Swap	ETH	Dec-12	—	—	(981)
Future.....	Purchased	Platts Chicago Ethanol Asian Swap	ETH	Jan-13	—	—	(119)
Future.....	Purchased	Platts Chicago Ethanol Asian Swap	ETH	Nov-12	—	—	(16)
Future.....	Purchased	BMF Ethanol Euro Swap	ETH	Feb-13	—	—	(8)
Future.....	Purchased	BMF Ethanol Euro Swap	ETH	Jan-13	—	—	(2)
Sub-total of future ethanol purchased.....					(9,210 m3)	(10,782)	(937)
Physical Fixed	Sold		ETH	Feb-13	—	—	1,735
Physical Fixed	Sold		ETH	Apr-13	—	—	1,161
Physical Fixed	Sold		ETH	Mar-13	—	—	7,099
Physical Fixed	Sold		ETH	Dec-12	—	—	27

Price Risk: derivatives of commodities open at December 31, 2012

Derivatives	Purchased / Sold	Market	Contract	Maturity	Notional (units)	Notional (R\$ thousand)	Fair Value (R\$ thousand)
Physical Fixed	Sold		ETH	Jan-13	—	—	2,281
Physical Fixed	Sold		ETH	May-13	—	—	989
Physical Fixed	Sold		ETH	Jun-13	—	—	159
Physical Fixed	Sold		ETH	Feb-13	—	—	(437)
Physical Fixed	Sold		ETH	Aug-13	—	—	(1,197)
Physical Fixed	Sold		ETH	Dec-12	—	—	(6)
Physical Fixed	Sold		ETH	Jan-13	—	—	(2,697)
Physical Fixed	Purchased		ETH	Feb-13	—	—	4
Physical Fixed	Purchased		ETH	Mar-13	—	—	27
Physical Fixed	Purchased		ETH	Dec-12	—	—	413
Physical Fixed	Purchased		ETH	Jan-13	—	—	766
Physical Fixed	Purchased		ETH	Feb-13	—	—	(4,516)
Physical Fixed	Purchased		ETH	Apr-13	—	—	(206)
Physical Fixed	Purchased		ETH	Dec-12	—	—	(148)
Physical Fixed	Purchased		ETH	Jan-13	—	—	(591)
Physical Fixed	Purchased		ETH	Jun-13	—	—	(297)
Sub-total of Physical Fixed Ethanol.....					—	—	4,566
Sub-total of Ethanol					49,410 m3	58,871	8,462
Total of commodities.....						990,432	108,096

Interest Rate Risk

We have fixed and floating rate indebtedness, and, therefore, we are exposed to market risk as a result of changes in interest rates. See “—Liquidity and Capital Resources—Indebtedness” for further information.

Our interest rate risk refers to the impact of an increase in the LIBOR (London Interbank Offered Rate) indexed interest rate, TJLP (Long-term Interest Rate), TR (Reference Interest Rate), IGP-M (General Market Price Index) and CDI (Interbank Deposit Certificate) indexed debt on our financial results.

As of December 31, 2012, 69%, or R\$8,030.4 million of our consolidated total debt outstanding was fixed rate debt.

The majority of debts of Cosan, except the jointly-controlled subsidiary Raízen Energia, are dollar-denominated with fixed interest rates or real-denominated debts indexed to the CDI or TJLP. However, we have a substantial amount of marketable securities indexed to the CDI, which provides a partial natural hedge to the interest rate exposure of our real-denominated debts.

Based on the foregoing, we believe that as of December 31, 2012 a hypothetical 10% increase in all interest rates would increase our financial expenses by R\$34.2 million per year based on the net financial expenses we recorded in our consolidated income statement for the nine months ended December 31, 2012.

Foreign Currency Exchange Rate Risk

The foreign exchange variations to which Cosan, except Raízen Energia, are exposed are principally related to perpetual bond issuances amounting to U.S.\$500 million. We use derivatives to hedge the cash flows for payment of interest on this debt against a possible appreciation of the U.S. dollar against the real through November 2015, when this debt can be redeemed. In addition, basic oil imports for the lubricants business are also exposed to foreign exchange variations, hedged by derivatives on a case-by-case basis.

A significant portion of the revenue of the jointly-controlled subsidiary Raízen Energia is dollar denominated. Most of Raízen Energia’s costs are denominated in *reais* and therefore, when the real appreciates against dollar, its operating margins are adversely affected. A considerable part of Raízen’s debt (R\$3,679.6 million as of December 31, 2012) is also denominated in dollars, exposing it to the risk of variations in the *real* to the U.S. dollar exchange rate.

Raízen Energia has foreign exchange derivatives in order to mitigate its exposure to the effect of foreign exchange variations on its sugar and ethanol export revenues, combined with cash outlays to cover its debt commitments in foreign currency, mainly the U.S. dollar. The exchange rate derivatives together with the sugar

price derivatives allow Raízen to ensure an average margin from future sales. Raízen actively manages open positions, and the results of these activities are monitored on a daily basis through effective mark-to-market controls and price impact simulations that allow Raízen to adjust targets and strategies as a result of changes in market conditions. Raízen uses financial derivative instruments to hedge foreign exchange risk.

At December 31, 2012, we had outstanding currency derivatives fair valued at R\$175.1 million which were represented by forward, future, swap and put option contracts as disclosed in Note 26 of our unaudited interim consolidated financial statements included elsewhere in this offering memorandum.

As a measure of our market risk with respect to our foreign currency exposure, a hypothetical 10% appreciation of the real against the U.S. dollar would increase our export sales by approximately R\$213.5 million per year, based on the level of our total export sales for the nine months ended December 31, 2012, before considering the effects on U.S. dollar derivative contracts and other dollar denominated assets and liabilities, as set forth below:

	Notional amount/ Quantity	Estimated Fair value Asset (Liability)	Foreign Exchange Gain/ Loss – 10% FX rate Increase
	(in thousands of reais)		
U.S. dollar financial instruments outstanding at December 31, 2012:			
Raízen			
Denominated debt.....	3,679,600	3,679,600	367,960
Denominated receivables.....	(207,561)	(207,561)	(20,756)
Denominated derivative financial instruments (net).....	895,678	12,807	(69,143)
- Future sale commitments.....	2,246,071	5,962	(217,773)
- Future purchase commitments.....	(1,920,356)	(6,337)	185,275
- Forward sale commitments	419,170	10,467	(30,392)
- Exchange lock sale commitments	150,793	2,715	(6,253)
Net potential impact.....	4,367,717	3,484,846	278,061
Eliminate 50%	(2,183,859)	(1,742,423)	(139,030)
Net Potential impact — Raízen.....	2,183,859	1,742,423	139,030
Other Cosan			
Denominated debt.....	2,064,037	2,064,037	206,404
Denominated receivables.....	(76,155)	(76,155)	(7,615)
Denominated derivative financial instruments (net).....	(1,264,489)	(168,755)	34,484
- Swap.....	(997,074)	(160,443)	32,786
- Exchange lock commitments.....	(267,415)	(8,312)	1,698
Net potential impact Other Cosan.....	723,394	1,819,128	233,272
Consolidated net potential impact.....	2,907,252	3,561,551	372,303

BUSINESS

Overview

We are an integrated energy and infrastructure company and, when considered together with the Joint Venture, a Brazilian market leader in fuel distribution, sugar and ethanol production, natural gas distribution and logistics. Our main operations include: (1) the distribution of fuels in the Brazilian market through Raízen Combustíveis, our downstream Joint Venture company; (2) the production and sale of sugar and ethanol and the cogeneration of electricity from sugarcane bagasse through Raízen Energia, our upstream Joint Venture company; (3) piped natural gas distribution in the state of São Paulo through our recently acquired subsidiary Comgás; (4) the manufacturing and distribution of lubricants under the Mobil licensed trademark in Brazil, Bolivia, Uruguay and Paraguay, and in the European and Asian market under the Comma brand; (5) providing logistics services for the transportation of sugar, including truck and rail transportation, as well as port loading services through our subsidiary Rumo; and (6) the purchase, leasing and sale of agricultural land through our subsidiary Radar.

Key Financial Data

Below we present certain of our key financial data for each of the main businesses we operate (including the businesses forming part of the Joint Venture with Shell), individually and on an unaudited consolidated *pro forma* basis, giving effect to the acquisition of Comgás on November 5, 2012, as if such acquisition had taken place on April 1, 2012, for the nine months ended December 31, 2012. See “Unaudited *Pro Forma* Condensed Consolidated Financial Information” elsewhere in this offering memorandum for more information regarding how the *pro forma* information below was calculated and other relevant considerations.

	Nine Months Ended December 31, 2012						
	Raízen Combustíveis	Raízen Energia	Comgás (Pro forma)	Rumo	Radar	Other businesses	Consolidated (Pro forma) (1)
	Fuel Distribution	Sugar, Ethanol & Cogeneration	Natural Gas Distribution	Logistics Operations	Land development	Lubricants & Other	
Net sales	32,585.1	6,117.9	3,812.4	544.4	36.5	1,064.9	24,416.1
Gross profit	1,737.7	1,326.9	1,013.7	219.0	34.7	272.1	3,071.9
Adjusted EBITDA (2)	1,235.6	1,997.9	704.7	227.6	115.2	42.8	2,707.2
Adjusted EBITDA margin (3)	3.8%	32.7%	18.5%	41.8%	—	4.0%	11.1%

- (1) Includes adjustments and eliminations, including the elimination of 50% of Raízen.
- (2) We define adjusted EBITDA as our consolidated net sales, minus our consolidated cost of sales and services, minus our consolidated general and administrative expenses and selling expenses minus/plus other income, net plus any depreciation or amortization included in any of the foregoing expenses. For more information regarding adjusted EBITDA, see “Summary Financial and Other Information.”
- (3) Adjusted EBITDA margin is adjusted EBITDA divided by net sales, expressed as a percentage.

Our Operations

Joint Venture

On June 1, 2011, we formed our Joint Venture with Shell, one of the world’s largest oil and gas companies by market capitalization. We combined our sugar, ethanol and energy cogeneration businesses, and our fuel distribution business. We also joined our interests in certain ethanol logistics facilities at the Port of Santos with Shell’s Brazilian fuel distribution business, its Brazilian aviation fuel business and its interest in Codexis, Inc. and Iogen Corp., which are involved in, among other things, the research and development of enzymes and the conversion of biomass into ethanol. In addition, Shell made a cash contribution of approximately R\$1.8 billion to the Joint Venture, which further strengthened our financial profile.

We did not contribute to the Joint Venture our lubricants manufacturing and marketing business, sugar logistics business, land prospecting and development business, our former sugar refining and retail brands and our right to conduct our own sugar trading business globally. Shell and its affiliates did not contribute to the Joint Venture their Brazilian oil and carbon-based exploration and production business, chemicals business, gas and power business,

lubricants manufacturing and marketing business, trading business or the “Shell” brand (which has been licensed to the Joint Venture for use in its downstream business for ten years, including for retail use in Brazil).

Fuel Distribution (Raízen Combustíveis)

Through Raízen Combustíveis, we are Brazil’s third largest fuel distributor by volume, engaged in sourcing, storing, blending and distributing fuels such as gasoline, ethanol, diesel, fuel oil, and others, to industrial and wholesale clients through our retail network of approximately 4,700 Shell-branded stations, 54 airports, 750 convenience stores and 62 distribution terminals. In the twelve months ended December 31, 2012, we had an estimated 23.4% market share in Brazil in terms of volume of fuel sold, according to Sindicom.

Raízen Combustíveis recorded sales of fuels of R\$32.6 billion in the nine months ended December 31, 2012, R\$35.1 billion in the fiscal year ended March 31, 2012 and R\$11.0 billion in the fiscal year ended March 31, 2011.

Fuel Distribution Highlights	For the Nine months Ended December 31,	For Fiscal Year Ended March 31,	
	2012	2012	2011
Service stations (eop).....	4,700	4,600	1,710
Fuel sold (million liters)	16,656.3	18,526.3	6,076.9
Net sales (R\$ million) (1)	32,585.1	35,096.1	10,966.2

(1) Represents 100% of Raízen Combustíveis’ net sales, which is proportionally consolidated at 50% in our consolidated financial statements.

Our retail station network is strategically concentrated in urban areas with high population density, enabling us to have a high throughput per station, particularly in the South and Southeast regions of Brazil, where our fuel sales represented a 23.4% market share in the twelve months ended December 31, 2012, according to Sindicom. The South and Southeast regions are the largest markets for fuel distribution in Brazil, accounting for 17% and 51% in the nine months ended December 31, 2011, respectively, of the Brazilian fuel market in terms of volume sold, according to Sindicom. In the nine months ended December 31, 2012, we sold a total of 16.7 billion liters through our retail network, with a volume mix of 34% gasoline, 44% diesel, 9% ethanol and 13% other fuels.

Sugar, Ethanol and Cogeneration (Raízen Energia)

Through Raízen Energia, we are the world’s largest producer of sugar and ethanol from sugarcane, having sold 3.0 million tons of sugar in the nine months ended December 31, 2012, 4.0 million tons in the fiscal year ended March 31, 2012 and 4.3 million tons in the fiscal year ended March 31, 2011. Also, through Raízen Energia, we are the world’s largest exporter of sugar, having exported 2.3, 2.4 and 3.1 million tons in the same periods, respectively. We are also the largest ethanol producer in Brazil and one of the largest exporters in the world, having sold 1.6 billion liters in the nine months ended December 31, 2012, 2.2 billion liters in the fiscal year ended March 31, 2012 and 2.2 billion liters in the fiscal year ended March 31, 2011, and exported 0.9 billion liters, 0.2 billion liters and 0.6 billion liters in the same periods, respectively.

Raízen Energia is the world’s largest producer of energy from sugarcane. We currently have an installed energy capacity of 900 MW from our 24 plants, 13 of which delivered energy to the Brazilian energy grid in the nine months ended December 31, 2012. Furthermore, our cogeneration business generates a stable cash flow stream across commodity cycles, which helps offset the volatility of our sugar and ethanol cash flows and operations.

Sugar, Ethanol and Cogeneration Highlights	For the Nine months Ended December 31,	For Fiscal Year Ended March 31,	
	2012	2012	2011
Crushed sugarcane (million tons)	56.2	52.9	54.2
Sugar volume sold (thousand tons).....	3,037.1	3,987.5	4,290.9
Ethanol volume sold (billion liters)	1,570.1	2,215.5	2,247.3
Cogeneration volume sold (GWh).....	2,981.1	1,254.0	605.9
Sugar, ethanol and cogeneration, net sales (R\$ million) (1)	6,117.9	7,247.7	6,389.2

(1) Represents 100% of Raízen Energia’s net sales, which is proportionally consolidated at 50% in our consolidated financial statements.

Our production is based on sugarcane, the most competitive and viable feedstock for sugar and ethanol because of its low production cost and high energy efficiency ratio relative to other energy sources, such as corn and sugar beet. We are the world's largest grower and processor of sugarcane, having crushed 56.2 million tons of sugarcane in the nine months ended December 31, 2012, approximately 50% of which was sourced from third-party suppliers.

As of December 31, 2012, we operated 24 mills, four sugar refineries, a port facility and numerous warehouses related to our sugar, ethanol and cogeneration operations. All of these facilities are located in the central-south region of Brazil, which is one of the world's most productive sugarcane regions primarily because of its favorable soil, topography and climate, nearby research and development organizations and infrastructure facilities. We have experienced significant growth in our sugar and ethanol operations both organically and through acquisitions, having expanded our sugarcane crushing capacity by approximately 162.1% from approximately 24.8 million tons in 2004 to approximately 65.0 million tons in 2012.

Natural Gas Distribution (Comgás)

On November 5, 2012, we acquired 60.1% of the share capital of Comgás for R\$3.4 billion. Comgás is the largest distributor of piped natural gas in Brazil, with a network reaching over nine thousand kilometers and delivering natural gas to more than one million residential, commercial and industrial consumers in over 70 cities. The Comgás concession area covers approximately 27% of Brazil's gross domestic product, including 177 municipalities in the metropolitan regions of São Paulo, Campinas and Santos as well as the Paraíba Valley. With our acquisition of Comgás, we intend to strategically complement our business, while continuing to add value and reduce risk to our shareholders by generating a potentially more predictable cash flow. With our acquisition of Comgás, we expect to expand our range of products and services provided.

Comgás' customer base is strategically located around the metropolitan area of the city of São Paulo as well as the coastal cities including and surrounding Santos, allowing for easy transportation of natural gas to its end consumers from the *Bacia de Santos* where most of the distributed natural gas is extracted. In 2012, Comgás distributed 5.3 billion cubic meters of natural gas and its customer base surpassed 1 million customers. For further information regarding the acquisition of Comgás, see "—Recent Developments—Acquisition of Comgás."

Comgás complies with industry standards set forth by ARSESP, which is the regulatory body in charge of natural gas distribution concessions in the state of São Paulo, including the São Paulo and Campinas metropolitan areas and in Santos and the Paraíba Valley, where Comgás operates. The concession agreement for distribution in these areas has been in effect since Comgás was privatized in 1999 and will remain in effect for a term of 30 years with, subject to the fulfillment of certain conditions, an optional 20-year renewal.

Following the acquisition, we became the largest natural gas distributor in the country, with an approximate 25% market share in Brazil in terms of volume of gas sold in 2012, according to the ABEGAS. We believe the prospects for future availability of natural gas in Brazil are positive based on expected exploration of carbon deposits discovered in the pre-salt layer offshore of Brazil.

Comgás Highlights

	For Fiscal Year Ended December 31,		
	2012	2011	2010
Natural gas sold/distributed (cubic meters)	5,258,631	4,834,746	4,909,460
Net sales (R\$ million).....	5,279.5	4,102.6	4,095.6

Lubricants and Specialties (CLE)

In 2008, we acquired ExxonMobil's assets in Brazil and began operating in the lubricants and specialties market under the Mobil brand. By the end of fiscal year ended March 31, 2012, we held a 15.2% market share and were the second largest player in the Brazilian lubricant market. On October 13, 2011, we acquired from ExxonMobil Lubricants Trading Company its lubricants distribution and sale assets in Bolivia, Paraguay and Uruguay, becoming the exclusive distributor of Mobil's products in those countries. The assets were transferred to CLE on November 14, 2011.

In the nine months ended December 31, 2012, we sold a total of 214 million liters of lubricants and base oils. In the fiscal years ended March 31, 2012 and 2011, our lubricant operations sold a total of 216.7 million liters and 166.4 million liters of lubricants and base oils, respectively. We sell passenger vehicle lubricants, commercial vehicle lubricants and industrial lubricants under the Mobil brand, among others, which is licensed to us until 2018 by ExxonMobil. We sell our lubricant products through distributors directly to large- and medium-sized industrial customers. We capture significant synergies by selling through our distributors' network to the Brazilian retail service station network, to industrial and wholesale customer accounts and to car and motorcycle dealerships.

Our lubricant operations in Brazil consist of a wholly-owned lubricants oil blending plant, located in Ilha do Governador, in the state of Rio de Janeiro, with production capacity of 1.4 million barrels of lubricants per year, as well as special application products like grease and cutting fluids. We also have a pier facility at our lubricants oil blending plant in Rio de Janeiro that allows us to import base stocks. In addition to finished lubricants, we also sell base oils, which is one of the raw materials used in the blend of finished lubricants. The base oils we sell are imported from ExxonMobil Corporation (Groups I and II base oils) and S-Oil Corporation (Group III base oils).

In July 2012, we acquired Comma, from Esso Petroleum Company, Limited. Comma, which is located in Kent, England, manufactures lubricants as well as seasonal and car care products in the United Kingdom and other export markets in 40 countries in Europe and Asia, primarily under the Comma brand. The acquisition of Comma by us includes: (1) finished lubricant and chemical manufacturing and sales to third parties; (2) all assets located at Comma's Gravesend site in Kent, England; and (3) ownership of the Comma trademarks and brands. Additionally, agreements allow Comma to distribute select Mobil-brand lubricants into specific UK channels and manufacture and supply ExxonMobil companies with a range of seasonal and ancillary automotive products.

Lubricants and Specialties Highlights:	For the Nine Months Ended December 31,	For Fiscal Year Ended March 31,	
	2012	2012	2011
Volume of lubricants sold (thousand liters).....	214.0	216.7	166.4
Net sales (R\$ million).....	1,064.9	1,018.8	829.0

Logistics Operations (Rumo)

Our sugar logistics operations are operated through Rumo, which we believe offers an integrated and cost-competitive logistics solution to Raízen Energia and to other sugar producers located in the central-south region of Brazil by transporting sugar from the mill by truck and rail to be loaded and stored in our bulk port facility. Rumo also offers sugar warehousing services in the interior of the state of São Paulo, operating six transshipment terminals.

Logistics Operations Highlights:	For the Nine Months Ended December 31,	For Fiscal Year Ended March 31,	
	2012	2012	2011
Port elevation volume (thousand tons)	6,437.6	7,759.0	7,481.0
Net sales (R\$ million).....	544.4	572.0	448.0

Rumo is also the owner of a bulk port facility at the Port of Santos, which, on a combined basis, is the largest bulk port terminal in the world, with a current annual combined loading capacity of 14 million tons, having loaded 6.4 million tons in the nine months ended December 31, 2012, 7.8 million tons in the fiscal year ended March 31, 2012 and 7.5 million tons in the fiscal year ended March 31, 2011. We are currently investing in this port terminal to add an additional wharf to increase its capacity from the present capacity of 14 million tons to 18 million tons by 2015. After this expansion, we expect this port terminal will have the capacity to support 70% of the volume exported by the sugar producers located in the central-south region of Brazil.

In order to support its transit operations, on March 9, 2009, Rumo signed a long-term agreement with ALL, to provide for the transportation of raw sugar and other solid sugarcane derivatives and the expansion of ALL's rail transport capacity through an investment by Rumo of up to R\$1.3 billion in a rail transportation system to be operated by ALL, including rolling stock and permanent ways, modern locomotives and hopper railcars and transshipment warehouses. In return, ALL agreed to provide transport services, guaranteeing to Rumo (1) a minimum availability of transportation capacity per month during the sugar season starting in the fourth year, (2) competitive

tariffs to sugar producers compared to truck transportation alternatives available to them, (3) project management in connection with the planned investments, and (4) payment of a tariff per ton of sugar transported for the investments undertaken by Rumo, limited to an agreed maximum.

To finance these capital expenditures, Rumo contracted for R\$986 million of long-term credit facilities from BNDES. In addition, on September 2, 2010, Rumo closed a private placement in which it raised R\$400.0 million in primary proceeds from Gávea Investimentos and TPG Capital in exchange for an aggregate 25.0% interest of the then issued and outstanding shares of Rumo. This equity capitalization, together with the financing contracted with BNDES, were sufficient to meet Rumo's investment plan.

In addition, in February 2012, we entered into a share purchase agreement with Riccardo Arduini, Julia Dora Koranyi Arduini and GMI – Global Market Investments L.P. to acquire their interest in ALL. Under the terms of the agreement, we would acquire 38,980,117 shares of ALL (representing 5.7% of its total issued share capital), from which 34,000,000 (49.0% of the relevant shares) are part of a shareholders agreement by and between the selling shareholders and other shareholders. The total price for the acquisition is R\$896.5 million, adjusted by IPCA inflation index. The parties are currently pursuing the satisfaction of the aforementioned conditions precedent which include, among others, (1) approval from the other parties to the shareholders agreement, (2) other certain customary closing conditions; and (3) approval from the regulatory regime of CADE. As of the date of this offering memorandum, the transaction has not closed and further negotiations are also still ongoing.

Agricultural Land Development (Radar)

Our agricultural land development operations are run through our strategic investment in Radar, a company focused on maximizing gains from agricultural real estate assets by leveraging our unique market intelligence to acquire rural properties with high expected appreciation potential for subsequent leasing or resale. Radar's current land portfolio consists of 107 thousand hectares (264 thousand acres) appraised by third-party independent appraisers to be worth R\$2.4 billion. Since its founding in 2008, Radar has invested R\$1.4 billion in land, which has been leased for sugarcane, soybean, corn and cotton farming. Radar currently has approximately 60% of its lands located in the state of São Paulo and the remaining 40% in the states of Goiás, Mato Grosso, Mato Grosso do Sul, Maranhão, Bahia and Piauí. Radar recorded R\$36.5 million in lease revenues in the nine month period ended December 31, 2012.

We currently hold a 37.7% interest in Radar, and we are entitled to subscribe to additional common shares in an amount of up to 20% of the shares we hold in Radar immediately before the exercise (subtracted of shares issued as a result of stock options granted by Radar). The subscription option is exercisable upon the occurrence of certain conditions and the option may be entirely or partially exercised by us, on a single occasion, until September 9, 2018. If executed, we would hold a total 48.3% of Radar's shares.

Competitive Strengths

We believe that, as a low-cost, large-scale producer with well-established integrated operations in the energy and infrastructure industries, we can capitalize on favorable trends, particularly in light of the following competitive strengths:

Integrated platform extracting synergies across the sugarcane value chain

We have a fully integrated platform from sugarcane plantation to sugar logistics and fuel distribution. We are engaged in both the agricultural and industrial aspects of sugar and ethanol production. We lease rural properties upon which we cultivate and harvest sugarcane, and we also purchase sugarcane from third parties with whom we have long-term supply contracts. Once harvested, we crush and refine the sugarcane in our mills to produce sugar and ethanol, and we generate electricity through cogeneration from sugarcane bagasse. We export and distribute our sugar and ethanol through our affiliates Rumo and Raízen Combustíveis, respectively, among others. We generate significant synergies from this integration:

- **Fuel distribution:** our fuel distribution terminals are strategically located near our mills, allowing us to significantly optimize our logistics network by using our mills as distribution terminals and vice versa. Additionally, as a fuel distributor we are able to (1) benefit from a more stable cash flow stream to help offset fluctuations in sugar and ethanol prices, and (2) capture potential margin gains from declines in

ethanol prices during harvest periods, as ethanol price changes tend to be passed on to consumers gradually. Finally, our pier facility at the Port of Santos allows us to benefit from favorable market opportunities to import diesel and arbitrage raw material prices;

- *Sugar, Ethanol and Cogeneration:* as the world's largest grower of sugarcane and the third largest fuel distributor in Brazil, we benefit from our superior visibility on sugar and ethanol price formation, allowing us to better manage our decisions with respect to our sugar versus ethanol production mix and our inventory levels. Additionally, all of our mills are electric energy self-sufficient, reducing our dependence and exposure to energy prices and providing us an additional stream of generally stable cash flows;
- *Logistics Operations:* through Rumo, we service the logistical needs of sugar exporters in the central-south region of Brazil, which allows us to further enhance our market intelligence, maximize port utilization and optimize our logistical, distribution and storage activities, reducing our storage and transportation costs. Additionally, our sugar logistics business adds a second source of generally more stable cash flows; and
- *Land Development:* through Radar, we leverage our competitive advantage from access to this market intelligence to opportunistically earn revenues and benefit from potential capital appreciation from agricultural real estate.

Diversified portfolio of assets that offer increasingly stable and resilient cash flow streams

We have taken key strategic steps in recent years by vertically integrating our business and diversifying into activities with synergies that generally provide more stable cash flow streams as compared to sales of sugar and ethanol. In the nine months ended December 31, 2012, our generally less cyclical businesses (fuel distribution and natural gas distribution, lubricants, sugar logistics and energy cogeneration) collectively contributed approximately R\$1.6 billion in adjusted EBITDA or 70% of our consolidated *pro forma* adjusted EBITDA for the period, before intercompany eliminations and adjustments. We expect the contribution of these businesses to our consolidated results and cash flow origination to continue to grow as our investments mature further. We believe this diversification provides us with a unique competitive advantage, providing a generally more stable stream of cash flows when sugar or ethanol prices are depressed.

Leadership in the markets where we operate

We enjoy leading market positions in all of the markets in which we operate, including:

- *Fuel Distribution:* through Raízen Combustíveis, we are Brazil's third largest fuel distributor, with an estimated combined 23.4% market share in terms of combined volume sold by the operations contributed to the Joint Venture by Cosan and Shell in the twelve months ended December 31, 2012, according to Sindicom. For further information regarding the Joint Venture, see "— Joint Venture."
- *Sugar, Ethanol and Cogeneration:* through Raízen Energia, we are the largest grower and processor of sugarcane in the world, having crushed 56.2 million tons in the nine months ended December 31, 2012, approximately twice the volume crushed by our closest competitor. Through Raízen Energia, we are the largest sugar producer in Brazil and the third largest sugar producer in the world, having sold 3.0 million tons of sugar in the nine months ended December 31, 2012, and the largest exporter of sugar in the world, having exported 2.3 million tons in the same period. Also through Raízen Energia, with respect to ethanol, we are the largest producer in Brazil and one of the largest in the world, having sold 1,570.1 million liters of ethanol in the nine months ended December 31, 2012, and the largest exporter in the world, having exported 865.3 million liters of ethanol in the same period. Through Raízen Energia, we are also the world's largest producer of energy from sugarcane bagasse. As of December 31, 2012 we had a total installed energy capacity of 900 MW;
- *Natural Gas Distribution:* following our acquisition of Comgás, we supply natural gas to more than one million residences, businesses, vehicles and thermal electric plants operating in a concession area covering 177 municipalities in Brazil, with an aim to implement our expansion plan pursuant to which we hope to connect over 100,000 new consumers per year. For further information regarding our acquisition of Comgás, see "—Acquisition of Comgás;"

- *Lubricants*: we are the second largest lubricants manufacturer in Brazil by volume as of December 31, 2012, selling under the Mobil brand, among others, which is licensed to CLE until 2018 by ExxonMobil. CLE also distributes and sells Mobil brand products manufactured in Brazil and sold in Brazil, Bolivia, Paraguay and Uruguay. In July 2012, we acquired Comma, which produces and distributes lubricants in 40 countries throughout Europe and Asia;
- *Logistics Operations*: we own a bulk port facility at the Port of Santos, which on a combined basis constitutes the largest bulk port terminal in the world, with a current annual combined loading capacity of 14 million tons. Furthermore, Rumo has recently undertaken one of the largest capital expenditure projects in rail network expansion in Brazil, which enabled Rumo to become the world's largest sugar logistics company; and
- *Land Development*: we are one of the largest private landowners in Brazil, with a portfolio of approximately 107 thousand hectares (approximately 264 thousand acres) appraised by third-party independent appraisers to be worth R\$2.4 billion as of December 31, 2012.

Disciplined risk management, proven access to capital, and strong overall financial profile

Sugar prices, ethanol prices and fluctuations in exchange rates are the main market risks within our sugar and ethanol business. As such, we operate under strict risk management policies, which include a senior risk committee that meets on a weekly basis to discuss and monitor sugar prices, exchange rate exposures, our hedging positions, margin calls (cash at risk), counterparty risk and stress scenarios.

Additionally, we believe that we were one of the first sugar and ethanol producers in Brazil to have accessed the international debt capital markets, which we first did in 2004, and have since raised an aggregate principal amount of U.S.\$1.9 billion in debt capital, through six international debt offerings. Since 2004, we have also raised approximately U.S.\$2.0 billion in equity through the initial public offerings of Cosan S.A., our parent company Cosan Limited, a private placement of Cosan Limited shares, a private placement of Radar shares and a private placement of Rumo shares. We have also developed a long-term business relationship with BNDES, Brazil's national development bank, with whom we had total outstanding loans of R\$1,957.4 million as of December 31, 2012.

The result of subtracting the sum of our cash and cash equivalents, marketable securities and CTNs, from our current and non-current debt amounted to R\$9.0 billion as of December 31, 2012, or 2.6 times our *pro forma* adjusted EBITDA for the last twelve months ended December 31, 2012.

Strong strategic business relationships

We have developed important strategic relationships over the years, including with Sucden (one of the two largest sugar trading companies in the world). We have also developed strong business relationships with ExxonMobil, from which CLE licenses the Mobil brand for lubricants until 2018, and with some of our leading customers, such as Petrobras Distribuidora S.A. in the ethanol business and Sucden, Tate & Lyle International and Coimex Trading Ltd. in the sugar business. In addition, Cosan entered into a definitive agreement with Shell for the proposed creation of the Joint Venture. The transaction closed on June 1, 2011. For more information regarding the Joint Venture, see “—Joint Venture.”

Strategically located assets with significant geographic overlap

Our existing mills, port terminal, warehouses, fuel distribution facilities and rail network are strategically located in the central-south region of Brazil. Our operations also are in close proximity to our customers, sugarcane fields owned by us and growers and other transportation infrastructure:

- *Fuel distribution*: Raízen Combustíveis' distribution assets consist of 62 terminals – certain of which are owned by the Joint Venture, others by joint ventures operated by the Joint Venture, others by joint ventures operated by third-parties and other terminals in which the Joint Venture has throughput arrangements – strategically concentrated in the Southeast and South regions of Brazil near major fuel markets.

- *Sugar, Ethanol and Cogeneration:* of our 24 mills, 22 are located in the state of São Paulo operating in clusters due to their proximity. The state of São Paulo is one of the world's most productive sugarcane regions, primarily because of its favorable soil, topography and climate, nearby research and development organizations and infrastructure facilities. The average distance from the fields where our sugarcane is harvested to our mills is approximately 25 kilometers (approximately 16 miles). The proximity of our milling facilities to the land on which our sugarcane is cultivated reduces our transportation costs and enables us to process the sugarcane within 48 hours of harvesting, thereby maximizing sucrose recovery;
- *Natural Gas Distribution:* We have recently acquired a 60.1% stake in Comgás, pursuant to which we became the largest natural gas distributor in Brazil, reaching over one million consumers in the state of São Paulo, all of which are easily accessible from the *Bacia de Santos*, from where most of our natural gas is extracted;
- *Lubricants:* we own a lubricants oil blending plant in Rio de Janeiro with a total blending annual capacity of 1.4 million barrels of lubricants, including capacity for 48,000 barrels of grease per year and a pier facility at such plant that allows us to import base oils; and
- *Logistics Operations:* Rumo's services follow the geographic footprint of ALL's rail network-9, which is concentrated in the central-south region of Brazil and the state of São Paulo in particular. We believe there are a total of 95 mills within a median radius of less than 160 kilometers from one of our transportation hubs and/or trans-shipment centers, and therefore, these mills are potential clients for our sugar transportation services. Additionally, our bulk port terminal in the city of Santos, which is located an average distance of 600 kilometers (approximately 370 miles) from our mills.

Experienced and professional management team

Our management team has considerable industry experience. In addition, unlike many of our domestic competitors in the sugar and ethanol industries, we have completed the shift from a family-operated business to a company managed by professionals with significant experience in the energy and infrastructure businesses. Our fuel distribution and, separately our lubricants business, are led by management teams with proven track records in the fuel distribution and lubricant markets, who previously worked for many years with the ExxonMobil group. Before the Joint Venture, our fuel distribution and lubricants business management team of 30 executives possessed an average of 20 years of experience in the industry. Following the conclusion of the Joint Venture, key executive officers from Shell's management team responsible for its Brazilian fuel and retail operations have joined the Joint Venture, further strengthening our management team. Furthermore, our logistics business is led by executives with extensive experience, including in the rail industry and the management team responsible for the Comgás operations has a proven track record in the sector. See "—Joint Venture."

Our Strategy

Due to our Joint Venture with Shell and the recent acquisition of Comgás, we are focusing on achieving sustainable and profitable growth, further reducing our operating costs and building on our competitive strengths in order to expand our industry leadership. The principal components of our strategy are:

Fuel distribution (Raízen Combustíveis)

- *Invest selectively in dealer conversion.* Following our Joint Venture, we plan to continue investing in the conversion of non-branded stations to the Shell brand. We expect the majority of our new retail stations to be added in the Southeast region of Brazil, which has higher consumption of gasoline and ethanol and offers the potential for greater synergies with our logistics infrastructure; and
- *Continue to maximize operating efficiencies.* We will continue to focus on improving the efficiency of our operations in the fuel distribution business by focusing on three key areas: (1) exploring synergies among our businesses (2) maximizing the utilization of our retail stations and (3) exploring opportunities with and maximizing our convenience store business. We continuously monitor the profitability and use of each service station in our retail network and eliminate underperforming sites, particularly in regions we consider less strategic;

Sugar, Ethanol and Cogeneration (Raízen Energia)

- *Seek further productivity improvements and cost reductions.* We are enhancing our productivity through investments in the development of new varieties of sugarcane, more efficient agricultural, industrial and logistics processes, expanded satellite monitoring of sugarcane, increased mechanization of harvests, emphasis on employee training programs and improvements in information flows and internal control systems;
- *Strategic participation in the consolidation of the sugar and ethanol sector.* The Brazilian sugar and ethanol sector has been experiencing consolidation in recent years, however it still remains highly fragmented. We closely monitor acquisition opportunities in the sector and will consider selective acquisitions and partnerships that offer the right strategic fit for our operations through the Joint Venture;
- *Explore the cogeneration potential of our mills.* We currently have installed energy capacity of approximately 900 MW per year from 24 plants in 2012, of which approximately 13 mills sold its excess energy to the grid and on the spot market;
- *Participate in the development of second generation technologies for ethanol.* We plan to implement Shell's second generation ethanol technology, which we expect will result in enhanced yields from improved yeast in our ethanol operations. For further information regarding the Joint Venture, see "—Our Joint Venture;"
- *Take advantage of future ethanol export opportunities.* We expect to benefit from a growth of global ethanol exports that should arise from anticipated liberalizations of trade barriers that have traditionally limited our access to some major markets, as well as mandatory blending requirements to use ethanol as an additive to gasoline, through establishing new commercial and distribution partnerships with international industry players to expand and diversify our client base;
- *Focus on environmental and social awareness.* We are committed to acting as an environmentally and socially conscious company. We continue to invest in the mechanization of our harvests, which is not only cost-efficient, but also reduces our emission levels and decreases the burning of sugarcane fields for manual harvesting. We continue to improve and develop new training programs for our employees, as well as programs to reduce workforce accidents. We continuously seek to implement environmental best practices, benchmark technologies and clean operations to sustain our best-in-class results and strengthen our relationships and cooperation with relevant environmental authorities and agencies.

Natural Gas Distribution (Comgás)

- *Maintain leading position in natural gas distribution:* We plan to maintain our leading position in the distribution of natural gas in Brazil and our standards of safety and innovation, which have been successful in the past. One of our main goals is to expand operations particularly in the residential market, where growth over the last three years has enabled Comgás to connect more than 100,000 new customers annually;
- *Expand natural gas penetration:* Comgás works to provide universal access to natural gas in the different areas it serves. We will comply with commitments assumed with the regulatory agency, ARSESP and even surpass them where possible. In 2009, Comgás established a goal to have 5,000 new kilometers of pipeline and to renovate an additional 282 kilometers by 2014. Comgás also has a goal to have 500,000 new customers connected from 2009 through 2014, which is 200,000 above the number stipulated by the relevant regulator; and
- *Maximize opportunities within current concession area:* Comgás develops extensive field research to pick the best opportunities considering distance from the network, population density, socioeconomic profile, and propensity to consume in the cities of its concession area. The study includes perspectives for economic development in these localities and their potential for integrating different market segments. On this basis, we hope to capture all business opportunities (industrial, compressed natural gas, commercial and residential) in the each region.

Lubricants and Specialties (CLE)

- *Focus on higher margin products.* We aim to focus on premium products, such as synthetic lubricants. We plan to continue improving our product mix and margins by increasing our focus on premium high margin products. We plan to continue investing in marketing, training our employees and exclusive distributors, developing new innovative products and delivering superior services. For further information regarding our strategies in Europe and Asia, see “—Overview—Lubricants and Specialties.”

Logistics (Rumo)

- *Invest in our railroad operations.* We have already invested approximately R\$1.0 billion (out of our R\$1.3 billion commitment) in rolling stock, permanent ways and trans-shipment warehouses. We plan to use rail to transport the majority of the sugar produced in the central-south region of Brazil to our facility at the Port of Santos, which we expect will significantly decrease our transportation costs;
- *Integrate our port terminal.* We have integrated our port facility at the Port of Santos, creating the world’s largest bulk port terminal. After this integration and completion of the construction of a wharf covering the terminal, we expect our total annual loading capacity to increase from 14 million tons to 18 million tons; and
- *Monitor opportunities from future concessions.* We seek opportunities under the new regulatory framework such as user rights, right of way and transport targets, which are being established by the new rail regulatory model, recently announced by the Brazilian government.

Organizational Structure



(1) Total economic interest.

(2) Indirect controlling interest.

A list of our subsidiaries is described in our audited consolidated financial statements for fiscal years ended March 31, 2012, 2011 and 2010 included elsewhere in this offering memorandum.

The Joint Venture consists of three separate legal entities:

- *Raízen Energia:* a sugar and ethanol company, which, among other things, conducts the production of sugar and ethanol, as well as all cogeneration activities. Cosan and its subsidiaries and Shell and its affiliates each own 50% common equity interest in this entity. In addition, Cosan and its subsidiaries own 50% plus one of the voting shares (and preferred shares bearing preferential dividend rights in certain circumstances), whereas Shell and its affiliates own 49% of this entity’s voting shares.
- *Raízen Combustíveis:* a downstream company, which conducts the supply, distribution and sale of fuels in Brazil. The resulting company has a dealer network of approximately 4,700 fuel stations throughout Brazil. Cosan and its subsidiaries and Shell and its affiliates likewise each own 50% common equity interest in this entity. In this entity, however, Cosan and its subsidiaries own 50% minus one of the voting shares, whereas Shell and its affiliates own 50% plus one of the voting shares. Cosan and its subsidiaries and Shell and its affiliates also hold preferred shares bearing preferential dividend rights in certain circumstances if certain contingent targets are met.

- *Raízen S.A.*: a management company, which is the Joint Venture's face to the market and facilitates the building of a unified corporate culture. Cosan and its subsidiaries and Shell and its affiliates each own 50% of the equity and voting interests in this company.

History and Recent Developments

The issuer is a public limited liability company incorporated under the laws of Luxembourg on February 28, 2013 for an indefinite term. Cosan Luxembourg S.A. is registered with the Luxembourg Register of Commerce and Companies. Its registered office is located at 13-15 Avenue de la Liberté, L-1391, Luxembourg. Our principal executive office is located at Av. Presidente Juscelino Kubitschek, 1,327 – 4th floor, São Paulo – SP, 04543-011, Brazil and our general telephone and fax numbers are 55 11 3897-9797 and 55 11 3897-9799, respectively.

Our history dates back to 1936 when the Costa Pinto mill was established by the Ometto family in the city of Piracicaba in the state of São Paulo, with annual sugarcane crushing capacity of 4.0 million tonnes. As of the mid 1980s, we began to expand our operations through the acquisition of various milling facilities in the state of São Paulo.

In 2004, Cosan S.A. conducted its first issuance of bonds in the international capital markets, raising U.S.\$200 million in 5-year bonds, which matured in 2009. In the following year, it made the first public offering of shares by a producer of sugar and ethanol on the São Paulo Stock Exchange (BM&FBOVESPA).

In 2007, the Class A common shares of our parent company, Cosan Limited, were listed on the New York Stock Exchange (NYSE).

In 2008, Cosan S.A. began operating as a fuel distributor and lubricants producer following its acquisition of Esso Brasileira de Petróleo Ltda. or “Essobras,” which were Exxon Mobil’s assets in Brazil. Essobras was a distributor and seller of fuels and producer and seller of lubricants and specialty petroleum products of ExxonMobil in Brazil.

In 2008, Cosan S.A. also announced the creation of an affiliate named Radar Propriedades Agrícolas S.A., or Radar, which principally makes real estate investments in Brazil identifying and acquiring rural properties with high appreciation potential for subsequent leasing and/or sale.

In 2009, Cosan S.A. acquired Nova América S.A. Agroenergia, or Nova América. Nova América was a producer of sugar, ethanol and energy co-generation which also operated in trading and logistics, and also controlled a port terminal in Santos called Teaçú. The acquisition of Nova América’s assets included the “União” brand, which renamed Cosan Alimentos.

Also in 2009, Cosan S.A. integrated its existing port terminal called Cosan Operadora Portuária with Teaçú Port Terminal, initiating our logistics business through Rumo.

In 2011, Cosan S.A. and Shell established our Joint Venture, Raízen, to produce sugar and ethanol and to distribute fuel. See “—Organizational Structure,” for further information on the Joint Venture.

In February 2012, Cosan S.A. entered into an agreement with GMI – Global Market Investments L.P. and other individual sellers to acquire 5.7% of the outstanding shares in ALL – América Latina Logística S.A., or ALL subject to (i) obtaining approval from the other parties to the shareholders agreement, (ii) other certain customary closing conditions and (iii) regulatory regime of the Brazilian antitrust regulator, or CADE.

In March 2012, Cosan S.A. entered into an agreement to acquire Comma Oil & Chemicals Limited, or Comma, a wholly-owned subsidiary of Esso Petroleum Company, Limited to enter into the European lubricants & specialties market. Comma is located in England and manufactures and supplies lubricants, seasonal and car care products to the United Kingdom and other export markets in Europe and Asia, primarily under the Comma brand. The acquisition of Comma by Cosan includes finished lubricants and chemicals manufacturing and sales to third parties; all assets located at Comma’s Gravesend site in Kent, England; and ownership of the Comma trademarks and brands. In addition, agreements will be in place to allow Comma to continue to distribute select Mobil-branded lubricants through certain United Kingdom channels and to continue to manufacture and supply ExxonMobil companies with a range of seasonal and ancillary automotive products. The transaction was concluded on July 1, 2012.

On October 24, 2012, we and our subsidiary Handson Participações S.A., or Handson entered into purchase and sale agreement with Camil Alimentos S.A., or Camil, for the sale of our subsidiary Docelar Alimentos e Bebidas S.A., or Cosan Alimentos, to Camil, for R\$463.8 million. As consideration for this amount, at the closing of the transaction Camil assumed indebtedness of R\$170.0 million and paid cash of R\$88.7 million. The remaining R\$205.0 million will be settled in four payments. The sale was approved by the Brazilian antitrust authority (CADE) on July 19, 2012. The outstanding payments are secured by a trust receipt on our behalf of 28,246,685 shares of Camil, corresponding to 25% of its capital stock. In addition, pursuant to the agreement, we and our affiliates cannot compete with Camil or Docelar during five years from the date of the agreement.

On November 5, 2012, we concluded the acquisition of 60.1% of the share capital of Comgás. As a result of this acquisition, we entered into a shareholders' agreement with the other principal shareholders of Comgás, Integral Investments B.V. and Shell Brazil Holding BV, subsidiaries of Shell Gas BV of the Shell Group. Shell Brazil Holding BV, whose direct and indirect interest in Comgás, corresponds to 18.2% of its share capital, has been granted an option to convert its current stake of 21,805,645 Comgás common shares into 30,917,231 of Cosan S.A. shares. The exercise of this option may occur during a period of approximately 30 days at the third, fourth or fifth year from the closing date.

Business Overview

We focus on energy and infrastructure. Over the years, we have acquired new skills and expanded our product portfolio. Today, we prospect land, grow and process sugarcane, distribute fuels and natural gas, transport and sell sugar on the domestic and international markets and manufacture and sell lubricants.

Following the acquisition of Comgás and the divestiture of Cosan Alimentos, Cosan has six operating segments, as reflected below:

- (i) Raízen Combustíveis: distribution and marketing of fuels and lubricants, mainly through a franchised network of service stations under the "Shell" brand throughout Brazil.
- (ii) Raízen Energia: production and marketing of a variety of products derived from sugar cane, including raw sugar (VHP), anhydrous and hydrated ethanol, and activities related to energy cogeneration from sugarcane bagasse. In addition, this segment includes interests in companies engaged in research and development on new technologies.
- (iii) Comgás: our natural gas distribution company, which has over 9,000 km of pipelines and is responsible for 25% of the natural gas distribution in Brazil in terms of volume of fuel sold in 2012, according to ABEGAS.
- (iv) Lubricants and Specialties: sale and distribution of lubricants and other investments, in addition to our corporate activities.
- (v) Rumo: logistics services for transport, storage and port lifting, mainly of sugar products and sugar by-products.
- (vi) Radar: buying, selling and leasing of agricultural land for sugarcane plants and grains.

Raízen Combustíveis (Fuel Distribution)

Overview

Through Raízen Combustíveis, our downstream Joint Venture company, we are engaged in sourcing, storing, blending and distributing gasoline, ethanol, diesel, fuel oil and aviation fuel through our network of approximately 4,700 Shell-branded retail service stations, 62 distribution terminals and 54 airport terminals supplying aviation fuel. Following the closing of the Joint Venture on June 1, 2011, we are currently among the three largest Brazilian fuel distributors, with approximately 23.4% market share in Brazil in terms of volume of fuel sold in the twelve months ended December 31, 2012, according to Sindicom.

Raízen Combustíveis Highlights	For the Nine Months Ended December 31,	For Fiscal Year Ended March 31,		
	2012(1)	2012(1)	2011	2010
Service stations	4,700	4,600	1,710	1,710
Fuel sold (billion liters)	16.7	18.5	6.1	5.5
Ethanol sales (R\$ million)	1,743.6	2,117.9	814.6	757.0
Gasoline sales (R\$ million)	13,282.0	14,674.4	4,656.9	4,111.0
Diesel sales (R\$ million)	13,380.6	14,051.4	5,325.3	4,338.5
Jet Fuel sales (R\$ million)	3,726.9	3,632.0	—	—
Others (R\$ million)	452.1	603.3	111.5	230.9
Other services (R\$ million)	—	16.9	57.9	69.1
Net sales (R\$ million)	32,585.1	35,096.1	10,966.2	9,506.5

(1) Raízen Combustíveis results are presented prior to being proportionally consolidated into our consolidated financial statements. As from June 1, 2011 we had consolidated 50% of Raízen Combustíveis results.

Currently, Raízen Combustíveis and its competitors purchase all or nearly all oil-derivative fuels from Petrobras under a formal supply contract that establishes the volume and the terms for supply. The contract is renewed periodically and the volume contracted for is based on the volume purchased in the previous year. There have been no significant interruptions in the supply of fuels from Petrobras to the distributors.

Ethanol is sourced from various third party suppliers and from Raízen Energia as well. The prices of ethanol supplied are generally determined by the ESALQ index. The prices of oil-derivative fuels supplied to us by Petrobras generally vary according to international oil prices, however Petrobras often delays passing on variations in market oil prices to its customers, thereby smoothing out some of the volatility of oil price changes experienced in international markets.

All of our fuel distribution operations are in our domestic Brazilian market. Our operations are not subject to significant seasonality; however, the price of hydrous ethanol at the pump is typically more volatile than the prices of gasoline or diesel, as a result of the seasonality of the sugarcane harvest and the limited storage facilities for ethanol in Brazil. This in turn impacts the proportion of our revenue mix that is derived from either gasoline or ethanol throughout the year, as consumers who own flex fuel vehicles switch between the two fuels according to the relative price of each.

As hydrous ethanol is less energy intense than gasoline, consumers will usually only switch to ethanol if the price is significantly lower than gasoline. When hydrous ethanol is retailed at 70% of the price of gasoline, the two fuels are considered to be at price parity with each other. At a level below 70%, the demand for ethanol will significantly increase at the expense of gasoline.

We supply aviation fuel at 54 airports across Brazil, including at the major hubs of Congonhas and Guarulhos airports in São Paulo, and Brasília airport in the Federal District, to Brazilian and foreign airlines.

Regulation

The National Agency of Petroleum, Natural Gas and Biofuels, or ANP, is responsible for the control, supervision and implementation of the government's oil, gas and biofuel policies. The ANP regulates all aspects of the production, distribution and sale of oil products in Brazil, including product quality standards and minimum storage capacities required to be maintained by distributors and is also responsible for establishing the limits of oil-based fuel volume purchased by distributors based on their storage capacity.

Environmental health and safety standards. Fuel distributors are subject to Brazilian federal, state and municipal laws and regulations relating to environmental protection, safety and occupational health and safety licensing by fire departments and transport authorities. The National Environmental Council, or CONAMA, is the principal government body responsible for approving environmental licensing. Environmental state agencies and municipal departments are also responsible for establishing and supervising complementary laws and regulations within their areas of operation.

Fuel distributors must obtain authorizations and/or licenses from federal, state and/or municipal environmental agencies and fire departments to implement and operate their facilities. They are required to develop programs to control air and water pollution and hazardous waste.

Raízen Energia (Sugar, Ethanol and Cogeneration)

Overview

Through Raízen Energia, our upstream Joint Venture company, we produce sugar and ethanol from sugarcane, as well as energy from sugarcane bagasse. As of December 31, 2012, we operated 24 mills with 65 million tonnes of crushing capacity and 900 MW of electricity generation capacity. All of these facilities are located in the central-south region of Brazil, which is one of the world's most productive sugarcane regions primarily because of its favorable soil, topography and climate, nearby research and development organizations and logistics infrastructure facilities.

Raízen Energia Highlights	For the Nine Months Ended December 31,	For Fiscal Year Ended March 31,		
	2012(1)	2012(1)	2011	2010
Crushed sugarcane (million tonnes)	56.2	52.9	54.3	50.3
Sugar volume sold (thousand tonnes)	3,037.1	3,987.5	4,290.9	4,134.6
Ethanol volume sold (million liters)	1,570.5	2,215.5	2,247.3	2,147.5
Energy sold (MWh)	2,981.1	1,491.3	1,254.0	605.9
Net sugar sales (R\$ million)	3,177.3	3,912.8	3,853.4	3,377.8
Domestic market	700.9	1,217.4	1,387.3	1,062.3
Foreign market	2,476.4	2,695.4	2,466.2	2,315.5
Net ethanol sales (R\$ million)	2,190.0	2,871.5	2,203.7	1,747.6
Domestic market	799.4	2,245.1	1,958.9	1,325.9
Foreign market	1,390.6	626.5	244.8	421.8
Net energy cogeneration sales (R\$ million)	556.6	235.1	194.9	93.6
Other products and services (R\$ million)	193.9	228.2	137.1	161.0
Raízen Energia net operating revenue (R\$ million)	6,117.9	7,247.7	6,389.2	5,380.1

(1) Raízen Energia's results are presented prior to being proportionally consolidated into our consolidated financial statements. As from June 1, 2011 we had consolidated 50% of Raízen Energia's results.

Our production is based on sugarcane, the most competitive and viable feedstock for sugar and ethanol because of its low production cost and high energy efficiency ratio relative to other energy sources, such as corn and sugar beet. Sugarcane is our principal raw material. It is a tropical grass that grows best in locations with stable warm temperatures and high humidity, although cold and dry winters are an important factor for the sucrose concentration of sugarcane. The climatic conditions of the central-south region of Brazil are ideal for growing sugarcane.

Raízen Energia's sources sugarcane production is sourced from leased lands, as well as from third-party suppliers. The following table compares the amount of sugarcane grown on owned or leased land with the amount purchased from third parties during the period indicated:

	For the Nine Months Ended December 31,		For Fiscal Year Ended March 31,					
	2012	%	2012	%	2011	%	2010	%
(millions of tonnes, except percentages)								
Sugarcane harvested from owned (only in 2010 and 2011)/leased land	28.3	49.6	26.5	50.1	27.4	50.6	23.4	46.6
Sugarcane purchased from third-parties	27.9	50.4	26.4	49.9	26.8	49.4	26.9	53.4
Total	56.2	100.0	52.9	100.0	54.2	100.0	50.3	100.0

In accordance with the land lease contracts, we pay the lessors a certain fixed number of tonnes of sugarcane per hectare as consideration for the use of the land, and a certain fixed productivity per tonne of sugarcane in terms

of TSR. The overall volume of TSR is obtained by multiplying the number of hectares leased by the committed tonnes of sugarcane per hectare by the TSR per tonne of sugarcane. The price that we pay for each kilogram of TSR is set by CONSECANA (*Conselho dos Produtores de Cana-de-açúcar, Açúcar e Alcool do Estado de São Paulo*). The price that we pay to third-party sugarcane growers is based on the total amount of sugar content in the sugarcane, measured by the amount of sugar recovered and on the prices of ethanol and sugar sold by each mill.

Our mills have the capacity to crush 65 million tonnes of sugarcane per year and in the nine months ended December 31, 2012, we crushed 56.2 million tonnes of sugarcane, or approximately 10.6% of the total sugarcane production in Brazil's central-south region. For further information on our sugarcane mills see "—Property, Plant and Equipment." The mills that are prepared to produce both sugar and ethanol can typically adjust their proportion of output from anywhere between 55% sugar and 45% ethanol to 45% sugar and 55% ethanol. We track the current and future prices of each product relative to the other, as well as forecasts of global output volumes of each product, to decide on the production mix to be set across our mills in order to maximize our sales revenue. All of our mills are energy self-sufficient from burning sugarcane bagasse at very high temperatures in boilers, to heat water that is transformed into steam. Eleven of our mills generate surplus electrical energy that we sell to the Brazilian energy grid.

Raízen Energia is subject to the seasonality of the annual sugarcane harvesting period in the central-south region of Brazil, which begins in April or May and ends in November or December. This creates fluctuations in our inventory, usually peaking in December to cover sales between crop harvest (*i.e.*, January through March), and a degree of seasonality in our gross profit.

We produce and sell a wide variety of standard sugars, including raw sugar (also known as VHP – Very High Polarized sugar), crystal sugar and organic sugar, and refined sugars, including granulated refined white sugar, amorphous refined sugar, refined sucrose liquid sugar and refined inverted liquid sugar.

Standard sugars. VHP sugar, a raw sugar with approximately 99% sucrose content, is similar to the type of sugar traded in major commodities exchanges, including through the standard NY11 contract. The main difference between VHP sugar and the sugar that is typically traded in the major commodities exchanges is the sugar content of VHP sugar and the price premium that VHP sugar commands in comparison to most sugar traded in the commodities exchanges. We export VHP sugar in bulk, to be refined at its final destination. We also sell a small amount of VHP sugar to the Brazilian market. Crystal sugar is a non-refined sugar produced directly from sugarcane juice and sold to industrial companies in Brazil to be used as an ingredient for food products. We also sell a small amount of crystal sugar to the Brazilian retail market and to export markets. Organic sugar is a kind of raw sugar produced from organic sugarcane and is not submitted to any chemical treatments during its manufacturing process. We sell organic sugar in the international and Brazilian markets.

Refined sugars. We refine VHP sugar and crystal sugar into both granulated and amorphous (non-crystallized) sugar. We sell refined sugar in the Brazilian and export retail and industrial markets. Refined sugar is used as an ingredient in processed food products such as milk and chocolate powders, bakery products, powder refreshments, and pharmaceutical syrups.

Liquid sugars. We refine crystal sugar to produce sucrose liquid sugar and inverted liquid sugar, which has a higher percentage of glucose and fructose than sucrose liquid sugar. We sell both types of sugar for industrial use, mainly for the production of soft drinks.

We sell sugar to a wide range of customers in Brazil and in the international markets. Our customers in Brazil include Docelar, which was previously held by us and sold to Camil on October 24, 2012 (for further information regarding the sale of Docelar, see "Summary—Recent Developments"), and food manufacturers, for which we primarily sell refined and liquid sugar. We primarily sell raw sugar in the international markets through international commodities trading firms and Brazilian trading companies. In the nine months ended December 31, 2012 we exported 75.9%, by volume, of the sugar we sold. Rumo Logística handles most of the transportation by rail and logistics of our sugar exports to their sugar loading terminal at the Port of Santos.

Prices for raw sugar are established in accordance with the NY11 futures contracts. Prices for refined sugar are established in accordance with the London# 5 futures contract, traded on the LIFFE. Prices for sugar we sell in Brazil are set in accordance with Brazilian market prices, using an index calculated by the ESALQ.

We produce and sell three different types of ethanol: hydrous ethanol and anhydrous ethanol for fuel and industrial ethanol. The primary type of ethanol consumed in Brazil is hydrous ethanol, which is used as an alternative to gasoline for flex fuel vehicles (as opposed to anhydrous ethanol which is used as an additive to gasoline). As a result, hydrous ethanol represented approximately 35% of our ethanol production in the nine months ended December 31, 2011 and 57% in the nine months ended December 31, 2012. Our sales are mainly to fuel distributors in Brazil, of which the three largest are Petrobras Distribuidora S.A., Raízen Combustíveis S.A. and Cia. Brasileira de Petróleo Ipiranga. We also sell industrial alcohol, which is used in the chemical and pharmaceutical sectors. In the nine months ended December 31, 2012, our largest ethanol customer was Raízen Combustíveis. In the nine months ended December 31, 2012, we exported 55%, by volume, of the ethanol we sold. Our main export customers are trading companies which distribute our products mainly to the United States, Japan and Europe. Our exports are conducted through TEAS, an ethanol loading terminal at the Port of Santos.

Ethanol Production Process

We produce ethanol through a chemical process called yeasting, which is a process of fermenting the sugars contained in both sugarcane juice and molasses. Initially, we process the sugarcane used in ethanol production the same way that we process sugarcane for sugar production. The molasses resulting from this process is mixed with clear juice and then with yeast in tanks, and the by-product resulting from the yeasting process, called “yeasted wine,” has an ethanol content of approximately 7% to 9%. After the yeasting process, which takes approximately 10 hours, the yeasted wine is centrifuged, so that we can separate the yeast from the liquid. We use the separated yeast in the ethanol production process. We then boil the yeasted wine at different temperatures, which causes the ethanol to separate from other liquids. Hydrous ethanol is produced after different distillation stages. In order to produce anhydrous ethanol, hydrous ethanol undergoes a dehydration process. The liquid remaining after these processes is called vinasse, a by-product we use as fertilizer in our sugarcane fields. After the distillation and dehydration processes, we produce hydrous, anhydrous, neutral and industrial ethanol, and store the ethanol in large tanks.

The ethanol production flow can be summarized as follows:

- *Preparation of the juice.* The fermentation is fed with a juice composed of approximately 20% of sugar, which is prepared with juice (from the treatment), molasses (from sugar production) and water. This juice must be cooled to approximately 30°C.
- *Fermentation.* The fermentation of the juice is the result of the action of yeast, which firstly inverts the sucrose to glucose and fructose (monosaccharide), and then converts the monosaccharide into ethanol and carbon dioxide. This reaction occurs in a fermenter, which is fed with juice and yeast.
- *Centrifuging.* After the fermentation, the resulting product is carried to centrifuges that separate the yeast from the beer, a solution of approximately 9%v/v (oGL) of ethanol.
- *Treatment of the yeast.* The yeast that comes from the centrifuges is treated with sulfuric acid and returned to the fermenter tank to be utilized again.
- *Distillation.* The beer is distilled in a sequence of distillation columns, which separate the water from the ethanol. This process occurs basically due to the differences of ethanol's and water's ebullition temperatures. In order to produce hydrous ethanol, two columns are used to achieve the concentration of 94%v/v (oGL) ethanol. From the first column, a slop called vinasse is obtained, which is used as a fertilizer in the sugarcane fields.
- *Dehydration.* In order to produce anhydrous ethanol, two more columns are used to achieve the concentration of 99%v/v (oGL) ethanol. In the first column, the excess of water is separated with the aid of cycle-hexane.

Ethanol Production Capacity and Output

Our current annual ethanol production capacity is approximately 2.6 billion liters. We were the largest producer of ethanol in Brazil in the nine months ended December 31, 2012, producing approximately 1.6 million liters of ethanol, representing 97.4% of the total ethanol production in Brazil's central-south region, according to UNICA.

We are one of the largest exporters of ethanol in the world, having traded R\$771.1 million and having exported 0.9 billion liters in the nine months ended December 31, 2012, and exported 0.2 billion liters in the same period in 2011.

Cogeneration

Raízen Energia, is the world's largest producer of energy from sugarcane bagasse. We currently have an installed energy capacity of 900 MW per year from our 24 mills, of which 13 mills sold its excess energy to the grid and on the spot market. We view our cogeneration business as strategic since it generally allows for a stable cash flow stream across commodity cycles, helping to reduce the volatility of our cash flows and operations.

Energy Cogeneration Highlights:	For the Nine Months Ended December 31,	For Fiscal Year Ended March 31,		
	2012	2012	2011	2010
Energy sold (MWh)	2,981.1	1,491.3	1,254.0	605.9
Net sales (R\$ million)	556.6	235.1	194.9	93.6

Alternative sources of electricity, such as cogeneration from sugarcane bagasse, have become increasingly important within the Brazilian hydro-dependent energy matrix, particularly because the harvest period for sugarcane coincides with generally drier periods for hydraulic energy, when the overall energy supply is, therefore, more constricted. We are self-sufficient for our energy needs. In the nine months ended December 31, 2012 and fiscal years ended March 31, 2012, 2011 and 2010, we sold 2,981 MWh, 1,491 MWh, 1,254 MWh and 605.9 MWh, respectively, of energy to third parties. Our principal customers, besides the energy sold to the Brazilian grid, are utility companies, which together accounted for approximately 22% of our cogeneration sales in the nine months ended December 31, 2012. We sold our remaining excess electric energy through energy auctions.

Regulation

Raízen Energia is subject to various Brazilian federal, state and municipal environmental protection and health and safety laws and regulations governing, among other things, the generation, storage, handling, use, transportation and discharge of hazardous materials into the ground, air and water as well as regulation concerning electricity generation.

Permits. Certain environmental laws require us to obtain from governmental authorities permits, licenses and authorizations to install and operate our mills, to burn sugarcane and to perform other operations.

We are subject to the regulations of the pollution control and remediation agencies of three Brazilian states:

Environmental Company of the state of São Paulo (*Companhia Ambiental do Estado de São Paulo*), or CETESB;

Environmental Agency of the state of Goiás (*Agência Goiana do Meio Ambiente*), or AGMA;

Environmental Institute of the state of Mato Grosso do Sul (*Instituto de Meio Ambiente do Mato Grosso do Sul*), or IMASUL.

Environmental Licensing of Raízen: We operate mills, a port facility and numerous warehouses. All mills have environmental operating licenses. The National Environmental Council (*Conselho Nacional do Meio Ambiente*), or CONAMA, is the principal government body responsible for approving environmental licensing.

Sugarcane Burning: The state of São Paulo and certain municipal governments have established laws and regulations that limit our ability to burn sugarcane or that reduce and/or eliminate the burning of sugarcane entirely. We have voluntarily signed the Agro-Environmental Sugar Cane Protocol, which establishes accelerated deadlines for the reduction of sugarcane burning.

Brazilian Forestry Code: We are subject to the Brazilian Forestry Code, which prohibits land use in certain permanently protected areas, and obligates us to maintain and register a forestry reserve in each of our rural landholdings covering at least 20% of the total area of such land.

Environmental Proceedings: We are party to a number of administrative and judicial proceedings for alleged failure to comply with environmental laws and regulations. Non-compliance with environmental law is subject to administrative, civil and/or criminal sanctions.

Electricity Regulation: The Brazilian power industry is regulated by National Electric Energy Agency – ANEEL, or ANEEL, an independent federal regulatory agency, in accordance with the general guidelines set forth by the Ministry of Mines and Energy, or MME. To perform generation activities, we must obtain authorizations granted by ANEEL or execute concession agreements with the Federal Government through ANEEL. The activities related to generation and commercialization of electricity performed by Raízen Energia are subject to ANEEL’s supervision. Law No. 9,427 dated December 26, 1996, as amended, enacted by the Brazilian Government and supplemented by ANEEL’s regulation, governs the imposition of sanctions against the agents of the electricity sector based on the nature and importance of the breach (including warnings, fines, temporary suspension from the right to participate in bidding procedures for new concessions, licenses or authorizations and forfeiture). For each breach, the fines can be up to 2.0% of the revenue of the concessionaire in the 12-month period preceding any assessment notice or, for independent producers or self-producers (authorized agents), the estimated amount of energy produced in the same period. Some infractions that may result in fines relate to the failure of the agent to request ANEEL’s approval, including the following (pursuant to ANEEL Resolution No. 63/2004, as amended from time to time):

- entering into certain related party transactions;
- sale or assignment of the assets related to services rendered as well as the imposition of any encumbrance (including any security, bond, guarantee, pledge and mortgage) on them or any other assets related to the concession or the revenues of the electricity services;
- changes in controlling interest of the holder of the authorization or concession; and
- non-compliance with the schedule for the beginning of the commercial operation of the power plant, as previously approved by the ANEEL through the relevant contract.

Comgás (Natural Gas Distribution)

Overview

With our acquisition of Comgás, we intend to strategically complement our business, while continuing to add value and reduce risk to our shareholders, by generating a potentially more predictable cash flow. We expect to expand our range of products and services provided. Comgás is Brazil’s largest distributor of piped natural gas, with a network reaching over nine thousand kilometers and delivering natural gas to more than one million residential, commercial and industrial consumers in over 70 cities. The Comgás concession area covers approximately 27% of Brazil’s gross domestic product, including 177 municipalities in the metropolitan regions of São Paulo, Campinas and Santos as well as the Paraíba Valley. See “Summary—Recent Developments—Acquisition of Comgás.”

Following the acquisition, we became the largest natural gas distributors in Brazil, with approximately 25% market share in Brazil in terms of volume of fuel sold in 2012, according to ABEGAS. We believe the prospects for future availability of natural gas in Brazil are positive based on expected exploration of carbon deposits discovered in the pre-salt layer offshore of Brazil.

Comgás Highlights

	For Fiscal Year Ended December 31,		
	2012	2011	2010
Natural gas sold (million cbm)	5,258.6	4,834.7	4,910.0
Net sales (R\$ million).....	5,279.5	4,102.7	4,095.3

Regulation

The National Agency of Petroleum, Natural Gas and Biofuels, or ANP, is responsible for the control, supervision and implementation of the government's oil, gas and biofuel policies. The ANP regulates all aspects of the production, distribution and sale of oil products in Brazil, including product quality standards and minimum storage capacities required to be maintained by distributors and is also responsible for establishing the limits of oil-based fuel volume purchased by distributors based on their storage capacity.

The Ministry of Agriculture, Breeding Cattle and Supply (*Ministério da Agricultura, Pecuária e Abastecimento*) is in charge of registering the biofactories and all ethanol trade companies, as well as gathering all information related to ethanol production and sales through its on-line system SAPCANA.

In addition to the regulation by ANP, Comgás' activities are also supervised and regulated by ARSESP, with which it maintains continuous dialogue through its directorate for Regulatory and Institutional Affairs, in order to enhance or formulate industry policies. In light of the approach shown by regulators in recent years, Comgás does not believe that there will be any sudden changes that may affect its business.

Cosan Lubricants and Specialties

Our lubricants business, CLE, is responsible for the manufacturing and distribution of passenger vehicle lubricants, commercial vehicle lubricants, industrial lubricants and special application products such as greases, cutting oils and car care products under the Mobil and Comma brands in Brazil, Bolivia, Uruguay, Paraguay, and in specific sales channels in the United Kingdom and Asia.

Lubricants Highlights:	For the Nine Months Ended December 31,	For Fiscal Year Ended March 31,		
	2012	2012	2011	2010
Volume of lubricants sold (thousand liters).....	214.0	216.7	166.4	130.8
Lubricants sales (R\$ million).....	928.9	1,018.8	829.0	634.0
Others sales (R\$ million).....	136.0	46.7	—	—
Net sales (R\$ million).....	1,064.9	1,065.5	829.0	634.0

We have a wholly-owned lubricants oil blending plant, located in Rio de Janeiro, with an annual production capacity of 1.7 million barrels of lubricants per year, and a pier facility that allows us to import base stocks. We produce over 600 different lubricants, and purchase more than 400 raw materials, including basic oils and additives.

We sell our lubricants products, mainly through distributors and direct sales to industrial customers, as well as to wholesale customer accounts and car and motorcycle dealerships. We also produce and sell lubricants for partners such as Toyota, John Deere, Caterpillar, Honda and SKF.

We have exclusive distribution rights for Mobil brand products in Bolivia, Paraguay and Uruguay following the purchase of ExxonMobil's lubricant distribution business in these three countries in 2011.

In July 2012, we acquired Comma Oil and Chemicals Limited, which reinforced our strategy to enter into the European lubricants and specialties markets. As a result, we acquired finished lubricants and the manufacture and sale of chemicals to third parties, all of Comma's assets at the Gravesend site in Kent, England, as well as ownership of Comma's trademarks and brand names. In addition, agreements will be in place to allow Comma to continue to distribute select Mobil-brand lubricants into specific sales channels in the UK and to continue to manufacture and distribute a range of seasonal and ancillary automotive products to ExxonMobil.

Our lubricants business is not subject to significant seasonality. However a significant proportion of our raw material purchases are invoiced in U.S. dollars and we hedge part of our shipments of base oils against variations in exchange rates.

Regulation

CLE is subject to substantially the same regulation by the same regulatory bodies that our fuel distribution business, Raízen Combustíveis, is subject to. See “—Raízen Combustíveis (Fuel Distribution).”

Rumo (Logistics)

Overview

Our logistics operations are operated through Rumo, which offers an integrated logistics solution to agricultural commodity producers located in the central-south of Brazil by transporting produce from the mills and depots by truck or rail to be loaded and stored in our port facility at the Port of Santos. Rumo also offers warehousing services.

Rumo Highlights:	For the Nine Months Ended December 31,	For Fiscal Year Ended March 31,		
	2012	2012	2011	2010
Port elevation volume (thousand tonnes).....	6,437.6	7,759	7,481	8,124
Transportation sales (R\$ million)	420.9	413.4	305.8	16.1
Loading sales (R\$ million).....	113.4	141.0	118.1	142.1
Other sales (R\$ million).....	10.1	17.6	24.1	—
Net sales (R\$ million).....	544.4	572.0	448.0	158.2

Rumo has a long-term agreement with América Latina Logística S.A., or ALL, a railroad concession operator which manages the principal railroads between the sugar producing areas of the central-south region of Brazil and the Port of Santos. This agreement provides for the exclusive transportation of raw sugar and other sugar derivatives and the expansion of ALL's rail transport capacity through investments in ALL's rail network.

Rumo is the concessionaire of three bulk port terminals at the Port of Santos, which, on a combined basis, is the largest bulk port terminal in the world, with a current annual combined loading capacity of 14 million tonnes, having loaded 6.4 million tonnes in the nine months ended December 31, 2012. We are currently investing in this port terminal to add an additional wharf to increase its capacity from the present capacity of 14 million tonnes to 18 million tonnes by 2015. After this expansion, we estimate this port terminal will have the capacity to support 70% of the volume exported by the sugar producers of the central-south region of Brazil. The terminal also has the capacity to store approximately 550,000 tonnes of sugar. The port facility serves clients, including Raízen Energia, EDF&Man, Sucden, Bunge, Coimex, Cargill, Louis Dreyfus Commodities and Noble among others, in the transport and export of sugar and soy products. Pursuant to the Port Concession Agreement with the state of São Paulo's Port Authority, the concession granted to operate the south terminal (Cosan Portuária) will expire in 2036 and the concession granted to the north terminal (Teaçu), acquired in 2009, expires in 2016, and the renewal for an additional 20 years has already been requested.

Rumo is subject to the seasonality that influences the sugarcane harvest. During the peak months of the sugarcane harvest, there is higher demand for transport and logistics operations. Rumo is also subject to the risk that sugarcane mills may change their production mix in favor of ethanol if the relative prices of the two products swing that way. This could reduce the demand for sugar logistics and transport.

Regulation

The Brazilian constitution provides that the federal government, directly or by delegation to third parties, shall exploit port activities in Brazil. In 2001, the National Waterway Transportation Agency (*Agência Nacional de Transportes Aquaviários*), or ANTAQ was created in order to regulate the Brazilian port industry and to enter into the relevant concession and adhesion agreements regarding the provision of port services.

Until December 6, 2012, the Port Sector was governed by Federal Law 8,630, dated February 25, 1993 (the “Ports Modernization Law”), which provided the legal framework applicable to the exploration of the organized ports and the ports installations in Brazil. In view of the need to improve the applicable legislation, the Brazilian Federal Government launched Provisional Measure No. 595/2012 (Medida Provisória nº 595/2012) or MP 595/2012 that expressly revoked the Ports Modernization Law and established a new legal framework to the Port Sector in Brazil.

Before the enactment of the Ports Modernization Law, most of the port terminals were exploited by the government. The Ports Modernization Law was enacted to enable the participation of private investors in the Brazilian port industry by the creation of different port terminal exploitation models: public and private.

The Ports Modernization Law assured to any private party the right to construct, reform, expand, improve, lease and operate a public port terminal located within the “organized port area”, which are designated areas where ports must serve the public interest and the need for port service, subject to an authorization from the relevant authority. The development of port activities in an organized port area should be preceded by a competitive bidding process and the execution of a concession agreement with the federal government.

In the case of Rumo, the Docks Company of the state of São Paulo (*Companhia Docas do Estado de São Paulo*), or CODESP, granted us the right to exploit public terminals at the Port of Santos. The respective concessions agreements are dated as from 1996 and 2001. Accordingly, such agreements are governed by the Ports Modernization Law.

Rumo was qualified as a port operator under the Port Modernization Law and is, currently, subject primarily to the regulation of CODESP, which acts under the regulation of ANTAQ.

Public ports are governed by MP 595/2012 and by specific regulations that are still to be published by the Government in order to complement the provisions of MP 595/2012. MP 595/2012 does not provide for the need of adjustments of the terms of any concession agreements in force, requiring adjustments to be made only if both parties intend to extend the agreement. As a result, until new regulation provides otherwise, the concession agreements entered into by and between CODESP and us shall not be amended in order to adjust its terms to MP 595/2012.

Through our agreement with ALL, we are indirectly subject to the regulation of the National Land Transport Agency (*Agência Nacional de Transportes Terrestres*) or ANTT, which is responsible for monitoring road and rail transport operations and the federal concessions of road and rail infrastructure in Brazil.

Radar (Agricultural Land Development)

Our agricultural land development operations are run through Radar, a company focused on maximizing earnings from agricultural real estate assets by leveraging our unique market intelligence to acquire rural properties with high expected appreciation potential for subsequent leasing or resale. Since its founding in 2008, Radar has invested R\$1.4 billion in land, which has been leased for sugarcane, soybean, corn and cotton farming. Radar currently manages approximately 150,000 hectares of land in the states of São Paulo, Goiás, Mato Grosso, Mato Grosso do Sul, Maranhão, Bahia and Piauí. Radar recorded R\$36.5 million in lease revenues in the nine-month period ended December 31, 2012.

On July 14, 2012, we began consolidating the financial information of our subsidiary Radar Propriedades Agrícolas S.A. The consolidation was a result in the change in Radar’s bylaws and shareholders’ agreement and as a result we will report a new business line in our financial information that was previously recognized by equity accounting.

In addition, during the second half of 2012, we contributed 23,100 hectares of agricultural land with a market value of R\$551.4 million to Radar for the strategic alignment of our activities and as a result, we increased our direct and indirect stake in Radar’s capital stock from 18.9% to 37.7%. We hold an option to subscribe additional common shares of Radar, corresponding to an additional interest in its capital stock equal to up to 20% of the shares we hold in Radar immediately before the exercise (subtracted of shares issued as a result of stock options granted by Radar).

The subscription option is exercisable upon the occurrence of certain conditions. The option may be entirely or partially exercised by us, in a single occasion, until September 9, 2018.

Regulation

Radar is subject to various Brazilian federal, state and municipal environmental protection and real estate laws and regulations governing, among other things, the acquisition, lease and disposal of farmland investments.

Permits: Certain environmental laws require the tenants of Radar's properties to obtain permits, licenses and approvals from governmental authorities in order to conduct agricultural activities and operate storage facilities. Although Radar is a real estate investor, there is nonetheless an effect on Radar's revenues from tenants who are unable to or who are required to obtain the appropriate licenses and approvals in order to use the land.

We are subject to regulations by the following principal governmental agencies:

- *Instituto Nacional de Colonização e Reforma Agrária* or INCRA: Responsible for regulating the ownership of agricultural properties. This agency monitors the operation of the agricultural properties.
- *Georeferencing Process*: Georeferencing is an important procedure, necessary for registering any title of an acquired agricultural property. This procedure must be approved by INCRA and eliminates risks of overlap in property titles. INCRA is the primary regulator for approving georeferencing for any agricultural properties in the country.
- *Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis*, or IBAMA: is a regulator, responsible for environmental licenses relating to operations.
- Local environmental agencies: The *Secretarias de Meio Ambiente Estaduais* (Secretary of the Environment), *Secretaria do Meio Ambiente* or SEMA – MT, *Secretaria do Meio Ambiente* or SMA and *Instituto do Meio Ambiente e Recursos Hídricos* or INEMA.

Land Ownership: The Constitution defines land ownership rights for companies and Radar's business is subject such rights.

Brazilian Forestry Code: We are subject to the Brazilian Forestry Code, which prohibits land use in certain permanently protected areas, and obliges us to maintain and register a forestry reserve in each of our rural landholdings covering at least 20% of the total area of such land. The responsibility of maintaining the legal reserve and permanent preservation areas are both the land owner's (Radar) and the land operator's responsibilities (tenants).

Competition

Fuel Distribution

In the fuel distribution business, we are subject to competition, both from companies in the industries in which we operate and from companies in other industries that produce similar products. Our competitors include service stations of large integrated oil companies, independent gasoline service stations, convenience stores, fast food stores, and other similar retail outlets, some of which are well-recognized national or regional retail systems. The Brazilian fuel distribution industry has consolidated significantly in recent years, with the five major distributors increasing their combined market share from 65.2% in 2000 to 95.6% in 2011. The top-four distributors in Brazil are: Petrobras, operating through the BR Distribuidora brand, Ultrapar S.A., through the Ipiranga and Texaco brands, Raízen, through Shell and Esso brands and AleSat Combustíveis S.A., a domestic Brazilian fuels distribution. The principal competitive factors affecting the retail marketing operations include site location, product price, selection and quality, site appearance and cleanliness, hours of operation, store safety, customer loyalty and brand recognition. We believe that we are in a strong position to compete effectively on ethanol due to the synergies that further integration with Cosan will bring.

We also face competition from international ethanol producers that use other ethanol sources, such as corn and sugar beet for the generation of fuel ethanol.

Sugar, Ethanol and Cogeneration

The sugar industry in Brazil has experienced increased consolidation through merger and acquisition activity during the last several years. Most of this activity has involved companies and facilities located in the central-south region of Brazil, one of the most productive sugar producing regions in the world. Despite this recent wave of consolidation, the industry remains highly fragmented with more than 320 sugar mills and 100 company groups participating.

We also face competition from international sugar producers. We are the largest sugar producer in Brazil and one of the largest sugar producers in the world with 4.2 million tonnes of sugar produced in the 2012/2013 harvest, compared to British Sugar (1.2 million tonnes of sugar produced in the 2011/2012 harvest) and Südzucker AG of Germany (with 5.4 million tonnes of sugar produced in the same period). These producers, however, are the beneficiaries of considerable governmental subsidies in their principal sales markets.

Natural Gas

Comgás' concession area covers approximately 27% of Brazil's gross domestic product, including 177 municipalities in the metropolitan regions of São Paulo, Campinas and Santos as well as the Paraíba Valley. Comgás distributes natural gas for residential, commercial and industrial customers, and also supplies gas for use as fuel for vehicles and electricity generation. For the residential and commercial customers, Comgás holds exclusivity rights within its area of concession. For industrial customers, Comgás has exclusive distribution rights until 2029. Comgás faces competition from electricity concessionaires, oil and ethanol producers in its activities.

Research and Development

Our principal research and development activities are currently concentrated in the following key areas:

We engage CanaVialis S.A., or CanaVialis, to provide us with access to its sugarcane genetic improvement program specifically tailored to Raízen Energia's mills. CanaVialis, which is a subsidiary of Monsanto, is Brazil's only privately-owned firm focused on the genetic improvement of sugarcane. We benefit from their support services and use of their biofactory (the largest in Brazil), which allows us to decrease the amount of time required for seedling production and grant us access to new, improved sugarcane varieties through their genetic improvement program. CanaVialis also conducts field trials and region-specific genetic selection programs to develop sugarcane varieties for our greenfield projects where we are building new sugarcane mills.

Raízen also invests in innovation in the ethanol manufacturing process. Raízen has a 16.3% stake in Codexis and in Shell's commercialization rights of Iogen Energy. The two companies - Codexis and Iogen - conduct research into advanced fuels, including ethanol extracted from the cellulose of sugarcane and other plants.

We conduct research and development into renewable base oils through Novvi S.A., a Joint Venture between Cosan and Amyris formed in 2011. Novvi was established for the worldwide development, production and commercialization of renewable base oils made from Biofene, Amyris' renewable farnesene.

Property, Plant and Equipment

We present a summary below of our material tangible fixed assets, by segment:

Raízen Combustíveis

Raízen Combustíveis distributes fuels through 62 distribution terminals to approximately 4,700 service stations throughout Brazil under the Shell brand and also has 54 airport terminals supplying aviation fuel.

Raízen Energia

Raízen Energia operates 24 mills with a crushing capacity of 65 million tons and 900 MW of generation capacity. All of these facilities are located in the central and southeastern regions of Brazil, which is one of the world's most productive sugarcane regions, primarily because of its favorable soil, topography and climate, nearby research and development organizations and logistics infrastructure.

Comgás

Comgás is Brazil's largest natural gas distributor with a pipeline network of over 9,000 kilometers, supplying natural gas to over one million residential, commercial and industrial consumers in 70 cities. Its concession area accounts for approximately 27% of Brazil's gross domestic product, covering 177 municipalities in the metropolitan regions of São Paulo, Campinas, Santos and the Paraíba Valley.

Lubricants and Specialties

CLE has a production plant located on the Ilha do Governador, Rio de Janeiro, with a production capacity of 1.4 million barrels of lubricants per year, storage capacity for base oils and lubricants (195,000 barrels) and a pier facility for docking ships of up to 20,000 tonnes.

Rumo

We operate various facilities and equipment to support our transportation system, including our infrastructure and 50 locomotives and 729 freight cars.

Rumo can ship more than 14 million tonnes of sugar and other bulk goods per year, with storage capacity for approximately 550,000 tonnes of sugar. At its four terminals in upstate São Paulo (in Sumaré, Barretos, Jáu and Itirapina), it has an additional static storage capacity of 1 million tonnes of sugar and other commodities.

Rumo has a bulk port facility located in the Port of Santos, the largest sugar port in the world, with 2 wharves and 10 discharging grids.

Radar

Radar is one of the largest private landowners in Brazil, with a portfolio of approximately 107 thousand hectares (approximately 264 thousand acres) appraised by third party independent appraisers to be worth R\$2.4 billion as of December 31, 2012..

Capital Expenditures

Our capital expenditure program is currently focused on the following areas:

Raízen Combustíveis

Raízen is in the process of rebranding 1,700 Esso-branded service stations to the Shell brand until the end of 2013 at an estimated total cost of R\$160 million. As of December 31, 2012, approximately 93% of the stations had already been rebranded, principally financed from our own resources.

Raízen Energia

Brownfield Projects

Raízen has brownfield projects under review until the 2015/16 harvest on mills totaling R\$3.4 billion which we estimate will expand our annual sugarcane crushing capacity by 5 million tons to 70 million tons by the 2015/2016 harvest:

Logum - ethanol pipeline

Logum Logística S.A. is the company responsible for construction and operation of the Ethanol System Logistics (logistics, loading, unloading, handling and storage, operation of ports and terminals and inland waterway) that involve multimodal transport: pipelines, waterways (barges), highways (tankers) and coastal (vessels). With major investments, Logum will cross 45 municipalities, linking the main ethanol producing regions in the states of São Paulo, Minas Gerais, Goiás and Mato Grosso do Sul to the main points of storage and distribution in Paulínia (upstate São Paulo). Part of this integrated system will consist of a long distance runner, of about 1,300 km (880 miles), which will connect the regions of Jataí (state of Goiás) and Paulínia (state of São Paulo). The investment for construction is R\$7.0 billion (mostly financed through BNDES) and the first phase of the project is expected to start operating in 2013. The expected annual capacity is 21 billion liters of ethanol.

Raízen owns 20% of Logum along with five other companies as follows: Copersucar (20%), Odebrecht (20%), Petrobras (20%), Camargo Correa (10%) and Uniduto (10%). Raízen Energia holds a 30.9% equity interest in Uniduto.

Comgás

Comgás has been investing in its network expansion and in the year ended December 31, 2012, invested record R\$616 million, of which approximately 75% was earmarked for programs to expand the distribution network to previously untapped regions.

Rumo

Itirapina Terminal

Rumo is investing R\$200 million for the construction of the Itirapina Terminal in upstate São Paulo. Located close to all of the railway lines in the region, it will be the most modern logistics complex in Brazil with a total static storage capacity of 400 thousand tonnes and loading capacity of 12 million tonnes/year, after the project is concluded in 2013. This project is principally financed by loans from BNDES and is already partly operational.

Port Terminal Cover

One of Rumo's most innovative projects is the construction of a roof for the South Terminal of the Port of Santos. Every year, the rainy season forces the suspension of logistical operations for about 120 days. Ships are forced to wait, and lines of waiting trucks cause congestion on the region's highways. To resolve this problem, the project calls for the construction of a metal roof 138 meters long and 76 meters high that will be able to shelter today's largest cargo loads, dramatically reducing the cost of demurrage, the fee for over-stay of a ship moored in the company's terminals. The project is expected to be concluded by the end of 2013, at a total estimated completion cost of R\$56 million. This project is principally financed by loans raised from BNDES.

Radar

Radar is continuously investing in agricultural real state and has made total investments of R\$1.8 billion in land purchases since 2008. The company has a current land portfolio of approximately 107 thousand hectares (approximately 264 thousand acres) appraised by third-party independent appraisers to be worth R\$2.4 billion as of December 31, 2012.

Material Contracts

In July 2012, we acquired Comma Oil & Chemicals Limited, or Comma from Esso Petroleum Company, Limited. Comma, which is located in Kent, England, manufactures and supplies lubricants as well as seasonal and car care products to the UK and other export markets including 40 countries in Europe and Asia, primarily under the Comma brand. The acquisition of Comma by us includes: (1) finished lubricant and chemical manufacturing and sales to third parties; (2) all assets located at Comma's Gravesend site in Kent, England; and (3) ownership of the Comma trademarks and brands. Additionally, agreements allow Comma to distribute select Mobil-brand lubricants into specific UK channels and manufacture and supply ExxonMobil companies with a range of seasonal and ancillary automotive products.

In addition, in February 2012, we entered into a share purchase agreement with Riccardo Arduini, Julia Dora Koranyi Arduini and GMI – Global Market Investments L.P. to acquire their shareholdings in ALL. Under the terms of the agreement, we would acquire 38,980,117 ALL shares (representing 5.7% of the total issued share capital of ALL), from which 34,000,000 (49.0% of the relevant shares) are part of a shareholders agreement entered by and between the selling shareholders and other shareholders. The total price for the acquisition is R\$896.5 million, adjusted by the IPCA inflation index. The parties are currently pursuing the satisfaction of the aforementioned conditions precedent which include, among others, (i) obtaining approval from the other parties to the shareholders agreement, (ii) other certain customary closing conditions; and (iii) regulatory regime of the Brazilian antitrust regulator, or CADE. However as of the date of this offering memorandum, the transaction has not closed and further negotiations are still ongoing.

On November 5, 2012, we acquired 60.1% of the share capital of Comgás. We financed the acquisition in part by debentures we issued to Itaú BBA and Bradesco totaling R\$3.3 billion, issued in two series, the first series has a six-year term counting from the date of issuance, with final maturity on October 1, 2018, while the second series has an eight-year term counting from the date of issuance and will mature on October 1, 2020.

On August 25, 2010, we entered into a definitive agreement, or the Framework Agreement, for the creation of the Joint Venture with Shell. The transaction was concluded on June 1, 2011. Pursuant to the Joint Venture, Cosan and its subsidiaries contributed their sugar and ethanol businesses, their energy cogeneration business, their fuel distribution business and their interests in certain ethanol logistics facilities at the Port of Santos and transferred debt minus cash and cash equivalent of R\$5,596.2 million to the Joint Venture. Shell and its affiliates contributed their Brazilian fuel distribution business, their Brazilian aviation fuels business, their beneficial interest in two companies (Iogen Corp. and Codexis, Inc.) involved in the research and development of biomass fuel, including ethanol, and a capital contribution resulting in cash proceeds to the Joint Venture of approximately R\$1.8 billion over a two-year period, all of which had been contributed as of December 31, 2012. For more information on the operation of the Joint Venture, see “—Organizational Structure.”

Legal Proceedings

We are party to numerous legal proceedings as further described below and in note 20 of our unaudited interim consolidated financial statements as of December 31, 2012, included elsewhere in this offering memorandum, for further information.

Probable losses

In the ordinary course of our business, we are party to a number of legal proceedings for which we deem the risk of loss as probable for which we have recorded provisions in an aggregate amount of R\$1,133.9 million as of December 31, 2012. Provisions relating to probable losses are categorized into tax, civil and labor, as described below.

Tax. We recorded provisions of R\$651.3 million for tax proceedings as of December 31, 2012. The principal tax proceedings are described below. For more information on other tax proceedings where provisions relating to probable losses are recorded, see note 20 of our unaudited interim consolidated financial statements as of December 31, 2012 for further information.

CLE filed a suit to challenge the balance sheet restatement index (IPC) established by the federal government in 1989, on the basis that such index did not reflect actual inflation at such time. The use of this index led CLE to overstate and overpay its corporate income taxes. 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 CLE adjusted the amounts of corporate income taxes payable and identified that overpayments for such taxes were offset in subsequent years until 1997. Despite the favorable court rulings, tax authorities issued a tax assessment, challenging all tax offsets performed in 1993 and some offsets in 1994 and 1997, which led us to record a provision in relation to those court rulings. The provision for this proceeding was R\$83.2 million as of December 31, 2012.

During the period from October 2003 to November 2006 CLE offset the FINSOCIAL tax with several other federal taxes, based on a final court decision issued in 2003 in the context of a proceeding which discussed the constitutionality of the FINSOCIAL tax. The provision for this proceeding was R\$201.6 million as of December 31, 2012.

Prior the formation of the Joint Venture, Raízen Combustíveis (formerly Shell Brasil Ltda), recorded CIDE tax on services provided in the context of the transactions developed by us. This contingency will be reimbursed by Shell if any payment is required, which is the reason why the same amount is recorded as a receivable and a provision in the amount of R\$93.8 million as of December 31, 2012. Judicial deposits in connection with this provision amount to R\$170.8 million.

The provision for ICMS credits is comprised of: (i) tax assessments issued in which legal counsel considers more likely than not that a loss will occur, and (ii) recovery of credits and financial charges on matters in which Company's management has a differing view from the tax authorities. The provision for ICMS credits was R\$104.1 million as of December 31, 2012. There are judicial deposits related to these processes, amounting R\$8.4 million.

Civil claims. Cosan, its subsidiaries and jointly-controlled entities 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. Provisions for civil claims as of December 31, 2012 amounted to R\$230.9 million.

We are involved in 11 public civil actions related to Social Assistance Plan set forth by Federal Law No. 4.870/1965 (*PAS – Plano de Assistência Social*), which must be provided by sugarcane companies to its employees (past, present and future). It is not possible to determine the amount involved in such public civil actions before a final ruling is rendered. If the court declares the obligation of providing the Social Assistance Plan, the amount of the award shall be subject to liquidation, including the amount related to the last five years before the civil action was filed. In case of an unfavorable outcome, the sugarcane companies will be obligated to keep running this social plan in benefit of their own employees, providing, for instance, healthcare insurance, educational and cultural programs, financial assistance, representing between 1% and 2% of the company's revenue.

Cosan S.A. is the claimant party of an arbitration proceeding filed against Sara Lee Cafés do Brasil Ltda., by means of which we seek to prevent the defendant party from using the trademark "União" that was previously legally assigned to Pilão/Caboclo Group. The amount involved in the arbitration proceeding as of February 2013 is R\$60.7 million and is classified as a possible loss.

Labor claims. Cosan, its subsidiaries and jointly-controlled entities are also parties to a number of labor claims filed by former employees and service providers challenging, among other factors, the payment of overtime, night shift premium and risk premium, recognition of employment relationships, reimbursement of discounts from payroll, such as social contribution and trade union charges. As of December 31, 2012, these labor lawsuits involved a total amount of approximately R\$1.8 billion. Additionally, we are involved in several labor administrative and judicial proceedings such as labor investigations and class actions filed by the labor prosecutor's office regarding alleged non-compliance with certain labor regulations, including work and safety rules, labor conditions and work environment, and social assistance plans. Moreover, we entered into certain consent orders (*Termos de Ajustamento de Conduta*) with Brazilian authorities and in the event we fail to comply with such consent orders, we could be subject to fines. Provisions for labor claims as of December 31, 2012 amounted to R\$251.8 million.

Possible losses

In addition, there are currently certain legal proceedings pending in which we are involved for which we have not recorded provisions, as we deem the likelihood of loss as possible. If any of these legal proceedings is decided adversely against us, our results of operations or financial condition could be materially and adversely affected. The aggregate amount involved in proceedings relating to possible losses as of December 31, 2012 amounted to R\$7,051.9 million of which R\$4,624.9 million, R\$1,202.1 million and R\$1,224.8 million were related to tax, civil and labor claims respectively. For more information see note 20 of our unaudited interim consolidated financial statements as of December 31, 2012 for further information.

Other Proceedings

In accordance with court orders concerning certain tax, civil and labor lawsuits, we had bank judicial deposits in an aggregate amount of R\$542.1 million as of December 31, 2012.

In 2009, the Brazilian Government created a tax amnesty and refinancing program, permitting taxpayers to settle their federal tax debts under previous refinancing programs, and other federal taxes subject to court disputes, with discounts on penalties and interest, and pay the balance in installments ("REFIS"). On June 29, 2011, CLE, as successor to Esso Brasileira de Petróleo Ltda., joined the tax amnesty and refinancing program upon request of

ExxonMobil Brasil Holdings B.V. (“ExxonMobil”), the entity that is legally responsible for the tax contingencies existing up to the date of acquisition of Essobrás by us. As of December 31, 2012, the outstanding balance of REFIS was of R\$1,005 million.

We are involved in numerous other lawsuits from time to time, including commercial litigation.

On February 28, 2007, the subsidiary Usina da Barra S.A. Açúcar e Alcool recognized financial income in the amount of R\$318.3 million. We had sought damages from the Brazilian federal government for setting prices for its products below the established price control guidelines. In the third quarter of fiscal year ended March 31, 2007, Brazilian courts reached a final and unappealable decision favorable to us. As of December 31, 2012, this account receivable from the government amounted to R\$364.9 million.

We, SINDICOM (*Sindicato Nacional das Empresas Distribuidoras de Combustível e Lubrificantes*) and other oil distribution companies in Brazil are defendants in a public civil action filed in January 2010 by the public attorney’s office, SINCOPEPETRO (*Sindicato do Comércio Varejista de Derivados de Petróleo do Estado de São Paulo*) and RECAP (*Sindicato do Comércio Varejista de Derivados de Petróleo de Campinas e Região*). The plaintiffs allege the defendants engage in anticompetitive practices in the fuel distribution market. The plaintiffs are claiming, mainly, the prohibition of (i) determination of artificial prices, and (ii) manipulation of the final price of fuel sold to retailers by the oil distribution’s companies, and payment of compensation to the retailers for losses suffered because of the alleged abuse of economic power by the defendants. As of the date of this offering memorandum, it is not possible to estimate the amount of such compensation in case of a definitive ruling benefiting the plaintiffs. We deem the likelihood of loss in the lawsuit as possible.

MANAGEMENT

Our board of directors and our executive officers are responsible for the operation of our business. Nevertheless, Mr. Rubens Ometto Silveira Mello, who controls our parent company Cosan Limited, has the overall power to control us, including the power to establish our management policies.

Directors and Senior Management

Board of Directors

Our bylaws provide that our board of directors will consist of seven to twenty members. During periods of absence or temporary unavailability of a board member, the president of our board of directors may appoint an alternate member as a substitute for the absent member. Our board of directors is the decision-making body responsible for, among other things, determining policies and guidelines for our business. Our board of directors also supervises our board of executive officers and monitors their implementation of policies and guidelines established from time to time by our board of directors. Under the Brazilian Corporation Law, our board of directors is also responsible for hiring our independent auditors. Pursuant to our by-laws, our board of directors meets ordinarily four times per year and, extraordinarily, whenever necessary.

According with Brazilian Corporate Law, our board of directors must be composed of a minimum of three members. However, the *Novo Mercado* regulations require our the board of directors to be composed of a minimum of five members, elected at a shareholders' meeting and that at least 20% of the members of our board of directors must be independent directors. An independent director must: (1) have no relationship with our company, except for the director's share participation; (2) not be a controlling shareholder, nor be a spouse, sibling or any relative up to the second degree of our controlling shareholders, or within the last three years, have had any relationship with any corporation or organization related to our controlling shareholders (excluding persons related to public schools and/or research institutions); (3) not have been, within the last three years, our employee or officer, or an employee or officer of our controlling shareholders or any entity controlled by our company; (4) not be our direct or indirect supplier or client to an extent that it could compromise such director's independence; (5) not be an employee or officer of any company or organization that is offering services and/or products to, or soliciting services and/or products from, our company in a way that could compromise such director's independence; (6) not be the spouse, sibling or any relative up to the second degree of any of our directors or officers; and (7) not receive any remuneration from us other than as a director or shareholder. Currently, two of our directors are an independent director. Members of the board of directors elected by minority shareholders are also considered independent.

The members of our board of directors are elected at shareholders meetings for two-year terms and are eligible for re-election. Currently, our board of directors is composed of eight members elected at the annual shareholders' meeting held on July 31, 2012 who will hold office until the annual shareholders' meeting to be held in 2014, which shall reelect or replace the board of directors. Members of our board of directors are subject to removal at any time with or without cause at a shareholders general meeting. Our bylaws do not include any citizenship or residency requirements for members of our board of directors.

The following table lists the members of our board of directors:

Name	Initial Year of Appointment to our Board	Position Held	Year of Birth
Rubens Ometto Silveira Mello	2000	Chairman	1950
Marcelo de Souza Scarcela Portela.....	2009	Vice Chairman	1961
Marcelo Eduardo Martins	2009	Director	1966
Serge Varsano.....	2005	Independent Director	1955
Burkhard Otto Cordes.....	2005	Director	1975
Pedro Isamu Mizutani.....	2000	Director	1959
Roberto de Rezende Barbosa.....	2009	Director	1950
Mailson Ferreira da Nóbrega.....	2007	Independent Director	1942

The following is a summary of the business experience of our current directors. Unless otherwise indicated, the business address of our current directors is Av. Presidente Juscelino Kubitschek, 1327, 4th floor, São Paulo, SP, Brazil.

Rubens Ometto Silveira Mello. Mr. Mello is our chairman. He holds a degree in mechanical engineering from the Escola Politécnica of the University of São Paulo (1972). Mr. Mello has more than 30 years of experience in the management of large companies. He has also served as general director and chairman of the board of directors of Costa Pinto S.A. since 1980, vice president of Pedro Ometto S.A. Administração e Participações since 1980, director of Cosan Operadora Portuária S.A. since 1998, chairman of the board of directors of FBA from 2001 until its merger into Corona, and is currently the chairman of the boards of Cosan Limited and Raízen. He also holds the position of director of UNICA, the Sugarcane Agroindustry Association of the state of São Paulo (UNICA—União da Agroindústria Canavieira do Estado de São Paulo). Prior to joining Cosan, Mr. Mello worked from 1971 to 1973 as an advisor to the board of executive officers of UNIBANCO União de Bancos Brasileiros S.A. and from 1973 to 1980 as chief financial officer of Indústrias Votorantim S.A.

Marcelo de Souza Scarcela Portela. Mr. Portela is our vice chairman and has been member of our board of directors since 2008. He holds a law degree from Faculdade de Direito da Universidade de São Paulo (1983), and completed graduate studies in commercial law from Faculdade de Direito da Universidade de São Paulo (1988) and McGill University Law School (1990) in Montreal, Canada. He is also our legal vice president since 2009 and member of Cosan Limited's board of directors since 2007.

Pedro Isamu Mizutani. Mr. Mizutani has been a member of our board of directors since 2000. He has served as Cosan S.A.'s managing director since 2001, and served as Cosan's chief operating officer until June 2011. Currently Mr. Mizutani holds a position as Raízen's chief operating officer. Mr. Mizutani holds a production-engineering degree from the Escola Politécnica of the University of São Paulo (1982), a postgraduate degree in finance from UNIMEP—Universidade Metodista de Piracicaba (1986) and a master's degree in business management from FGV—Fundação Getúlio Vargas, São Paulo, with an extension degree from Ohio University (2001). Mr. Mizutani has more than 20 years of experience in finance and administration with companies in the ethanol and sugar industries. He also served as a planning director of Usina Costa Pinto S.A. from 1983 to 1987, as financial manager from 1987 to 1988, and as administrative and financial director from 1988 to 1990. From 1990 to 2001, he acted as managing administrative and financial director of the group.

Marcelo Eduardo Martins. Mr. Martins has been a member of our board of directors since 2009. Mr. Martins currently holds the position of chief financial officer and investor relations officer & M&A officer. His duties include identifying acquisition opportunities and implementing takeovers as well as business development activities for which we may have strategic interest in the future. In July 2007, Mr. Martins joined Cosan Group as executive officer of Aguassanta Participações S.A. Prior to joining the Cosan Group, Mr. Martins was the Chief Financial and Business Development Officer of Votorantim Cimentos between July 2003 and July 2007 and, prior to that, head of Latin American Fixed Income at Salomon Smith Barney (Citigroup) in New York. He has significant experience in capital markets, having worked at Citibank (where he began his career as a trainee in 1989), Unibanco, UBS and FleetBoston. He has a degree in business administration from the Getúlio Vargas Foundation, majoring in finance.

Serge Varsano. Mr. Varsano has been a member of our board of directors since 2005. He holds a degree from the Marshall School of Business of the University of Southern California (1975). Mr. Varsano began his career as a trader in the Sucres et Denrées group, one of the world's leading sugar traders, subsequently becoming its chief executive officer. He has been chief executive officer of the Sucres et Denrées group since 1988.

Burkhard Otto Cordes. Mr. Cordes has been a member of our board of directors since 2005. He graduated in business administration from Fundação Armando Álvares Penteado (1997) and he holds a master's degree in finance from IBMEC-SP (2001). Mr. Cordes has worked in financial markets over the last seven years. He worked at Banco BBM S.A., a company owned by Grupo Mariani, at the commercial division focusing corporate and middle market segments. Currently, he serves as financial manager. Before holding his current position, he had worked at IBM Brasil in its financial division. Mr. Cordes is Mr. Mello's son-in-law.

Roberto de Rezende Barbosa. Mr. Barbosa is our director and has been a member of our board of directors since 2009. He worked as a trainee at Halles Bank and the Dacon dealership, assuming the family business in 1975. He was the chief executive officer of Grupo Nova América and is currently the chief executive officer and a board member at CTC – Centro de Tecnologia Canavieira, and a board member at SCA – Sociedade Corretora de Álcool, IEDI – Institute of Industrial Development Studies and UNICA – the Federation of Sugarcane Industries of the state of São Paulo.

Mailson Ferreira da Nóbrega. Mr. Nóbrega has been a member of our board of directors since 2007. He is an economist and was Brazil's Minister of Finance from 1988 to 1990. He was previously Technical Consultant and Chief of Project Analysis Department at Banco do Brasil; Coordination Chief of Economic Affairs of the Ministry of Industry and Commerce and Secretary General of the Ministry of Finance. He performed as the Chief Executive Officer of the European Brazilian Bank—EUROBRAZ, in London. Mr. Nóbrega is also member of the board of directors of the following companies: Abyara Planejamento Imobiliário, CSU Cardsystem S.A., Grendene S.A., Portobello S.A., Rodobens Negócios Imobiliários S.A., TIM Participações S.A. and Veracel Celulose S.A.

Executive Officers

Our executive officers serve as our executive management body. They are also our legal representatives and are responsible for our internal organization and day-to-day operations and for the implementation of the general policies and guidelines established from time to time by our board of directors.

Our bylaws require that our executive officers consist of three to eight members, consisting of one chief executive officer, one chief financial and investor relations officer, one lubricant vice president, one vice president of foods, one legal vice president, and three additional executive officers.

Our executive officers are elected by our board of directors for two-year terms, and are eligible for reelection. Our board of directors may remove any executive officer from office at any time with or without cause. In accordance with the Brazilian Corporation Law, executive officers must be residents of Brazil but need not be shareholders of our company. Our executive officers hold meetings when called by any of our executive officers.

The following table lists our current executive officers:

Name	Initial Year of Appointment	Position Held – Cosan S.A.	Year of Birth
Marcos Marinho Lutz	2009	Chief Executive Officer	1969
Marcelo Eduardo Martins	2009	Chief Financial and Investor Relations Officer	1966
Marcelo de Souza Scarcela Portela.....	2009	Legal Vice President	1961
Colin Butterfield.....	2011	Executive Officer	1973
Nelson Roseira Gomes Neto.....	2011	Lubricant Vice President	1970

The following is a summary of the business experience of our executive officers who are not directors. Unless otherwise indicated, the business address of our current executive officers is Av. Presidente Juscelino Kubitschek, 1327, 4th floor, São Paulo, SP, Brazil.

Marcos Marinho Lutz. Mr. Lutz has been our chief executive officer since 2009. He holds Master of Business Administration degree from the Kellogg Graduate School of Management, Northwestern University, and graduated in naval engineering from the Escola Politécnica of the University of São Paulo. Before joining Cosan, Mr. Lutz served as executive director of infrastructure and energy at CSN for four years, was a member of the board of directors of MRS Logística, CFN Railways and Ita Energia. Previously, he was operations officer of Ultracargo S.A., the logistics affiliate of Grupo Ultra.

Nelson Roseira Gomes Neto. Mr. Gomes Neto has been our lubricant vice president since 2011 and is chief executive officer of CLE. He received a bachelor's degree in engineering from Pontifical Catholic University (1992), a master's degree in corporate finance from PUC – IAG Master (1998) and a master's degree in business administration from COPPEAD (2001). He joined Exxon Mobil Corporation in 1991 as a trainee. Throughout the course of his career, he has served in positions of increasing managerial responsibility in several business lines such as Fuels Marketing, Convenience Retailing, Natural Gas, and since 2001 part of the Lubricants business. In

February 2008 he was appointed Brazil Lubricants Officer to Esso Brasileira de Petroleo Limitada, and in December 2008, Lubricants Vice President.

Colin Butterfield. Mr. Butterfield is one of our executive officers and joined Cosan in 2011. He holds a bachelor's degree in engineering from Boston University and a master's degree in economics and finance from Dartmouth College. He created the website Viajo.com (currently named Decolar.com.br) and before joining Cosan S.A. he acted as Bracor's Investments Officer.

Equity-Based Compensation Plans

A stock option plan was approved by Cosan's General meeting, held on July 29, 2011. On August 18, 2011, the Board of Directors deliberated that 12,000,000 common shares were inserted in the first program of the Stock Option Plan in which was established that the exercise right would be effected as from August 18, 2012.

If a holder of stock options ceases to be an executive officer, manager or eligible employee for any reason (other than termination of his or her employment contract without just cause on Cosan's part, death, retirement or permanent incapacitation), after partially exercising his or her option to purchase Cosan's common shares, the options that have not yet been exercised will be extinguished as of the date that the holder ceases to be an executive officer, manager or eligible employee.

Cosan stock options held by Cosan's executive officers may, at their option, be canceled and converted into awards of Cosan Limited, and as a result, we will comply with the limit of shares we have reserved for our equity incentive plan. Cosan's stock options will be converted based upon a ratio equal to the initial offering price of our common stock, divided by the weighted average stock price of Cosan's common stock for a specified period immediately preceding the date of the completion of our initial public offering. The converted securities, if unvested, generally will continue to vest over their original vesting periods.

PRINCIPAL SHAREHOLDERS

Cosan Luxembourg

Cosan Luxembourg is a wholly-owned subsidiary of Cosan S.A. Indústria e Comércio.

Cosan

As of the date of this offering memorandum our authorized share capital is R\$5.0 billion, of which R\$4.7 billion is currently issued and paid-in consisting of 407,214,353 common shares. Other than the entities and individuals mentioned below, no other single shareholder holds more than 5.0% of our issued and outstanding share capital.

Our common shares are listed on the *Novo Mercado* segment of the BM&FBOVESPA.

The following table sets forth the principal holders of our issued and outstanding share capital and their respective shareholding as of the date of this offering memorandum:

Shareholders	Total Number of Common Shares	%
Cosan Limited	253,703,323	62.30
Rezende Barbosa	44,300,389	10.88
Management	828,870	0.20
Treasury shares	2,272,039	0.56
Free float.....	106,109,732	26.06
Total	407,214,353	100.00

Rezende Barbosa

On June 18, 2009, Cosan entered into an agreement with Rezende Barbosa to acquire 100% of the outstanding shares of Curupay S.A. Participações, or Curupay. The acquisition was carried out through the merger of Curupay into Cosan resulting in the issuance by Cosan of 44,300,389 new common shares, fully subscribed and paid-in by Rezende Barbosa.

Pursuant to a shareholder's agreement dated June 18, 2009, the Rezende Barbosa Family has the right to have one member on both the supervisory board and the board of directors. Cosan Limited has, subject to limited exceptions, a right of first refusal on shares of Cosan (CSAN3) owned by the Rezende Barbosa family.

Shareholders' Agreements and Other Arrangements

Joint Venture Shareholders' Agreement

Shell and Cosan have entered into other definitive agreements, among others, concerning the scope of the Joint Venture, the governance and management of the Joint Venture and the granting of reciprocal put and call options concerning their interests in the Joint Venture. Each of these agreements was entered into on June 1, 2011.

The shareholders' agreements for Raízen Energia and Raízen Combustíveis establish the scope and governance of the Joint Venture, as well as its dividend policy. The agreements provide that the scope of the Joint Venture is the global production of sugar cane-based ethanol and sugar and the distribution, commercialization and sale of fuel products within Brazil. Cosan, Shell and their respective affiliates are prohibited from competing with the Joint Venture as long as they remain shareholders of the Joint Venture (subject to customary exceptions).

The shareholders' agreements provide that the Joint Venture will be governed by supervisory boards that are composed of six members: three nominated by Cosan, with Mr. Rubens Ometto Silveira Mello acting as chairman, and three nominated by Shell. Most decisions by the supervisory boards require a quorum of two members and are generally made by a majority present and voting. Certain significant matters, however, will require the consent of five of the six or four of the six members, as the case may be.

The matters which require the consent of five of the six or four of the six members include but are not limited to the following:

- setting the general strategic guidelines and direction for the Joint Venture and amending and updating the Joint Venture's business plan;
- appointing, removing or terminating members of the executive board;
- determining the compensation and benefits of certain employees;
- amending key policies and procedures of the Joint Venture;
- adopting or amending the annual and capital budgets;
- instituting or settling any litigation or dispute in excess of a specified sum or which could damage the reputation of the Joint Venture, Cosan or Shell;
- selling, assigning, transferring or encumbering assets of the Joint Venture outside of the ordinary course of business in excess of a specified amount;
- entering into transactions (including mergers, stock purchases or asset purchases) of which the value or purchase price exceeds a specified amount;
- making capital expenditures in excess of a specified amount, subject to certain exceptions;
- submitting any matters, including financial statements and reports, to the meeting of the Joint Venture's shareholders;
- entering into any contract, agreement or instrument outside of the ordinary course of business and that provides for payments in excess of a specified amount;
- entering into material amendments, modifications or waivers or terminating any contract where payment obligations exceed a specified amount;
- making any decision to borrow money or guarantee the payment or performance of any obligation in excess of a specified amount or to prepay indebtedness of a specified amount;
- creating any encumbrance over or the issuance of any Joint Venture securities or any option relating to any Joint Venture securities, subject to certain exceptions;
- approving the credit limits or the extension of credit to any customer of the Joint Venture in excess of a specified amount; and
- entering into, amending, terminating or renewing any insurance policy.

If the supervisory boards cannot reach a decision with respect to a matter that is their responsibility, one representative of Cosan and one representative of Shell will meet to attempt to resolve the matter. Any decision by these shareholder representatives must be unanimous. If the shareholder representatives cannot reach a joint decision, no decision would be taken or effected and the *status quo* would prevail.

Additionally, certain matters require the consent of the shareholders of the Joint Venture. These matters include, but are not limited to, removal of any member of a supervisory board; approval of supervisory board resolutions relating to dividend payments; approval of management accounts and financial statements; amendments to the by-laws of Raízen Energia or Raízen Combustíveis; and issuance of securities by the Joint Venture.

The shareholders' agreements provide that a shareholder may lose certain governance rights if it fails to make capital contributions that may be required pursuant to the shareholders' agreements or to make certain payments required pursuant to the Framework Agreement. If the delinquent party pays or contributes such amounts in full within a specified cure period, the respective governance rights of the shareholders are returned to their original state prior to any such delinquency.

The shareholders' agreements of Raízen Energia and Raízen Combustíveis will remain in effect for at least 20 years after the June 2011 closing date, so long as Cosan and Shell, or their permitted transferees, continue to hold equity in the companies. The term of each shareholders' agreement will continue beyond 20 years for so long as Cosan and Shell each own at least 40% of the equity in the applicable Joint Venture company. If at any time Cosan or Shell ceases to hold equity in Raízen Energia or Raízen Combustíveis, the shareholders' agreement of that company will generally no longer apply to the former shareholder, with certain limited exceptions.

Cosan and Shell have granted each other reciprocal call options. On the tenth anniversary of the June 2011 closing, Shell will have a call option to buy half or all of Cosan's equity interests in the Joint Venture. Cosan will have the right to elect whether it would sell half or all of its Joint Venture equity interests to Shell after the exercise of Shell's option in that year. On the fifteenth anniversary of the June 2011 closing, one party will have the right to buy all or a portion of the other party's equity stake in the Joint Venture.

The exercise prices of these options will be based on the value of the equity interests in the Joint Venture at the time of the option exercise, determined by using a customary appraisal and dispute resolution process based on the fair market value of the Joint Venture at the time the options are exercised. There will also be call and put options in certain other limited circumstances, including in the event of a "fundamental breach" by either party (at an agreed discount to fair market value) and in the case of the death or disability of Cosan's Chairman, Rubens Ometto Silveira Mello (at fair market value).

The day-to-day management of the Joint Venture is conducted by the executive boards, composed of a chief executive officer and other senior executive officers. The shareholders' agreements set forth the various functions and responsibilities of the chief executive officer and senior management, as well as the actions that may be taken by the executives without the approval of the relevant supervisory board.

Comgás Shareholders' Agreement

We, as successors of Provence Participações S.A., and Integral Investments B.V., or "Integral", entered into a shareholders' agreement regarding their interest on Comgás S.A., dated November 5, 2012.

The shareholders' agreement of Comgás establishes the guidelines regarding: (i) the exercise of voting power of the parties; (ii) the election of members of the board of directors and the board of executive officers; (iii) the management powers attributed to executive officers and directors; (iv) general matters relating to the corporate governance of Comgás; and (v) Comgás' dividend policy.

The agreement sets forth tag along rights to Integral and Shell Brazil Holding B.V. in case Cosan receives a proposal for the sale of shares that would result in Cosan holding less than 51% of the voting shares of Comgás.

The appointment of members of the board of directors and board of executive officers of Comgás will be proportional to the interests held by Cosan and Integral, and Cosan will have the right to appoint the chairman of the board of directors of Comgás.

The shareholders' and board of directors' meetings of Comgás will be preceded by preliminary meetings between the parties to the shareholders agreement, which shall determine the voting instructions for their representatives therein proportionately to their interest in Comgás' capital stock.

The matters which are subject to veto rights by the parties in shareholders meetings of Comgás include, among others:

- any merger, spin-off or other corporate restructuring;
- the issuance of new shares by Comgás or of any other security that is convertible in an equity interest, as well as the creation of a new class of shares or any modification of the rights attached to any class of shares
- amendment of Comgás' dividend policy;
- amendment of Comgás by-laws; and
- the approval of Comgás' budget for capital expenditures.

The matters which are subject to veto rights by the parties in meetings of the board of directors of Comgás include, among others:

- participation of Comgás in any joint venture or in the equity of any other company;
- creation of any committees of the board of directors;
- grant of guarantees to third parties other than in ordinary course of business;
- execution of any loan agreement or issuing debentures with maturities exceeding one year;
- execution of transactions exceeding certain amounts; and
- execution of gas purchase agreements worth more than U.S.\$150 million.

Rumo's Shareholders' Agreement

On June 30, 2011 we, Cosan Limited, Novo Rumo Logística S.A., or Novo Rumo, GIF Rumo Fundo de Investimentos em Participações, or FIP GIF, and TPG VI Fundo de Investimentos em Participações, or FIP TPG, have entered into a shareholders' agreement, concerning Rumo's governance, management and other rights and transfer restrictions.

The shareholders' agreements provides that deliberations on shareholders' meetings shall be approved by the affirmative vote of more than 50.0% of Rumo's outstanding shares, except for the following matters which shall only be approved upon the affirmative votes of FIP GIF and FIP TPG:

- amendments to Rumo's by-laws resulting of: (i) changing of corporate purpose, (ii) location of Rumo's headquarters, (iii) elimination, changes or addition of shares' rights, (iv) rules concerning the shareholders' meetings, (v) changes on the number of members and attributions of the Board of Directors, (vi) changes on the number of members and attributions of the Board of Executive Officers, (vii) creation, termination or changing of committees, (viii) changing of any aspect related to profits distribution, (ix) liquidation or termination of Rumo or any subsidiary, (x) changing of Rumo's duration period, (xi) changing on Rumo's representation rules before third parties, (x) elimination, addition or change of arbitration rules and (xii) inclusion or removal of any provision required as a condition for Rumo to have an investment fund as shareholder;
- any merger, consolidation, amalgamation, spin-off or corporate restructuring;
- sale, exchange or any form of disposal of substantially all assets;
- any creation or issuance of new equity interests, as defined therein;
- any recapitalization, stock split, combination, reclassification or similar procedures affecting Rumo's shares or other equity interests;
- any change in the dividend policy or payment of dividends; and
- the dissolution, liquidation or commencement of bankruptcy or judicial and extra-judicial proceedings

Rumo will be governed by a Board of Directors and a Board of Executive Officers. The Board of Directors shall initially be comprised of five members, from which we have the right to appoint three members and FIP GIF and FIP TPG have the right to appoint one member each. The resolutions of the Board of Directors shall be taken by affirmative vote of the majority of its members, except for some matters set forth in the shareholders' agreement which require the affirmative vote of the directors appointed by FIP TPG and FIP GIF, including the annual budget, capital expenditures and sale of assets, among others.

In addition, the shareholders' agreement sets forth preemptive rights in case of issuance of new shares and tag along rights and rights of first refusal in case of intended sale of the shares bound by the agreement. Finally, FIP GIF and FIP TPG have also the right, under certain conditions set forth therein, to request that all of its shares issued

by Rumo are exchanged for shares issued by us at an exchange ratio of 19.246654 Rumo's shares for 1 share issued by us.

FFIP GIF and FIP TPG have the right, at any time on or after September 2, 2013, to jointly request Rumo to effect an initial public offering, or IPO, at Rumo's expense. Rumo is required to use its best efforts to consummate the IPO closing within 180 days of its receipt of such request.

Radar's Shareholders' Agreement

On August 27, 2008, we, Mansilla and Teachers Insurance and Annuity Association of America, have entered into a shareholders' agreement, concerning Radar's governance, management and other rights and transfer restrictions.

Our special rights under the agreement, as defined therein, are subject to the full compliance with a services agreement and a non-compete, cooperation and preemptive rights agreement entered by and between us and Radar as of August 27, 2008.

The shareholders' agreement provides for mutual preemptive and tag along rights and rights of first refusal in case of a third party offer to acquire the shares. In addition, the agreement sets forth mutual put options between us and Mansilla to acquire up to all of Radar's properties or each other's shares upon notice during specific 5-day periods, the first on the tenth anniversary of the initial closing date of the subscription agreement between the parties and the each subsequent period 18 months after the first put date.

The agreement provides that the following matters, among others, shall only be approved upon the affirmative votes of 85% of the voting shares issued by Radar:

- amendments to Radar's by-laws;
- profit distributions above or below the permitted levels set forth in the agreement;
- any changes in the rights or conditions of the shares issued by Radar, including stockholding dilution;
- any merger, consolidation or spin-off involving Radar;
- increase of Radar's authorized capital stock;
- authorization for any of the following activities: (i) intermediation of real estate transactions; (ii) rendering technical or consulting services with respect to agricultural, livestock and forest activities, as well as to planning, improvement and development of activities associated with rural properties; (iii) import and export of products and raw materials related to agricultural and livestock activities.

Radar's board of directors will be comprised of seven members, of which we will appoint four directors, including the chairman, and Mansilla will appoint remaining three members. The following matters, among others, shall be approved only upon the affirmative vote of at least five directors, including at least one director appointed by each of us and Mansilla:

- the execution or changes to the terms and conditions of, any loans and financings exceeding R\$10.0 million;
- any purchase or sale of assets exceeding (i) R\$40.0 million in the aggregate for any given fiscal year; or (ii) R\$20.0 million in any individual transaction;
- the execution of any transaction between Radar and us or our affiliates exceeding R\$1.0 million;
- the execution of certain real estate leases;
- the approval of capital stock increases related to rural real estate properties.

RELATED PARTY TRANSACTIONS

We engage in related party transactions with certain of our affiliates, in the normal course of business, some of which are of a recurring nature. For additional information with respect to certain material related party transactions, see in note 10 to our unaudited interim consolidated financial statements, and note 10 to our audited financial statements as of and for the fiscal years ended March 31, 2012 and 2011, included elsewhere in this offering memorandum.

Recurring Transactions with Shareholders

We lease agricultural land for planting sugarcane from certain of our shareholders and other related parties on market terms. As of December 31, 2012 we leased 68,291 hectares, through 10 land lease contracts with an average term of 14 years. These land lease agreements are on market terms equivalent to those we enter into with third parties. Lease payments under these agreements are based on the price of 16.9 tonnes of sugarcane per hectare, calculated in accordance with certain regulations of CONSECANA.

Through our indirect subsidiary Agrícola Ponte Alta S.A., we also acquired 28 barges for R\$12.1 million pursuant to a Purchase Agreement, entered into on October 1, 2009. We had previously leased and used the ships to transport sugarcane to our plant in Jaú, in the district of Potunduva.

Guarantees with Related Parties

As a result of Cosan's participation in the PESA federal government financing program between 1998 and 2000, Amaralina mortgaged land to secure the restructuring of our debt, and Agrícola Ponte Alta and Pedro Ometto S.A. mortgaged land to secure the restructuring of the debt of Da Barra.

For approximately seven months, we and Palermo Agrícola Ltda., or Palermo had the planned the stages of a project involving a build-to-suit and lease arrangement whereby Palermo would construct, pursuant to our specifications, the building that will house our shared services center in Piracicaba, the state of São Paulo, or the "Shared Services Center," which would thereafter be leased by Palermo to us. On July 1, 2010, Cosan entered into the build-to-suit and lease agreement with Palermo based on previously agreed business terms that formalized this arrangement. Following the completion of construction of the Shared Services Center, we leased this building from Palermo and Cosan has licensed this building to Raízen for a period of ten years, with monthly rental payments of R\$350,000 (U.S.\$196,500).

Recurring Financial Transactions with Related Parties

A substantial amount of our production is exported. In the normal course of our business, we sell sugar to affiliated offshore companies, such as Cosan International Universal Corporation, and finance the production of the sold goods through export prepayment agreements entered into with other affiliated offshore companies, such as Cosan Finance Limited or Cosan Cayman Limited. These agreements often set forth interest rates indexed to the *Libor* rate plus a spread varying from 2.15% to 4.85%. As of December 31, 2012, the outstanding amount related to these agreements was R\$1,043 million.

DESCRIPTION OF NOTES

In this Description of Notes, the term “Cosan” refers only to Cosan S.A. Indústria e Comércio, and any successor obligor on the notes, and not to any of its Subsidiaries or Affiliates. You can find the definitions of certain terms used in this description under “—Certain Definitions.”

Cosan Luxembourg S.A., or the Issuer, will issue the notes under an indenture to be dated as of March , 2013 among Cosan Luxembourg S.A., Cosan S.A. Indústria e Comércio, as guarantor (“Cosan”) and Deutsche Bank Trust Company Americas, as trustee. The terms of the notes include those stated in the indenture.

The following is a summary of the material provisions of the indenture. Because this is a summary, it may not contain all the information that is important to you. You should read the indenture in its entirety. Copies of the proposed form of the indenture are available as described under “Listing and General Information.”

Basic Terms of Notes

The notes:

- are unsecured unsubordinated obligations of the Issuer, ranking equally in right of payment with all other existing and future unsecured and unsubordinated obligations of the Issuer;
- will be fully, unconditionally and irrevocably guaranteed by Cosan, which guarantee will rank equally in right of payment with all other existing and future unsecured and unsubordinated obligations of Cosan;
- are issued in an original aggregate principal amount of U.S.\$500,000,000 in this offering, in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof;
- mature on March 14, 2023;
- will have a redemption price of U.S.\$500,000,000, which is the aggregate principal amount of the notes;
- bear interest commencing the date of issue at 5.00% per annum, payable semiannually on each, March 14 and September 14 of each year, commencing on September 14, 2013 to holders of record on the March 1 or September 1 immediately preceding the corresponding interest payment date;
- bear interest on overdue principal, and pay interest on overdue interest, at 1% per annum higher than the per annum rate set forth on the cover of this offering memorandum; and
- will have a redemption price at maturity payable in full in a single payment unless redeemed or repurchased earlier pursuant to the terms of the indenture;

Claims for principal in respect of notes shall become void unless the relevant note certificates are surrendered for payment within ten years of the due date therefor. Claims for interest in respect of notes shall become void unless the relevant note certificates are surrendered for payment within five years of the due date therefor.

Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Additional Notes

Subject to the covenants described below, the Issuer may, from time to time and without your consent as a holder of the notes, issue notes under the indenture having the same terms in all respects as the notes except that the issue date, the issue price and the first payment of interest thereon may differ. The notes offered hereby and any additional notes will be treated as a single class for all purposes under the indenture and will vote together as one class on all matters with respect to the notes.

Payment of Additional Amounts

All payments by the Issuer in respect of the notes or Cosan in respect of a Note Guarantee will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments, or other governmental

charges of whatever nature imposed or levied by or on behalf of any jurisdiction in which the Issuer or Guarantor is organized or is a resident for tax purposes, or any other jurisdiction through which any payments under the notes are made by or on behalf of the Issuer, or any political subdivision thereof, having power to tax (a “Relevant Jurisdiction”), unless the Issuer or the Guarantor is compelled by law to deduct or withhold such taxes, duties, assessments, or governmental charges. In such event, the Issuer or the Guarantor will make such deduction or withholding, make payment of the amount so withheld to the appropriate governmental authority and pay such additional amounts as may be necessary to ensure that the net amounts receivable by holders of notes after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the notes in the absence of such withholding or deduction (“Additional Amounts”). No such Additional Amounts shall be payable:

- to, or to a third party on behalf of, a holder who is liable for such taxes, duties, assessments or governmental charges in respect of such note by reason of the existence of any present or former connection between such holder (or between a fiduciary, settlor, beneficiary, member or shareholder of such holder, if such holder is an estate, a trust, a partnership, a limited liability company or a corporation) and the Relevant Jurisdiction, including, without limitation, such holder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein, other than the mere holding of the note or enforcement of rights and the receipt of payments with respect to the note;
- in respect of notes surrendered (if surrender is required) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of such note would have been entitled to such Additional Amounts, on surrender of such note for payment on the last day of such period of 30 days;
- where such Additional Amount is imposed on a payment to an individual and is required to be made pursuant to any law implementing or complying with, or introduced in order to conform to, European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000;
- to, or to a third party on behalf of, a holder who is liable for such taxes, duties, assessments or other governmental charges by reason of such holder’s failure to comply with any certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with the Relevant Jurisdiction, if (1) compliance is required by the Relevant Jurisdiction, as a precondition to, exemption from, or reduction in the rate of, the tax, duty, assessment or other governmental charge and (2) the Issuer has given the holders or such third party, as applicable, at least 30 days’ notice that they will be required to provide such certification, identification or other requirement;
- in respect of any estate, inheritance, gift, sales, transfer, capital gains, excise or personal property or similar tax, duty, assessment or governmental charge;
- in respect of any tax, duty, assessment or other governmental charge which is payable other than by deduction or withholding from payments of principal of or interest on the note or by direct payment by the Issuer or Cosan in respect of claims made against the Issuer or Cosan; or
- in respect of any combination of the above.

In addition, no Additional Amounts shall be paid with respect to any payment on a note to a holder who is a fiduciary, a partnership, a limited liability company or other than the sole beneficial owner of that payment to the extent that payment would be required by the laws of the Relevant Jurisdiction to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interest holder in a limited liability company or a beneficial owner who would not have been entitled to the Additional Amounts had that beneficiary, settlor, member or beneficial owner been the holder.

“Relevant Date” means, with respect to any payment on a note, whichever is the later of: (i) the date on which such payment first becomes due; and (ii) if the full amount payable has not been received by the trustee on or prior to such due date, the date on which notice is given to the holders that the full amount has been received by the trustee. The notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial

interpretation. Except as specifically provided above, neither the Issuer nor Cosan shall be required to make a payment with respect to any tax, duty, assessment or governmental charge imposed by any government or a political subdivision or taxing authority thereof or therein.

In the event that Additional Amounts actually paid with respect to the notes described above are based on rates of deduction or withholding of withholding taxes in excess of the appropriate rate applicable to the holder of such notes, and, as a result thereof such holder is entitled to make claim for a refund or credit of such excess from the authority imposing such withholding tax, then such holder shall, by accepting such notes, be deemed to have assigned and transferred all right, title, and interest to any such claim for a refund or credit of such excess to the Issuer.

Any reference in this offering memorandum, the indenture or the notes to principal, interest or any other amount payable in respect of the notes by the Issuer or the guarantee by Cosan will be deemed also to refer to any Additional Amount, unless the context requires otherwise, that may be payable with respect to that amount under the obligations referred to in this subsection.

The foregoing obligation will survive termination or discharge of the indenture, payment of the notes and/or the resignation or removal of the Trustee or any agent hereunder.

Redemption

Optional Redemption with a Make-Whole Premium

Prior to March 14, 2018, the Issuer may, at its option, redeem all of the notes at any time or part of the notes from time to time at a redemption price equal to 100% of the principal amount of the notes plus the Applicable Premium as of, and accrued and unpaid interest to, but excluding, the redemption date (subject to the right of holders of the notes on the relevant Record Date to receive interest due on the relevant interest payment date).

“Applicable Premium” means with respect to a note at any redemption date, the greater of (1) 1.0% of the principal amount of such note on such redemption date and (2) the excess, if any, of (A) an amount equal to the present value at such redemption date of (i) the redemption price of such note on March 14, 2018 (such redemption price being described in the “—Optional Redemption without a Make-Whole Premium” section exclusive of any accrued interest) *plus* (ii) all required remaining scheduled interest payments due on such note (assuming that the interest rate per annum on the notes applicable on the date on which the notice of redemption was given was in effect for the entire period) through March 14, 2018 (but excluding accrued and unpaid interest to the redemption date), in each case, computed using a discount rate equal to the Adjusted Treasury Rate *plus* 0.50%, over (B) the principal amount of such note on such redemption date.

“Adjusted Treasury Rate” means, with respect to any redemption date, (1) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated “H. 15(519)” or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities” for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after March 14, 2018, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (2) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

“Comparable Treasury Issue” means, with respect to any redemption date, the United States Treasury security selected by the Quotation Agent as having a maturity comparable from such redemption date to March 14, 2018 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a maturity most nearly equal to March 14, 2018.

“Comparable Treasury Price” means, with respect to any redemption date, if clause (2) of the Adjusted Treasury Rate is applicable, the average of three, or such lesser number as is obtained by the Quotation Agent, Reference Treasury Dealer Quotations for such redemption date.

“Quotation Agent” means the Reference Treasury Dealer selected by the Issuer.

“Reference Treasury Dealer” means Morgan Stanley & Co. LLC and its successors and assigns, and any three additional nationally recognized investment banking firms selected by the Issuer that are primary U.S. Government securities dealers.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as calculated by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day immediately preceding such redemption date.

Optional Redemption without a Make-Whole Premium

On and after March 14, 2018, the Company may, at its option, redeem all of the notes at any time or part of the notes from time to time at the following redemption prices (expressed as a percentage of principal amount), plus accrued and unpaid interest to, but excluding, the redemption date (subject to the right of holders of the notes on the relevant Record Date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period commencing on March 14 of the years set forth below:

Period	Redemption Price
2018.....	102.500%
2019.....	101.666%
2020.....	100.833%
2021 and thereafter	100.000%

Optional Redemption upon Sale of Equity Interests

At any time prior to March 14, 2016, the Issuer or Cosan may, on any one or more occasions, redeem up to 35% of the aggregate principal amount of notes issued under the indenture at a redemption price of 105.00% of the principal amount, plus accrued and unpaid interest to the redemption date, using cash in an amount up to the amount of the net cash proceeds of a sale of Equity Interests (other than Disqualified Stock) of the Issuer or Cosan or any Subsidiary thereof; provided that:

(1) at least 65% of the aggregate principal amount of notes originally issued under the indenture (excluding notes held by Cosan and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 90 days of the date of the closing of such sale of Equity Interests.

Notice of any redemption upon any sale of Equity Interests may be given prior to the completion thereof, and any such redemption or notice may, at the Issuer’s or Cosan’s discretion, be subject to one or more condition precedent, including, but not limited to, completion of the related sale.

Optional Redemption Procedures

In the event that less than all of the notes are to be redeemed at any time, selection of notes for redemption will be made by the Trustee in compliance with the requirements governing redemptions of the principal securities exchange, if any, on which notes are listed or if such securities exchange has no requirement governing redemption or the notes are not then listed on a securities exchange, on a *pro rata* basis or by lot (or, in the case of notes issued in global form, based on a method that most nearly approximates a *pro rata* selection in accordance with the procedures of DTC). If notes are redeemed in part, the remaining outstanding principal amount (including any

additional notes, but excluding any notes held by the Issuer or any of its Affiliates) must be at least equal to U.S.\$100.0 million.

Notice of any redemption will be mailed by first-class mail, postage prepaid, at least 30 but not more than 60 days before the redemption date to holders of notes to be redeemed at their respective registered addresses or otherwise in accordance with the procedures of the Depository Trust Company (“DTC”). If notes are to be redeemed in part only, the notice of redemption will state the portion of the principal amount thereof to be redeemed. For so long as the notes are listed on the Luxembourg Stock Exchange for trading on the Global Exchange Market and the rules of the exchange require, the Issuer will cause notices of redemption to also be published as described in “—Notices” below. A new note in a principal amount equal to the unredeemed portion thereof, if any, will be issued in the name of the holder thereof upon cancellation of the original note (or appropriate adjustments to the amount and beneficial interests in a global note will be made, as appropriate).

Notes called for redemption will become due on the date fixed for redemption. The Issuer will pay the redemption price for any note together with accrued and unpaid interest thereon through, but excluding, the redemption date. On and after the redemption date, interest will cease to accrue on notes or portions thereof called for redemption as long as the Issuer has deposited with the paying agent funds in satisfaction of the applicable redemption price pursuant to the indenture. Upon redemption of any notes by the Issuer, such redeemed notes will be cancelled or remain outstanding as instructed in each case by the Issuer.

Redemption for Taxation Reasons

If as a result of any change in or amendment to the laws (or any rules or regulations thereunder) of a Relevant Jurisdiction, or any amendment to or change in an official interpretation, administration or application of such laws, treaties, rules, or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective or, in the case of a change in official position, is announced on or after the issue date of the notes (or in the case of a successor on or after the date a successor assumes the obligations under the notes), (i) the Issuer or any successor has or will become obligated to pay any Additional Amounts as described above under “—Payment of Additional Amounts” in excess of the Additional Amounts the Issuer or any such successor would be obligated to pay if payments were subject to withholding or deduction at a rate of 0% (or in the case of a successor the rate of withholding in the jurisdiction of any successor to the Issuer on the date such successor replaces the Issuer) or (ii) Cosan or any successor has or will become obligated to pay Additional Amounts as described above under “—Payment of Additional Amounts” in excess of the Additional Amounts Cosan or any such successor would be obligated to pay if payments were subject to withholding or deduction at a rate of 15% or at a rate of 25% in case the holder of the notes is resident in a tax haven jurisdiction for Brazilian tax purposes (i.e., countries which do not impose any income tax or which impose it at a maximum rate lower than 20% or where the laws impose restrictions on the disclosure of ownership composition or securities ownership) (the rates in (i) and (ii), the “Minimum Withholding Level”), as a result of the taxes, duties, assessments and other governmental charges described above, the Issuer, Cosan or any such successor may, at its option, redeem all, but not less than all, of the notes, at a redemption price equal to 100% of their principal amount, together with interest accrued to the date fixed for redemption, upon publication of irrevocable notice of redemption not less than 30 days nor more than 90 days prior to the date fixed for redemption. No notice of such redemption may be given earlier than 90 days prior to the earliest date on which such Additional Amounts would first be paid were a payment then due. Notwithstanding the foregoing, the Issuer, Cosan or any successor shall not have the right to so redeem the notes unless: (i) it or Cosan, as the case may be, has taken reasonable measures to avoid the obligation to pay Additional Amounts (provided, however, for this purpose reasonable measures shall not include the Issuer, Cosan or any successor moving or changing jurisdiction); and (ii) it or Cosan, as the case may be, has complied with all necessary regulations to legally effect such redemption.

In the event that the Issuer, Cosan or any successor elects to so redeem the notes, it will deliver to the trustee: (1) a certificate, signed in the name of the Issuer by two of its executive officers or by its attorney in fact in accordance with its bylaws or any successor, stating that the Issuer, Cosan or any successor, as the case may be, is entitled to redeem the notes pursuant to their terms and setting forth a statement of facts showing that the condition or conditions precedent to the right of the Issuer or any successor to so redeem have occurred or been satisfied; and (2) an opinion of counsel, who is reasonably acceptable to the trustee, to the effect that the Issuer, any successor or Cosan or any successor to Cosan has or will become obligated to pay Additional Amounts in excess of the Additional Amounts payable at the Minimum Withholding Level as a result of the change or amendment, that the Issuer, Cosan, or any successor, as the case may be, cannot avoid payment of such excess Additional Amounts by

taking reasonable measures available to it and that all governmental requirements necessary for the Issuer, Cosan or any successor to effect the redemption have been complied with.

No Mandatory Redemption or Sinking Fund

There will be no mandatory redemption or sinking fund payments for the notes.

Guarantee

Cosan will fully, unconditionally and irrevocably guarantee to each holder and the trustee all of the obligations of the Issuer pursuant to the notes (the “Note Guarantee”), including, the full and prompt payment of principal and interest on the notes, and all other payment obligations of the Issuer under the indenture, when and as the same become due and payable, whether at maturity, upon redemption or repurchase, by declaration of acceleration or otherwise, including any Additional Amounts required to be paid in connection with certain taxes. Any obligation of the Issuer to make a payment may be satisfied by causing Cosan to make such payment. Cosan will comply with all then-applicable Central Bank regulations to legally effect any payments under the Note Guarantee.

The Note Guarantee will terminate upon

(1) a sale or other disposition (including by way of consolidation or merger) of Cosan, or the sale or disposition of all or substantially all the assets of Cosan (other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the indenture, or

(2) defeasance or discharge of the notes, as described under the caption “—Defeasance and Discharge.”

None of Cosan’s Subsidiaries (other than the Issuer), Raízen Energia S.A. or Raízen Combustíveis S.A. will guarantee the notes. The notes and Note Guarantee will be effectively subordinated to claims of creditors (including trade creditors and preferred stockholders, if any) of each of Cosan’s Subsidiaries (other than the Issuer), Raízen Energia S.A., Raízen Combustíveis S.A.

Ranking

The notes will be unsecured and unsubordinated obligations of the Issuer and will rank equally with any and all other existing and future unsecured and unsubordinated obligations of the Issuer. The notes (including any additional notes) are the only indebtedness of the issuer, and the Issuer will have no Debt other than the notes (including any additional notes), except for any additional Debt Incurred solely for the purpose of complying with its obligations under the notes.

The Note Guarantee will be an unsecured, unsubordinated obligation of Cosan, ranking equally with all of its other existing and future unsecured and unsubordinated obligations. The Note Guarantee will effectively rank junior to all secured debt of Cosan, to the extent of the value of the assets securing that debt. Although the indenture contains limits on the ability of the Issuer and Cosan to incur secured debt, the limitation is subject to a number of significant exceptions. If we become insolvent or are liquidated, or default in the payment of these obligations, our secured creditors will be entitled to exercise the remedies available to them under the law. These creditors will have a prior claim on our assets covered by their liens. See “Certain Covenants—Limitation on Liens.”

Under Brazilian law, as a general rule, holders of the notes and the Note Guarantee will not have any claim whatsoever against non-guarantor subsidiaries of Cosan. Although the indenture limits the incurrence of Debt and Disqualified Stock of Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the indenture does not impose any limitation on the incurrence by Cosan’s Subsidiaries, or by Raízen Energia S.A. or Raízen Combustíveis S.A., of liabilities that are not considered Debt or Disqualified Stock under the indenture. See “—Certain Covenants—Limitation on Debt and Disqualified Stock.”

Open Market Purchases

The Issuer or its Affiliates may at any time purchase the notes in the open market or otherwise at any price.

Certain Covenants

The indenture contains covenants that impose limitations and restrictions on the Issuer and also sets forth covenants that will be applicable to Cosan and its Subsidiaries, including, among others, the following:

Limitations and Restrictions on the Issuer

The indenture limits and restricts the Issuer from taking the following actions or engaging in the following activities or transactions:

- engaging in any business except for:
 - the issuance, sale, redemption, repurchase or defeasance of the notes, additional notes and any other Debt not otherwise prohibited for Cosan by the indenture and any activities incidentally related thereto;
 - entering into Affiliate loans and cash management transactions, including import and export financing transactions, and any activities reasonably related thereto;
 - the entering into Hedging Agreements not for speculation; and
 - as required by law;
- creating, assuming, incurring or suffering to exist any Lien upon any properties or assets whatsoever, except for any liens permitted under “—Limitation on Liens”; and
- entering into any consolidation, merger, amalgamation or other form of combination with any Person except for a Substantially-Wholly Owned Restricted Subsidiary that assumes the obligations under the notes and the indenture (to the extent the Issuer is not the surviving entity).

In addition, Cosan will covenant to continue to own, directly or indirectly, a majority of the Voting Stock of the Issuer.

Limitation on Debt and Disqualified Stock

(a) Cosan

- (1) will not, and will not permit any of its Restricted Subsidiaries to, Incur any Debt; and
- (2) will not, and will not permit any Restricted Subsidiary to, Incur any Disqualified Stock (other than Disqualified Stock of Restricted Subsidiaries held by Cosan or a Restricted Subsidiary, so long as it is so held).

provided that Cosan or any of its Restricted Subsidiaries may Incur Debt and Disqualified Stock if, on the date of the Incurrence, after giving effect to the Incurrence and the receipt and the application of the proceeds therefrom, the Net Debt to EBITDA Ratio shall not exceed 3.5.

(b) Notwithstanding the foregoing, Cosan, and to the extent provided below, any Restricted Subsidiary may Incur the following (“Permitted Debt”):

- (1) Debt of Cosan or a Restricted Subsidiary so long as such Debt continues to be owed to Cosan or a Restricted Subsidiary and which, if the obligor is Cosan, is subordinated in right of payment to the notes; provided that any Debt owed to Cosan pursuant to this clause will not be so subordinated;
- (2) Debt of the Issuer pursuant to the notes (other than additional notes) and Debt of Cosan pursuant to the Note Guarantee (including any additional notes);
- (3) Debt of Cosan or any Restricted Subsidiary (“Permitted Refinancing Debt”) constituting an extension or renewal of, replacement of, or substitution for, or issued in exchange for, or the net proceeds of which are used to repay, redeem, repurchase, refinance or refund, including by way of defeasance (all

of the above, for purposes of this clause, “refinance”) then outstanding Debt in an amount not to exceed the principal amount of the Debt so refinanced, *plus* premiums, fees and expenses; *provided* that

- (A) in case the Debt to be refinanced is subordinated in right of payment to the notes, the new Debt, by its terms or by the terms of any agreement or instrument pursuant to which it is outstanding, is expressly made subordinate in right of payment to the notes at least to the extent that the Debt to be refinanced is subordinated to the notes,
 - (B) the new Debt does not have a Stated Maturity prior to the Stated Maturity of the Debt to be refinanced, and the Average Life of the new Debt is at least equal to the remaining Average Life of the Debt to be refinanced, and
 - (C) Debt Incurred pursuant to clauses (1), (4), (5), (9), (10), (11), (13), (14) and (15) may not be refinanced pursuant to this clause;
- (4) Hedging Agreements of Cosan or any Restricted Subsidiary entered into in the ordinary course of business for the purpose of limiting risks associated with the business of Cosan and its Restricted Subsidiaries and not for speculation;
 - (5) Debt of Cosan or any Restricted Subsidiary with respect to letters of credit and bankers’ acceptances, deposits, promissory notes, self-insurance obligations, performance, customs, bid, surety, appeal or similar bonds, completion guarantees, in each case issued in the ordinary course of business and not supporting Debt, including letters of credit supporting performance, surety or appeal bonds;
 - (6) Acquired Debt, *provided* that after giving effect to the Incurrence thereof, Cosan (i) could Incur at least U.S.\$1.00 of Debt under the Net Debt to EBITDA Ratio test set forth in paragraph (a) of this covenant or (ii) would not have a greater Net Debt to EBITDA Ratio then immediately prior to giving effect to the Incurrence of such Acquired Debt;
 - (7) Debt of Cosan or any Restricted Subsidiary outstanding on the Issue Date:
 - (8) Debt of a Restricted Subsidiary Incurred and outstanding on or prior to the date on which such Restricted Subsidiary was acquired by Cosan (other than Debt Incurred as consideration in, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary of, or was otherwise acquired by, Cosan); *provided, however*, that on the date that such Restricted Subsidiary is acquired by Cosan, Cosan (i) would have been able to Incur U.S.\$1.00 of additional Debt pursuant to paragraph (a) above or (ii) would not have a greater Net Debt to EBITDA Ratio then immediately prior to giving effect to the Incurrence of such Debt;
 - (9) Debt of Cosan or any Restricted Subsidiary arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or Guarantees or letters of credit, surety bonds or performance bonds securing any obligations of Cosan or any Restricted Subsidiary pursuant to such agreements, in any case Incurred in connection with the disposition of any business, assets or Restricted Subsidiary (other than Guarantees of Debt Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition), so long as the amount does not exceed the gross proceeds actually received by Cosan or any Restricted Subsidiary thereof in connection with such disposition, provided that such Debt is not reflected on the balance sheet of Cosan or any Restricted Subsidiary;
 - (10) Debt of Cosan or any Restricted Subsidiary arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business, provided, however, that such Debt is extinguished within five Business Days of its Incurrence;
 - (11) Debt of Cosan or any Restricted Subsidiary constituting letters of credit issued in the ordinary course of business or reimbursement obligations in respect thereof; provided that, upon the drawing upon such letters of credit, such obligations are reimbursed in full within 30 days following such drawing;

- (12) Debt of Cosan or any Restricted Subsidiary to the extent that the net proceeds thereof are promptly deposited to defease or to satisfy and discharge the notes in accordance with the indenture;
 - (13) Debt of Cosan or any Restricted Subsidiary for taxes levied, assessments due and other governmental charges required to be paid as a matter of law or regulation in the ordinary course of business;
 - (14) Debt of Cosan or any Restricted Subsidiary consisting of (A) the financing of insurance premiums or (B) take-or-pay obligations contained in supply agreements in the ordinary course of business;
 - (15) Debt with respect to reimbursement type obligations regarding workers' compensation claims and Debt and other obligations in respect of deferred compensation of employees Incurred in the ordinary course of business; and
 - (16) Debt of Cosan or any Restricted Subsidiary Incurred on or after the Issue Date not otherwise permitted in an aggregate principal amount at any time outstanding not to exceed the greater of (i) U.S.\$750 million (or the equivalent thereof at the time of the determination) and (ii) 4.0% of Cosan's Total Consolidated Assets.
- (c) Notwithstanding anything to the contrary in this covenant, the maximum amount of Debt that Cosan and its Restricted Subsidiaries may Incur pursuant to this covenant shall not be deemed to be exceeded, with respect to any outstanding Debt, solely as a result of fluctuations in the exchange rate of currencies.
 - (d) For purposes of determining compliance with this covenant, in the event that any proposed Debt meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (16) of paragraph (b) above, or is entitled to be Incurred pursuant to paragraph (a) above, Cosan and its Restricted Subsidiaries will be permitted to classify such item of Debt at the time of its Incurrence in any manner that complies with this covenant or to later reclassify all or a portion of such item of Debt.
 - (e) Cosan may not Incur any Debt that is subordinate in right of payment to other Debt of Cosan unless such Debt is also subordinate in right of payment to the notes or the relevant Note Guarantee on substantially identical terms.
 - (f) The accrual of interest, the accretion or amortization of original issue discount, the payment of regularly scheduled interest in the form of additional Debt of the same instrument or the payment of regularly scheduled dividends on Disqualified Equity Interests in the form of additional Disqualified Equity Interests with the same terms will not be deemed to be an Incurrence of Debt for purposes of this covenant; *provided* that any such outstanding additional Debt or Disqualified Equity Interests paid in respect of Debt Incurred pursuant to any provision of paragraph (b) above will be counted as Debt outstanding for purposes of any future Incurrence of Debt pursuant to paragraph (a) above.
 - (g) For the purposes of determining the Net Debt to EBITDA Ratio in paragraph (a) above, the U.S. dollar-equivalent principal amount of Debt denominated in a non-U.S. currency or the Brazilian-*reais* equivalent principal amount of Debt denominated in a non-Brazilian currency shall be calculated based on the relevant currency exchange rate determined on the date of Incurrence to the extent the Debt was hedged for foreign exchange rate fluctuations. For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Debt, the U.S. dollar-equivalent principal amount of Debt denominated in a non U.S. currency shall be calculated based on the relevant currency exchange rate determined on the date of Incurrence, in the case of term Debt, or first committed, in the case of revolving credit Debt; provided that if such Debt is Incurred to refinance other Debt denominated in a non U.S. currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction will be deemed not to have been exceeded so long as the principal amount of such Permitted Refinancing Debt does not exceed the principal amount of such Debt being refinanced. The principal amount of any Debt Incurred to refinance other Debt, if Incurred in a different currency from the Debt being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Permitted Refinancing Debt is denominated calculated based on the relevant currency exchange rates as calculated in the first sentence of this paragraph.

Limitation on Restricted Payments

- (a) Cosan will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments and other actions described in the following clauses being collectively “Restricted Payments”):
- declare or pay any dividend or make any distribution on its Equity Interests (other than dividends or distributions paid in Cosan’s Qualified Equity Interests) held by Persons other than Cosan or any of its Restricted Subsidiaries (and, if such Restricted Subsidiary has shareholders other than Cosan or any other Restricted Subsidiary, to its shareholders on a *pro rata* basis);
 - purchase, redeem or otherwise acquire or retire for value any Equity Interests of Cosan held by Persons other than Cosan or any of its Restricted Subsidiaries; or
 - repay, redeem, repurchase, defease or otherwise acquire or retire for value, or make any payment on or with respect to, any Subordinated Debt except a payment of interest or principal at Stated Maturity;

unless, at the time of, and after giving effect to, the proposed Restricted Payment:

- (1) no Event of Default has occurred and is continuing,
- (2) Cosan could Incur at least U.S.\$1.00 of Debt under the Net Debt to EBITDA Ratio test set forth in the first paragraph of the covenant described above under the caption “—Limitation on Debt and Disqualified Stock,” and
- (3) the aggregate amount expended for all Restricted Payments made on or after the Issue Date would not, subject to paragraph (d), exceed the sum of:
 - (A) 50% of the aggregate amount of the Consolidated Net Income (or, if the Consolidated Net Income is a loss, minus 100% of the amount of the loss) accrued on a cumulative basis during the period, taken as one accounting period, beginning on January 1, 2013 and ending on the last day of Cosan’s most recently completed fiscal quarter for which financial statements have been provided (or if not timely provided, required to be provided) pursuant to the indenture, *plus*
 - (B) subject to paragraph (c), the aggregate net cash proceeds received by Cosan (other than from a Restricted Subsidiary) after the Issue Date:
 - (i) from the issuance and sale of its Qualified Equity Interests, including by way of issuance of its Disqualified Equity Interests or Debt to the extent since converted into Qualified Equity Interests of Cosan, or
 - (ii) as a contribution to its common equity, *plus*
 - (C) the cash return, after the Issue Date and prior to the date of such Restricted Payment, on any Investment made after the Issue Date pursuant to this paragraph (a), as a result of any sale for cash, repayment, redemption, liquidating distribution or other cash realization (not included in Consolidated Net Income), not to exceed the amount of such Investment so made; *plus*
 - (D) the amount by which Debt of Cosan or any of its Restricted Subsidiaries is reduced on Cosan’s balance sheet or the balance sheet of such Restricted Subsidiary, in each case, upon the conversion or exchange (including by means of a subscription) (other than by the Company or any of its Restricted Subsidiaries) subsequent to the Issue Date of any such Debt for Equity Interests (other than Disqualified Equity Interests) of Cosan (less the amount of any cash or the fair market value of any other property distributed by Cosan or any of its Restricted Subsidiaries upon such conversion or exchange).

The amount expended in any Restricted Payment, if other than in cash, will be deemed to be the fair market value of the relevant non-cash assets, as determined in good faith by the Board of Directors, whose determination will be conclusive and evidenced by a Board Resolution.

- (b) The foregoing will not prohibit the declaration and payment of mandatory dividends, in an amount equivalent to not more than 25% of Cosan's adjusted Net Income (as defined under Brazilian corporate law) and Cosan's bylaws, provided that the payment of such amounts is in compliance with the Brazilian corporate law and Cosan's bylaws and that Cosan's board of directors, with the approval of the fiscal council, if in existence at such time, has not reported to the general shareholders' meeting that the distribution would not be advisable given the financial condition of Cosan or its Restricted Subsidiary
- (c) The foregoing will not prohibit:
- (1) the payment of any dividend after the date of declaration thereof if, at the date of declaration, such payment would comply with paragraph (a);
 - (2) dividends or distributions by a Restricted Subsidiary payable, on a *pro rata* basis or on a basis more favorable to Cosan, to all holders of any class of Capital Stock of such Restricted Subsidiary a majority of which is held, directly or indirectly through Restricted Subsidiaries, by Cosan;
 - (3) the repayment, redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Debt with the proceeds of, or in exchange for, Permitted Refinancing Debt;
 - (4) the declaration or payment of dividends or any distribution or the purchase, redemption, acquisition or retirement of any Equity Interests in connection with any corporate reorganization or delisting transaction involving the public shareholders of Cosan Limited, *provided* that immediately following such declaration, payment, distribution, purchase, redemption, acquisition or retirement, Cosan could Incur at least U.S.\$1.00 of Debt under the Net Debt to EBITDA Ratio test set forth in the first paragraph of the covenant described above under the caption "—Limitation on Debt and Disqualified Stock";
 - (5) the purchase, redemption or other acquisition or retirement for value of Equity Interests of Cosan in exchange for, or out of the proceeds of a substantially concurrent offering of, Qualified Equity Interests of Cosan or of a cash contribution to the common equity of Cosan;
 - (6) the declaration and payment of any dividend or interest on outstanding capital payable with respect to periods prior to January 1, 2013 up to a maximum amount of the lesser of (i) 50.0% of the aggregate amount of the Consolidated Net Income accrued on a cumulative basis during the period, taken as one accounting period, beginning on April 1, 2012 and ending on January 1, 2013 and (ii) R\$250.0 million;
 - (7) the repayment, redemption, repurchase, defeasance or other acquisition or retirement of Subordinated Debt of Cosan in exchange for, or out of the proceeds of, a substantially concurrent offering of, Qualified Equity Interests of Cosan or of a cash contribution to the common equity of Cosan;
 - (8) the purchase, redemption or other acquisition or retirement for value of Equity Interests of Cosan in connection with Cosan's share repurchase program for the repurchase of up to R\$250.0 million in shares of Cosan's Capital Stock; and
 - (9) in addition to the foregoing Restricted Payments in clauses (1) through (8), Restricted Payments in an amount not to exceed the greater of U.S.\$75.0 million (or the equivalent thereof at the time of determination);

provided that, in the case of clause (5) no Event of Default has occurred and is continuing or would occur as a result thereof.

- (d) Restricted Payments permitted pursuant to only clauses (2), (3), (4), (5), (6), (7) or (9) of paragraph (c) will not be included in making the calculations under clause (3) of paragraph (a).
- (e) Not later than the date of making any Restricted Payment relying on clause (3) of paragraph (a), the Issuer will deliver to the trustee an Officers' Certificate stating that the Restricted Payment is permitted and setting forth the basis upon which the calculations required by the covenant were calculated.

Ranking

Each of the Issuer and Cosan will ensure that its respective obligations under the indenture, the notes and the Note Guarantee will at all times constitute direct and unconditional obligations of the Issuer or Cosan, ranking at all times at least *pari passu* in priority of payment, in right of security and in all other respects among themselves and with all other Debt of such Person, except to the extent any such other Debt ranks above such obligations by reason of Liens permitted under the covenant described under “—Limitation on Liens.”

Limitation on Liens

Cosan will not, and will not permit any Restricted Subsidiary to, directly or indirectly, Incur or permit to exist any Lien of any nature whatsoever (other than Permitted Liens) on any of its properties or assets, whether owned at the Issue Date or thereafter acquired, in each case securing any Debt, without effectively providing that the notes are secured equally and ratably with (or, if the obligation to be secured by the Lien is subordinated in right of payment to the notes or the Note Guarantee, prior to) the obligations so secured for so long as such obligations are so secured, except that the foregoing provisions shall not apply to Liens which secure only Debt owing by any Restricted Subsidiary to Cosan and/or by Cosan to one or more Restricted Subsidiaries.

Limitation on Sale and Leaseback Transactions

Cosan will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction with respect to any Property unless Cosan or such Restricted Subsidiary would be entitled to

- (A) Incur Debt in an amount equal to the Attributable Debt with respect to such Sale and Leaseback Transaction pursuant to the covenant described under the heading “—Limitation on Debt and Disqualified Stock,” and
- (B) create a Lien on such Property or asset securing such Attributable Debt without equally and ratably securing the notes pursuant to the covenant described under the heading “—Limitation on Liens,”

in which case, the corresponding Debt and Lien will be deemed Incurred pursuant to those provisions.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

- (a) Except as provided in paragraph (b), Cosan will not, and will not permit any of its Restricted Subsidiaries to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction of any kind on the ability of any Restricted Subsidiary to
 - (1) pay dividends or make any other distributions on any Equity Interests of the Restricted Subsidiary owned by Cosan or any other Restricted Subsidiary,
 - (2) pay any Debt or other obligation owed to Cosan or any other Restricted Subsidiary,
 - (3) make loans or advances to Cosan or any other Restricted Subsidiary, or
 - (4) transfer any of its property or assets to Cosan or any other Restricted Subsidiary.
- (b) The provisions of paragraph (a) do not apply to any encumbrances or restrictions
 - (1) existing on the Issue Date as provided for in the indenture or any other agreements in effect on the Issue Date, and any extensions, renewals, replacements or refinancings of any of the foregoing; *provided* that the encumbrances and restrictions in the extension, renewal, replacement or refinancing are, taken as a whole, no less favorable in any material respect to the noteholders than the encumbrances or restrictions being extended, renewed, replaced or refinanced;
 - (2) existing under or by reason of applicable law;
 - (3) existing with respect to any Person, or to the Property of any Person, at the time such Person or the Property is acquired by Cosan or any Restricted Subsidiary,

which encumbrances or restrictions: (i) are not applicable to any other Person or the Property of any other Person; and (ii) were not put in place in anticipation of such event, and any extensions, renewals, replacements or refinancings of any of the foregoing; *provided* the encumbrances and restrictions in the extension, renewal, replacement or refinancing are, taken as a whole, no less favorable in any material respect to the noteholders than the encumbrances or restrictions being extended, renewed, replaced or refinanced;

- (4) of the type described in clause (a)(4) arising or agreed to in the ordinary course of business (i) that restrict in a customary manner the subletting, assignment or transfer of any Property that is subject to a lease or license or (ii) by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any Property of, Cosan or any Restricted Subsidiary;
- (5) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or Property of, the Restricted Subsidiary that is permitted by the covenant described under the heading “—Limitation on Asset Sales”;
- (6) with respect to a Restricted Subsidiary and imposed by any agreement governing Debt of any Restricted Subsidiary that is permitted to be Incurred by the covenant described under “—Limitation on Debt and Disqualified Stock”; provided that the encumbrance or restriction is customary in comparable transactions and will not materially affect the Issuer’s or Cosan’s ability to pay interest or principal, when due, on the notes;
- (7) with respect to a Restricted Subsidiary and imposed pursuant to a customary provision in a joint venture, asset sale, or stock sale agreements or other similar agreement with respect to such Restricted Subsidiary that was entered into in the ordinary course of business;
- (8) imposed by the standard loan documentation in connection with loans from (a) Banco Nacional de Desenvolvimento Econômico e Social—BNDES, or any other Brazilian governmental development bank or credit agency or (b) any international or multilateral development bank or government-sponsored agency, government-sponsored agency to any Restricted Subsidiary;
- (9) with respect to a Restricted Subsidiary pursuant to an agreement effecting a refunding, replacement or refinancing of, or amendment or modification to, an agreement referred to in clauses (1) or (3) above (or Debt Incurred pursuant to such agreement) or this clause (9), *provided, however*, that such encumbrances or restrictions are no less favorable, in any material respect, taken as a whole, to the holders of the notes than the encumbrances and restrictions contained in such agreements referred to in clauses (1) and (3) above on the Issue Date or the date of acquisition of such Person, property or assets, as applicable; or
- (10) required pursuant to the indenture.

Repurchase of Notes upon a Change of Control

Not later than 30 days following a Change of Control that results in a Rating Decline, the Issuer shall make an Offer to Purchase all outstanding notes at a purchase price equal to 101% of the principal amount plus accrued interest to the date of purchase.

An “Offer to Purchase” must be made by written offer, which will specify the principal amount of notes subject to the offer and the purchase price. The offer must specify an expiration date (the “expiration date”) not less than 30 days or more than 60 days after the date of the offer and a settlement date for purchase (the “purchase date”) not more than five Business Days after the expiration date. The offer must include information concerning the business of Cosan and its Restricted Subsidiaries which the Issuer in good faith believes will enable the holders to make an informed decision with respect to the Offer to Purchase. The offer will also contain instructions and materials necessary to enable holders to tender notes pursuant to the offer.

A holder may tender all or any portion of its notes pursuant to an Offer to Purchase, subject to the minimum denomination requirement and the requirement that any portion of a note tendered must be in a multiple of U.S.\$1,000 principal amount. Holders are entitled to withdraw notes tendered up to the close of business on the expiration date. On the purchase date, the purchase price will become due and payable on each note accepted for

purchase pursuant to the Offer to Purchase, and interest on notes purchased will cease to accrue on and after the purchase date.

The Issuer will comply with Rule 14e-1 under the Exchange Act (to the extent applicable) and all other applicable laws in making any Offer to Purchase, and the above procedures will be deemed modified as necessary to permit such compliance.

The Issuer will agree in the indenture to obtain all necessary consents and regulatory approvals under the laws of Luxembourg and Brazil prior to making any Offer to Purchase. Any failure to obtain such consents and approvals will constitute an Event of Default.

In the event that the holders of not less than 90% of the aggregate principal amount of the outstanding notes accept an Offer to Purchase and the Issuer or a third party purchases all the notes held by such holders, the Issuer will have the right, on not less than 30 nor more than 60 days' prior notice, given not more than 30 days following the purchase pursuant to the Offer to Purchase described above, to redeem all of the notes that remain outstanding following such purchase at the purchase price equal to that in the Offer to Purchase *plus*, to the extent not included in the Offer to Purchase payment, accrued and unpaid interest and additional amounts, if any, on the notes that remain outstanding, to the date of redemption (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Future debt of the Issuer may provide that a Change of Control is a default or require repurchase upon a Change of Control. Moreover, the exercise by the noteholders of their right to require the Issuer to purchase the notes could cause a default under other debt, even if the Change of Control itself does not, due to the financial effect of the purchase on the Issuer. In addition, any remittance of funds outside of Brazil to noteholders or the trustee may require the consent of the Central Bank of Brazil, which may not be granted. The Issuer's ability to pay cash to the noteholders following the occurrence of a Change of Control may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the notes. See "Risk Factors—Certain Factors Relating to the Notes and the Guarantee—We may be unable to purchase the notes upon a change of control."

The phrase "all or substantially all," as used with respect to the assets of the Issuer in the definition of "Change of Control," is subject to interpretation under applicable state law, and its applicability in a given instance would depend upon the facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Issuer has occurred in a particular instance, in which case a holder's ability to obtain the benefit of these provisions could be unclear.

In addition, pursuant to the terms of the indenture, the Issuer is only required to offer to repurchase the notes in the event that a Change of Control results in a Rating Decline. Consequently, if a Change of Control were to occur which does not result in a Rating Decline, the Issuer would not be required to offer to repurchase the notes.

Except as described above with respect to a Change of Control, the indenture does not contain provisions that permit the holder of the notes to require that the Issuer purchase or redeem the notes in the event of a takeover, recapitalization or similar transaction.

The provisions under the indenture relating to the Issuer's obligation to make an offer to repurchase the notes as a result of a Change of Control may be waived or amended as described in "—Amendments and Waivers."

Limitation on Asset Sales

Cosan will not, and will not permit any Restricted Subsidiary to, make any Asset Sale unless the following conditions are met:

- (1) The Asset Sale is for fair market value, as determined in good faith by the Board of Directors.
- (2) At least 75% of the consideration consists of cash or Cash Equivalents. (For purposes of this clause (2), the assumption by the purchasers of Debt or other obligations (other than Subordinated Debt) of Cosan or a Restricted Subsidiary pursuant to a customary novation agreement, and instruments or securities received from the purchasers that are promptly, but in any event within 90 days of the closing, converted by Cosan to cash, to the extent of the cash actually so received, shall be considered cash received at closing.)

(3) Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Net Cash Proceeds may be used (each a, “Permitted Reinvestment”):

- (A) to permanently repay Debt other than Subordinated Debt of Cosan or any Restricted Subsidiary (and in the case of a revolving credit, permanently reduce the commitment thereunder by such amount), in each case owing to a Person other than Cosan or any Restricted Subsidiary,
- (B) to acquire or invest in (or within such 360-day period in this clause (3), Cosan’s board of directors shall have made a good faith determination to acquire or invest, which acquisition or investment shall be consummated prior to the second anniversary of such Asset Sale) (i) all or substantially all of the assets of a Permitted Business, (ii) a majority of the Voting Stock of another Person that thereupon becomes a Restricted Subsidiary engaged in a Permitted Business, or to make capital expenditures or otherwise acquire long-term assets that are to be used in a Permitted Business or (iii) a Permitted Business Investment; or
- (C) to acquire Productive Assets for Cosan or any of its Restricted Subsidiaries.

provided that pending the final application of any such Net Cash Proceeds in accordance with this clause (3), the Company or such Restricted Subsidiary may temporarily reduce Debt or otherwise invest such Net Cash Proceeds in any manner not prohibited by the indenture.

(4) Notwithstanding clauses (1)-(3) above, Cosan and its Restricted Subsidiaries will be permitted to consummate an Asset Sale without complying with such clauses to the extent:

- (A) at least 75% of the consideration for such Asset Sale constitutes Productive Assets, cash, Cash Equivalents and/or Marketable Securities; and
- (B) the Asset Sale is for fair market value, as determined in good faith by the Board of Directors;

provided that any consideration not constituting Productive Assets received by Cosan or any Restricted Subsidiary in connection with any Asset Sale permitted to be consummated under this clause shall be applied (in the case of cash, Cash Equivalents and Marketable Securities within 360 days after the receipt thereof) in accordance with the provisions of clause (3) above.

(5) The Net Cash Proceeds of an Asset Sale not applied pursuant to clause (3) within 360 days of the Asset Sale constitute “Excess Proceeds.” Excess Proceeds of less than U.S.\$50.0 million (or the equivalent thereof at the time of determination) will be carried forward and accumulated. When accumulated Excess Proceeds equals or exceeds such amount, Cosan must, within 30 days, make an Offer to Purchase notes having a principal amount equal to:

- (A) accumulated Excess Proceeds, multiplied by
- (B) a fraction (x) the numerator of which is equal to the outstanding principal amount of the notes and (y) the denominator of which is equal to the outstanding principal amount of the notes and all *pari passu* Debt similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest U.S.\$1,000. The purchase price for the notes will be 100% of the principal amount *plus* accrued interest to the date of purchase. If the Offer to Purchase is for less than all of the outstanding notes and notes in an aggregate principal amount in excess of the purchase amount are tendered and not withdrawn pursuant to the offer, Cosan will purchase notes having an aggregate principal amount equal to the purchase amount on a *pro rata* basis, with adjustments so that only notes in multiples of U.S.\$1,000 principal amount will be purchased, provided that after a purchase from a holder in part, such holder shall hold U.S.\$200,000 in principal amount of notes or a multiple of U.S.\$1,000 in excess thereof. Cosan will agree in the indenture to obtain all necessary consents and approvals from the Central Bank of Brazil for the remittance of funds outside Brazil prior to making any Offer to Purchase. Any failure to obtain such consents and approvals will constitute an Event of Default. Upon completion of the Offer to Purchase, Excess Proceeds will be reset at zero.

Limitation on Transactions with Shareholders and Affiliates

- (a) Cosan will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement including the purchase, sale, lease or exchange of property or assets, or the rendering of any service with (x) any of its shareholders holding 10% or more of any class of Capital Stock of Cosan or (y) any Affiliate of Cosan or any Restricted Subsidiary (a “Related Party Transaction”), except upon terms no less favorable to Cosan or the Restricted Subsidiary than could be obtained in a comparable arm’s length transaction with a Person that is not an Affiliate of Cosan.
- (b) In any Related Party Transaction or series of Related Party Transactions with an aggregate value in excess of U.S.\$20.0 million (or the equivalent thereof at the time of determination), Cosan must first deliver to the Trustee a certificate from Cosan’s Chief Financial Officer or Chief Executive Officer to the effect that such transaction or series of related transactions are on terms no less favorable to Cosan or such Restricted Subsidiary than could be obtained in a comparable arm’s length transaction and is otherwise compliant with the terms of the Indenture.
- (c) The foregoing paragraphs do not apply to:
 - (1) any transaction between Cosan and any Restricted Subsidiary or between Restricted Subsidiaries and Cosan (in each case, including Radar Propriedades Agrícolas S.A. and its Subsidiaries (only to the extent the results of operations of such entity is consolidated by Cosan));
 - (2) the payment of reasonable and customary regular fees to directors of Cosan who are not employees of Cosan;
 - (3) any Restricted Payments of a type described in one of the first two bullet points in paragraph (a) under the caption “—Limitation on Restricted Payments” if permitted by that covenant;
 - (4) any issuance or sale of Equity Interests (other than Disqualified Stock);
 - (5) transactions or payments pursuant to any employee, officer or director compensation or benefit plans, customary indemnifications or arrangements entered into in the ordinary course of business;
 - (6) transactions pursuant to agreements in effect on the Issue Date and described in this offering memorandum, as amended, modified or replaced from time to time so long as the amended, modified or new agreements, taken as a whole, are no less favorable to Cosan and its Restricted Subsidiaries than those in effect on the date of the indenture;
 - (7) any Sale Leaseback Transaction otherwise permitted under the caption “—Limitation on Sale and Leaseback Transactions” if such transaction is on market terms;
 - (8) any advance, loan or other extension of credit (or guarantee thereof) in connection with the use of the proceeds of the notes (including any additional notes) as well as additional loans outstanding from Cosan or any of its Restricted Subsidiaries to an Affiliate to the extent that any such advance, loan or other extension of credit (i) has a Stated Maturity that is prior to the Stated Maturity of the notes and (ii) is on market terms;
 - (9) (A) transactions with customers, clients, distributors, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business and on market terms, or (B) transactions with joint ventures or other similar arrangements entered into in the ordinary course of business, on market terms and consistent with past practice or industry norms;
 - (10) the Joint Venture and any transactions or provision of services related thereto; and
 - (11) the provision of administrative services to any joint venture or Unrestricted Subsidiary on substantially the same terms provided to or by Restricted Subsidiaries.

Reporting Requirements

- (a) Cosan will provide the trustee with the following reports (and will also provide the trustee with sufficient copies, as required, of the following reports referred to in clauses (1), (2) and (4) below for distribution, at their expense, to all holders of notes):
- (1) an English language version of its annual audited consolidated financial statements prepared in accordance with IFRS promptly upon such financial statements becoming available but not later than 120 days after the close of its fiscal year;
 - (2) an English language version of its unaudited quarterly financial statements prepared in accordance with IFRS promptly upon such financial statements becoming available but not later than 60 days after the close of each fiscal quarter (other than the last fiscal quarter of its fiscal year);
 - (3) simultaneously with the delivery of the financial statements referred to in clause (1) above, an officers' certificate stating whether a Default or Event of Default exists on the date of such certificate and, if a Default or Event of Default exists, setting forth the details thereof and the action which Cosan is taking or proposes to take with respect thereto;
 - (4) without duplication, English language versions or summaries of such other reports or notices as may be filed or submitted by (and promptly after filing or submission by) Cosan with the Luxembourg Stock Exchange or any other stock exchange on which the notes may be listed (in each case, to the extent that any such report or notice is generally available to its security holders or the public in Brazil); and
 - (5) as soon as practicable and in any event within 30 calendar days after any director or executive officer of the Issuer or Cosan becomes aware of the existence of a Default or Event of Default, an officers' certificate setting forth the details thereof and the action which Cosan is taking or proposes to take with respect thereto.

If Cosan makes available the reports described in clauses (1) or (2) or (4) on Cosan's website and notifies the trustee in writing thereof, it will be deemed to have satisfied the reporting requirement set forth in such applicable clause.

Delivery of the above reports to the trustee is for informational purposes only and the trustee's receipt of such reports will not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's or any Cosan's compliance with any of its covenants in the indenture (as to which the trustee is entitled to rely exclusively on officers' certificates).

- (b) For so long as the notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, Cosan will furnish to any noteholder, or to any prospective purchasers designated by such holder of notes, financial and other information described in paragraph (d)(4) of Rule 144A with respect to the Issuer and Cosan.

Consolidation, Merger or Transfer of Assets

The indenture further provides as follows regarding consolidation, merger or transfer of all or substantially all of the assets of Cosan:

- (a) Cosan will not consolidate with or merge with or into, or sell, convey, transfer, or otherwise dispose of or lease all or substantially all of its assets in one transaction or a series of related transactions, to any person unless:
- (1) either: (x) Cosan is the continuing Person; or (y) the resulting, surviving or transferee Person is a corporation organized and validly existing under the laws of the Federative Republic of Brazil or any political subdivision thereof, the United States of America, any State thereof or the District of Columbia, or any other country that is a member country of the European Union or of the Organization for Economic Co-operation and Development on the date of the indenture and expressly assumes by supplemental indenture all of the obligations of Cosan under the indenture and the notes;

- (2) immediately after giving effect to the transaction, no Event of Default has occurred and is continuing;
- (3) immediately after giving effect to the transaction on a pro forma basis, Cosan or the resulting surviving or transferee Person (i) could Incur at least U.S.\$1.00 of Debt under the covenant described in the first paragraph under the caption “—Limitation on Debt and Disqualified Stock” or (ii) would not have a greater Net Debt to EBITDA Ratio set forth in the first paragraph of the covenant described above under the caption “—Limitation on Debt and Disqualified Stock” than immediately prior to giving effect to the transaction; and
- (4) Cosan, or the surviving entity, as the case may be, delivers to the trustee an officers’ certificate and an opinion of counsel, each stating that the consolidation, merger or transfer and the supplemental indenture (if any) comply with the indenture;

provided, that clause (2) and (3) and not apply to the consolidation or merger of Cosan with or into a Substantially Wholly Owned Restricted Subsidiary or the consolidation or merger of a Substantially Wholly Owned Restricted Subsidiary with or into Cosan.

- (b) Cosan shall not lease all or substantially all of its assets, whether in one transaction or a series of transactions, to one or more other Persons, except to the extent permitted under “—Limitation on Sale and Leaseback Transactions.”

Notwithstanding the foregoing, this covenant will not apply to any sale, conveyance, transfer, or disposition resulting from the exercise of any put or call options (an “Option Exercise”) by Cosan, Shell or any other party to the definitive agreements to the Joint Venture if either (i) such Option Exercise does not result in a Rating Decline or (ii) within 360 days after the receipt of any Net Cash Proceeds from such Option Exercise, Cosan or any Subsidiary of Cosan uses the Net Cash Proceeds for a Permitted Reinvestment.

Other Covenants

In addition, the Indenture will (subject to exceptions, qualifications and materiality thresholds, where appropriate) contain covenants regarding, the performance of the Issuer’s and Cosan’s obligations under the notes, maintenance of corporate existence, maintenance of properties, compliance with applicable laws, payment of taxes and other claims, maintenance of books and records and further actions.

Covenant Suspension

From any date (the “Suspension Date”) and during any time that:

- (a) the notes have an Investment Grade rating from any two Rating Agencies, and
- (b) no Event of Default has occurred and is continuing, Cosan and its Restricted Subsidiaries will not be subject to the following provisions of the indenture:

“—Limitation on Debt and Disqualified Stock;”

“—Limitation on Restricted Payments;”

“—Limitation on Sale and Leaseback Transactions;”

“—Limitation on Asset Sales;”

“—Limitation on Transactions with Shareholders and Affiliates;” and

“—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries.”

(collectively, the “Suspended Covenants”).

In the event that Cosan and its Restricted Subsidiaries are not subject to the Suspended Covenants for any period of time as a result of the foregoing, and on any subsequent date (the “Reversion Date”), the notes cease to have an Investment Grade Rating from any two Rating Agencies, then Cosan and its Restricted Subsidiaries will

thereafter again be subject to the Suspended Covenants. The period of time between the Suspension Date and the Reversion Date is referred to as the “Suspension Period.” Notwithstanding that the Suspended Covenants may be reinstated, no Event of Default will be deemed to have occurred as a result of a failure to comply with any of the Suspended Covenants during the Suspension Period (or upon termination of the Suspension Period or after that time based solely on events that occurred during the Suspension Period).

On the Reversion Date, all Debt Incurred during the Suspension Period will be classified to have been Incurred pursuant to paragraph (a) of “—Limitation on Debt and Disqualified Stock” or one of the clauses set forth in paragraphs (1) through (14) of paragraph (b) of “—Limitation on Debt and Disqualified Stock” (to the extent such Debt would be permitted to be Incurred thereunder as of the Reversion Date and after giving effect to the Debt Incurred prior to the Suspension Period and outstanding on the Reversion Date). To the extent such Debt would not be permitted to be Incurred pursuant to “—Limitation on Debt and Disqualified Stock,” such Debt will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (7) of paragraph (b) of “—Limitation on Debt and Disqualified Stock.” The Issuer or Cosan will give the trustee prompt written notification upon the occurrence of a covenant suspension or any Reversion Date.

Default and Remedies

Events of Default

An “Event of Default” occurs if

- (1) The Issuer defaults in the payment of the principal or any related Additional Amounts, if any, of any note when the same becomes due and payable at maturity, upon acceleration or redemption, or otherwise (other than pursuant to an Offer to Purchase);
- (2) The Issuer defaults in the payment of interest or any related Additional Amounts, if any, on any note when the same becomes due and payable, and the default continues for a period of 30 days;
- (3) The Issuer fails to make an Offer to Purchase and thereafter to accept and pay for notes tendered when and as required pursuant to the covenants described under the captions “—Repurchase of Notes Upon a Change of Control” or “—Limitation on Asset Sales;”
- (4) The Issuer or Cosan, as the case may be, defaults in the performance of or breaches, or fails to cause or any of their Significant Subsidiaries to not default in the performance of or breach, any other of their covenants or agreements in the indenture or under the notes (other than those referred to in (1), (2) and (3) above and the default or breach continues for a period of 60 consecutive days after written notice to the Issuer and or Cosan, as the case may be, by the trustee or to the Issuer, Cosan and the trustee by the holders of 25% or more in aggregate principal amount of the notes;
- (5) there occurs with respect to any Debt of Cosan, any of its Significant Subsidiaries, any Raízen Significant Entity or any Radar Significant Entity having an outstanding principal amount of U.S.\$ 75.0 million (or the equivalent thereof at the time of determination) or more in the aggregate for all such Debt of all such Persons (i) an event of default that results in such Debt being due and payable prior to its scheduled maturity or (ii) failure to make a principal payment when due and such defaulted payment is not made, waived or extended within the applicable grace period;
- (6) one or more final and non-appealable judgments or orders for the payment of money are rendered against the Issuer, Cosan, any of its Significant Subsidiaries, any Raízen Significant Entity or any Radar Significant Entity and are not paid or discharged, and either (a) an enforcement proceeding has been commenced by any creditor upon such judgment or order and is not dismissed within 30 days following commencement of such enforcement proceedings or (b) there is a period of 60 consecutive days following entry of the final and non-appealable judgment or order during which such judgment or order is not discharged, waived or the execution thereof stayed, in either case that causes the aggregate amount for all such final and non-appealable judgments or orders outstanding and not paid or discharged against all such Persons to exceed U.S.\$75.0 million or the equivalent thereof at the time of determination (in excess of amounts which Cosan’s insurance carriers have agreed to pay under applicable policies or ExxonMobil or its Affiliates have agreed to pay under applicable indemnification agreements);

- (7) an involuntary case or other proceeding is commenced against Cosan, any of its Significant Subsidiaries, any Raízen Significant Entity or any Radar Significant Entity with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a trustee, receiver, administrador judicial, liquidator, custodian or other similar official of it or any substantial part of its Property, and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 days; or a final order for relief is entered against Cosan, any of its Significant Subsidiaries, any Raízen Significant Entity or any Radar Significant Entity under relevant bankruptcy laws as now or hereafter in effect and such order is not being contested by Cosan or such Significant Subsidiary, such Raízen Significant Entity or such Radar Significant Entity, as the case may be, in good faith or has not been dismissed, discharged or otherwise stayed, in each case within 60 days of being made;
- (8) Cosan, any of its Significant Subsidiaries, any Raízen Significant Entity or any Radar Significant Entity (i) commences a voluntary case or other proceeding seeking liquidation, reorganization, recuperação judicial ou extrajudicial or other relief with respect to itself or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (ii) consents to the appointment of or taking possession by a receiver, administrador judicial, liquidator, assignee, custodian, trustee, sequestrator or similar official of Cosan, any of its Significant Subsidiaries, any Raízen Significant Entity or any Radar Significant Entity or for all or substantially all of the Property of Cosan, any of its Significant Subsidiaries, any Raízen Significant Entity or any Radar Significant Entity or (iii) effects any general assignment for the benefit of creditors (an event of default specified in clause (7) or (8) a “bankruptcy default”);
- (9) The Note Guarantee ceases to be in full force and effect, other than in accordance with the terms of the indenture, or Cosan denies or disaffirms its obligations under the Note Guarantee;
- (10) any event occurs that under the laws of Luxembourg or Brazil or any political subdivision thereof or any other country has substantially the same effect as any of the events referred to in any of clause (7) or (8); or
- (11) all or substantially all of the undertaking, assets and revenues of Cosan, any of its Significant Subsidiaries, any Raízen Significant Entity or any Radar Significant Entity is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government or Cosan, any of its Significant Subsidiaries, any Raízen Significant Entity or any Radar Significant Entity is prevented by any such Person from exercising normal control over all or substantially all of the undertaking, assets and revenues of Cosan, any of its Significant Subsidiaries, any Raízen Significant Entity or any Radar Significant Entity.

Consequences of an Event of Default

If an Event of Default, other than a bankruptcy default with respect to the Issuer or Cosan, occurs and is continuing under the indenture, the trustee or the holders of at least 25% in aggregate principal amount of the notes then outstanding, by written notice to the Issuer and to Cosan (and to the trustee if the notice is given by the holders), may, and the trustee at the request of such holders shall, declare the unpaid principal of and accrued interest on the notes to be immediately due and payable. Upon a declaration of acceleration, such principal and interest will become immediately due and payable. If a bankruptcy default occurs, the unpaid principal of and accrued interest on the notes then outstanding will become immediately due and payable without any declaration or other act on the part of the trustee or any holder. In this case, Cosan will be required, and will agree in the indenture, to duly comply with any and all then-applicable Central Bank regulations for remittance of funds outside of Brazil.

The holders of a majority in principal amount of the outstanding notes by written notice to the Issuer, Cosan and to the trustee may waive all past defaults and rescind and annul a declaration of acceleration and its consequences if

- (1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the notes that have become due solely by the declaration of acceleration, have been cured or waived, and
- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Except as otherwise provided in “—Consequences of an Event of Default” or “—Amendments and Waivers—Amendments with Consent of Holders,” the holders of a majority in principal amount of the outstanding notes may, by notice to the trustee, waive an existing Default and its consequences. Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

The holders of a majority in principal amount of the outstanding notes may direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee. However, the trustee may refuse to follow any direction that conflicts with law or the indenture, that may involve the trustee in personal liability, or that the trustee determines in good faith may be unduly prejudicial to the rights of holders of notes not joining in the giving of such direction, and may take any other action it deems proper that is not inconsistent with any such direction received from holders of notes.

A holder may not institute any proceeding, judicial or otherwise, with respect to the indenture or the notes, or for the appointment of a receiver or trustee, or for any other remedy under the indenture or the notes, unless:

- (1) the holder has previously given to the trustee written notice of a continuing Event of Default;
- (2) holders of at least 25% in aggregate principal amount of outstanding notes have made written request to the trustee to institute proceedings in respect of the Event of Default in its own name as trustee under the indenture;
- (3) holders have offered to the trustee indemnity satisfactory to the trustee against any costs, liabilities or expenses to be Incurred in compliance with such request;
- (4) the trustee within 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and
- (5) during such 60-day period, the holders of a majority in aggregate principal amount of the outstanding notes have not given the trustee a direction that is inconsistent with such written request.

Notwithstanding anything to the contrary, the right of a holder of a note to receive payment of principal of or interest on its note on or after the Stated Maturity thereof, or to bring suit for the enforcement of any such payment on or after such dates, may not be impaired or affected without the consent of that holder. The time of validity of a holder to claim to payment of interest and repayment of principal is six months.

If any Event of Default occurs and is continuing and is known to a responsible officer of the trustee, the trustee will send notice of the Event of Default to each holder within 90 days after it occurs, unless the Event of Default has been cured; *provided that*, except in the case of a default in the payment of the principal of or interest on any note, the trustee may withhold the notice if and so long as a committee of the trustee in good faith determines that withholding the notice is in the interest of the holders.

No Liability of Directors, Officers, Employees, Incorporators, Members and Stockholders

No director, officer, employee, incorporator, member or stockholder of the Issuer or Cosan, as such, will have any liability for any obligations of the Issuer or Cosan under the notes, the Note Guarantee or the indenture or for any claim based on, in respect of, or by reason of, such obligations. Each holder of notes by accepting a note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the notes. This waiver may not be effective to waive liabilities under U.S. securities laws and it is the view of the U.S. Securities and Exchange Commission that such a waiver is against public policy.

Amendments and Waivers

Amendments Without Consent of Holders. The Issuer, Cosan and the trustee may amend or supplement the indenture or the notes without notice to or the consent of any noteholder:

- (1) to cure any ambiguity, defect or inconsistency in the indenture or the notes;

- (2) to comply with the covenant described under the caption “—Consolidation, Merger or Transfer of Assets”;
- (3) to evidence and provide for the acceptance of an appointment by a successor trustee;
- (4) to provide for uncertificated notes in addition to or in place of certificated notes;
- (5) to provide for any guarantee of the notes, to secure the notes or to confirm and evidence the release, termination or discharge of any guarantee of or Lien securing the notes when such release, termination or discharge is permitted by the indenture;
- (6) to provide for or confirm the issuance of additional notes; or
- (7) to make any other change that does not materially adversely affect the rights of any holder or to conform the indenture to this “Description of Notes.”

Amendments With Consent of Holders. (a) Except as otherwise provided in “—Default and Remedies—Consequences of an Event of Default” or paragraph (b), the Issuer, Cosan and the trustee may amend the indenture and the notes with the written consent of the holders of a majority in principal amount of the outstanding notes and the holders of a majority in principal amount of the outstanding notes may waive future compliance by the Issuer or Cosan with any provision of the indenture or the notes.

(b) Notwithstanding the provisions of paragraph (a), without the consent of each holder affected, an amendment or waiver may not

- (1) reduce the principal amount of or change the Stated Maturity of any installment of principal of any note,
- (2) reduce the rate of or change the Stated Maturity of any interest payment on any note,
- (3) reduce the amount payable upon the redemption of any note in respect of an optional redemption, the times at which any note may be redeemed or, once notice of redemption has been given, the time at which it must thereupon be redeemed,
- (4) after the time an Offer to Purchase is required to have been made, reduce the purchase amount or purchase price, or extend the latest expiration date or purchase date thereunder,
- (5) make any note payable in currency other than that stated in the note,
- (6) impair the right of any holder of notes to receive any principal payment or interest payment on such holder’s notes, on or after the Stated Maturity thereof, or to institute suit for the enforcement of any such payment,
- (7) make any change in the percentage of the principal amount of the notes required for amendments or waivers,
- (8) modify or change any provision of the indenture affecting the ranking of the notes or the Note Guarantee in a manner adverse to the holders of the notes, or
- (9) make any change in the Note Guarantee that would materially and adversely affect the holders of notes.

It is not necessary for holders of the notes to approve the particular form of any proposed amendment, supplement or waiver, but is sufficient if their consent approves the substance thereof.

The Luxembourg Stock Exchange will be notified of any amendment regardless of whether noteholders’ approval is required.

Neither Cosan nor any of its Restricted Subsidiaries or Affiliates may, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any holder for or as an inducement to any

consent, waiver or amendment of any of the terms or provisions of the indenture or the notes unless such consideration is offered to be paid or agreed to be paid to all holders of the notes that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to the consent, waiver or amendment.

Defeasance and Discharge

The Issuer may discharge its obligations under the notes and the indenture by irrevocably depositing in trust with the trustee U.S. dollars or U.S. Government Obligations sufficient to pay principal of and interest on the notes to maturity or redemption, subject to meeting certain other conditions.

The Issuer may also elect to:

- (1) discharge most of its obligations in respect of the notes and the indenture, not including obligations related to the defeasance trust or to the replacement of notes or its obligations to the trustee (“legal defeasance”) or
- (2) discharge its obligations under most of the covenants and under clauses (3) and (4) of the covenant described under the caption “—Consolidation, Merger and Sale of Assets” (and the events listed in clauses (3), (4), (5), (6) and (9) under “—Default and Remedies—Events of Default” will no longer constitute Events of Default) (“covenant defeasance”) by irrevocably depositing in trust with the trustee U.S. dollars or U.S. Government Obligations sufficient, in the opinion of an independent public accounting firm (which opinion shall be given to the Trustee) to pay principal of and interest on the notes to maturity or redemption and by meeting certain other conditions, including delivery to the trustee of either a ruling received from the Internal Revenue Service or an opinion of counsel to the effect that the holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would otherwise have been the case. In the case of legal defeasance or discharge, such opinion should state that it is based on a change of law after the date of the indenture or a ruling addressed to the Issuer. In addition, the Issuer must deliver to the trustee an opinion of counsel in each of Luxembourg, the Federative Republic of Brazil, any other jurisdiction in which the Issuer or Cosan is organized or is resident for tax purposes, and any other jurisdiction in which the Issuer or Cosan is conducting business in a manner which causes the holders of the notes to be liable for taxes on payments under the notes for which they would not have been so liable but for such conduct of business in such other jurisdiction, to the effect that holders of the applicable notes will not recognize income, gain or loss in the relevant jurisdiction (as applicable) as a result of such deposit and defeasance and will be subject to taxes in the relevant jurisdiction (including withholding taxes) (as applicable) on the same amounts, in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred. The defeasance would in each case be effective when 123 days have passed since the date of the deposit in trust.

In the case of either discharge or defeasance, the Note Guarantee will terminate.

Concerning the Trustee

Deutsche Bank Trust Company Americas is the trustee under the indenture, with an office at 60 Wall Street, New York, NY 10005.

Except during the continuance of an Event of Default, the trustee need perform only those duties that are specifically set forth in the indenture and no others, and no implied covenants or obligations will be read into the indenture against the trustee. In case an Event of Default has occurred and is continuing, the trustee shall exercise those rights and powers vested in it by the indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. No provision of the indenture will require the trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties thereunder, or in the exercise of its rights or powers, unless it receives indemnity satisfactory to it against any loss, liability or expense.

The holders may have access to the indenture and other agreements related at the office of the trustee as mentioned above.

Replacement of Trustee

The trustee may resign at any time by written notice to the Issuer and Cosan.

The holders of a majority in principal amount of the outstanding notes may remove the trustee by written notice to the trustee.

If the trustee is no longer eligible pursuant to the Trust Indenture Act, any holder may petition any court of competent jurisdiction for the removal of the trustee and the appointment of a successor trustee.

The Issuer shall remove the trustee if: (i) the trustee is no longer eligible pursuant to the Trust Indenture Act; (ii) the trustee is adjudged a bankrupt or an insolvent; (iii) a receiver or other public officer takes charge of the trustee or its property; or (iv) the trustee becomes incapable of acting. In addition, the Issuer may remove the trustee at any time for any reason to the extent the Issuer has given the trustee at least 30 days' written notice and as long as no Default or Event of Default has occurred and is continuing.

A resignation or removal of the trustee and appointment of a successor trustee will become effective only upon the successor trustee's acceptance of appointment as provided in this Section.

If the trustee has been removed by the holders, holders of a majority in principal amount of the notes may appoint a successor trustee with the consent of the Issuer. Otherwise, if the trustee resigns or is removed, or if a vacancy exists in the office of trustee for any reason, the Issuer will promptly appoint a successor trustee. If the successor trustee does not deliver its written acceptance within 60 days after the retiring trustee resigns or is removed, the retiring trustee, the Issuer or the holders of a majority in principal amount of the outstanding notes may appoint a successor trustee or may petition any court of competent jurisdiction for the appointment of a successor trustee.

Upon delivery by the successor trustee of a written acceptance of its appointment to the retiring trustee and to the Issuer, (i) the retiring trustee will, upon payment of all amounts owed to it under the indenture, transfer all property held by it as trustee to the successor trustee, (ii) the resignation or removal of the retiring trustee will become effective, and (iii) the successor trustee will have all the rights, powers and duties of the trustee under the indenture. Upon request of any successor trustee, the Issuer will execute any and all instruments for fully vesting in and confirming to the successor trustee all such rights, powers and trusts. The Issuer will give notice of any resignation and any removal of the trustee and each appointment of a successor trustee to all holders, and include in the notice the name of the successor trustee and the address of its Corporate Trust Office.

Principal Paying Agent

Deutsche Bank Trust Company Americas will act as the principal paying agent for the notes. The Issuer may appoint other paying agents in addition to the principal paying agent. So long as any notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF, the Issuer will maintain a paying agent in Luxembourg. Upon any change in the principal paying agent or in the Luxembourg Paying Agent, the Issuer will publish a notice in a leading daily newspaper of general circulation in Luxembourg, which is expected to be the *Luxemburger Wort*, or alternatively the Issuer may also publish a notice on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Transfer and Exchange

The trustee will initially act as the transfer agent and registrar for the notes. A holder may transfer or exchange notes at the office designated by the Issuer for such purposes, which initially will be the corporate trust office of the trustee in New York, New York. For so long as the notes are listed on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF, a holder will also be able to transfer or exchange notes at the offices of the paying agent in Luxembourg. The registrar may require a holder, among other things, to furnish appropriate endorsements and transfer documents in the form provided and as specified in the indenture. See "Book Entry, Delivery and Form—Global Notes" and "— Certificated Notes" for a description of additional transfer restrictions applicable to the notes. Upon any change in the registrar, the Issuer will publish a notice in a leading daily newspaper of general circulation in Luxembourg, which is expected to be the *Luxemburger Wort*, or alternatively the Issuer may also publish a notice on the website of the Luxembourg Stock Exchange (www.bourse.lu).

No service charge will be imposed in connection with any transfer or exchange of any note, but the Issuer may in general require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith.

Upon written request from the issuer, the trustee shall provide the issuer with a copy of the register to enable it to maintain a register of the notes at its registered office.

Notices

As long as notes in global form are outstanding, notices to be given to holders will be given to the depositary, in accordance with its applicable policies as in effect from time to time. If the Issuer issues notes in certificated form, notices to be given to holders will be sent by mail to the respective addresses of the holders as they appear in the trustee's records, and will be deemed given when mailed. For so long as any notes are listed on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF, and in accordance with the rules and regulations of the Luxembourg Stock Exchange, the Issuer will publish all notices to holders in a newspaper with general circulation in Luxembourg, which is expected to be the *Luxembourg Wort*, or alternatively the Issuer may also publish a notice on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Neither the failure to give any notice to a particular holder, nor any defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

Governing Law

The indenture, the notes and the Note Guarantee shall be governed by, and construed in accordance with, the laws of the State of New York. The provisions of Articles 86 to 94-8 of the Luxembourg law of August 1915, as amended, on commercial companies is excluded.

Consent to Jurisdiction

Each of the parties to the indenture will irrevocably submit to the jurisdiction of any New York State or United States Federal court sitting in the City of New York in respect of any suit, action or proceeding arising out of or relating to the indenture or any note or Note Guarantee. Each of the parties to the indenture will irrevocably waive, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding brought in such courts and any claim that any such suit, action or proceeding brought in such courts, has been brought in an inconvenient forum and any right to which it may be entitled on account of place of residence or domicile. To the extent that the Issuer or Cosan has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process with respect to itself or its property, each of the Issuer and Cosan has irrevocably waived such immunity in respect of (i) its obligations under the indenture and (ii) any note or Note Guarantee. Each of the parties to the indenture will agree that final judgment in any such suit, action or proceeding brought in such a court shall be conclusive and binding on them and may be enforced in any court to the jurisdiction of which each of them is subject by a suit upon such judgment, provided, that service of process is effected upon the Issuer in the manner specified in the following paragraph or as otherwise permitted by law.

As long as any of the notes remain outstanding, the Issuer and Cosan will at all times have an authorized agent in the City of New York, upon whom process may be served in any legal action or proceeding arising out of or relating to the indenture or any note or Note Guarantee. Service of process upon such agent and written notice of such service mailed or delivered to the Issuer shall to the extent permitted by law be deemed in every respect effective service of process upon the Issuer or Cosan in any such legal action or proceeding. The Issuer and Cosan will appoint National Registered Agents, Inc. as their agent for such purpose, and covenants and agrees that service of process in any suit, action or proceeding may be made upon it at the office of such agent at 111 Eighth Avenue, New York, New York, 10011 (or at such other address or at the office of such other authorized agent as the Issuer or Cosan may designate by written notice to the trustee).

Judgment Currency

U.S. dollars are the sole currency of account and payment for all sums due and payable by the Issuer and Cosan under the indenture, the notes and the Note Guarantee. If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum due hereunder in U.S. dollars into another currency, the Issuer and Cosan will agree, to

the fullest extent that they may legally and effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the trustee determines a Person could purchase U.S. dollars with such other currency in New York, New York, on the business day immediately preceding the day on which final judgment is given.

The obligation of each of the Issuer and Cosan in respect of any sum due to any noteholder or the trustee in U.S. dollars shall, to the extent permitted by applicable law, notwithstanding any judgment in a currency other than U.S. dollars, be discharged only to the extent that on the business day following receipt of any sum adjudged to be so due in the judgment currency such noteholder or trustee may in accordance with normal banking procedures purchase

U.S. dollars in the amount originally due to such Person with the judgment currency. If the amount of U.S. dollars so purchased is less than the sum originally due to such Person, each of the Issuer and Cosan agrees, jointly and severally, as a separate obligation and notwithstanding any such judgment, to indemnify such Person against the resulting loss; and if the amount of U.S. dollars so purchased is greater than the sum originally due to such Person, such Person will, by accepting a note, be deemed to have agreed to repay such excess.

Certain Definitions

“Acquired Debt” means Debt of a Person existing at the time the Person merges with or into or becomes a Subsidiary and not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Subsidiary.

“Adjusted EBITDA” means, for any period:

- (1) consolidated net sales *minus*;
- (2) consolidated cost of sales and services *minus*;
- (3) consolidated general and administrative expenses and selling expenses *plus/minus*;
- (4) consolidated recurring other income (expense), net *plus/minus*;
- (5) consolidated equity pick up income from associates *plus*;
- (6) any depreciation or amortization included in any of the foregoing;

as each such item is reported on the most recent consolidated financial statements delivered by Cosan to the trustee and prepared in accordance with IFRS. For the avoidance of doubt, Radar Propriedades Agrícolas S.A. and its Subsidiaries (to the extent the results of operations of such entities are consolidated by Cosan) and Cosan’s proportional interest in Raízen Energia S.A. and its Subsidiaries and Raízen Combustíveis S.A. and its Subsidiaries shall be included in the calculation of Adjusted EBITDA. While Adjusted EBITDA of Raízen Energia S.A. and Raízen Combustíveis S.A. has been considered on a proportional interest base method, any eventual equity pick up from such entities during the same period shall be excluded, to avoid duplication.

For avoidance of doubt, in calculating Adjusted EBITDA, Cosan will deem any reported income/expense as a recurring item unless the item is greater than US\$ 50.0 million, in which case, Cosan will make a good faith determination on an item-by-item basis as to whether it is recurring.

“Adjusted Net Debt” means, as of any date of determination:

- (1) the aggregate amount of Debt of Cosan and its Restricted Subsidiaries and (A) Radar Propriedades Agrícolas S.A. and its Subsidiaries (to the extent the results of operations of such entities are consolidated by Cosan) and (B) Cosan’s proportionate equity interest in Raízen Energia S.A. and Raízen Combustíveis S.A. and their respective Subsidiaries, minus
- (2) the sum of consolidated cash and cash equivalents and consolidated marketable securities recorded as current and non-current assets (including National Treasury Certificates - “CTN”, acquired to guarantee loans under the Special Agricultural Financing Program), minus/(plus);

- (3) any recorded asset/(liability) from derivatives entered into by Cosan in order to hedge its Debt denominated in foreign currencies,

in all cases determined in accordance with IFRS and as set forth in the most recent consolidated balance sheet of Cosan. While Adjusted Net Debt of Raízen Energia S.A. and Raízen Combustíveis S.A. has been considered on a proportional interest base method, any eventual equity pick up from such entities during the same period shall be excluded, to avoid duplication.

“Advance Transaction” means an advance from a financial institution involving either (a) a foreign exchange contract (ACC — Adiantamento sobre Contrato de Câmbio) or (b) an export contract (ACE — Adiantamento sobre Contrato de Exportação).

“Affiliate” means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”) with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Asset Sale” means any sale, lease, transfer or other disposition of any assets by Cosan or any Restricted Subsidiary, including by means of a merger, consolidation or similar transaction and including any sale or issuance of the Equity Interests of any Restricted Subsidiary (each of the above referred to as a “disposition”), provided that the following are not included in the definition of “Asset Sale”:

- (1) a disposition to Cosan or a Restricted Subsidiary, including the sale or issuance by Cosan or any Restricted Subsidiary of any Equity Interests of any Restricted Subsidiary to Cosan or any Restricted Subsidiary;
- (2) a disposition by a Restricted Subsidiary to Cosan or another Restricted Subsidiary or by Cosan to a Restricted Subsidiary;
- (3) a disposition of any Equity Interests of any Restricted Subsidiary in connection with a corporate reorganization or delisting transaction involving the public shareholders of Cosan Limited, provided that immediately following such disposition, Cosan could Incur at least U.S.\$1.00 of Debt under the Net Debt to EBITDA Ratio test set forth in the first paragraph of the covenant described above under the caption “—Limitation on Debt and Disqualified Stock”;
- (4) the sale, lease, transfer or other disposition by Cosan or any Restricted Subsidiary in the ordinary course of business of (i) cash and Cash Equivalents, (ii) inventory, (iii) damaged, worn out or obsolete equipment or other assets, or (iv) rights granted to others pursuant to leases or licenses;
- (5) the lease of assets by Cosan or any of its Subsidiaries in the ordinary course of business;
- (6) the sale or discount of accounts receivable arising in the ordinary course of business in connection with the compromise or collection thereof;
- (7) a transaction covered by the covenant described under the caption “—Certain Covenants—Consolidation, Merger or Transfer of Assets”;
- (8) a Restricted Payment permitted under the covenant described under the caption “—Certain Covenants—Limitation on Restricted Payments”;
- (9) a Sale and Leaseback Transaction otherwise permitted under “—Limitation on Sale and Leaseback Transactions”;
- (10) any issuance of Disqualified Stock otherwise permitted under “—Limitation on Debt and Disqualified Stock”;

- (11) the creation of a Lien not prohibited by this indenture (but not the sale or disposition of the property subject to such Lien);
- (12) any surrender or waiver of contract rights pursuant to a settlement, release, recovery on or surrender of contract, tort or other claims of any kind;
- (13) any disposition of assets in any fiscal year with an aggregate fair market value, taken together with all other dispositions made in reliance on this clause, not to exceed U.S.\$100.0 million; and
- (14) the disposition of any shares of Capital Stock of an Unrestricted Subsidiary.

“Attributable Debt” means, in respect of a Sale and Leaseback Transaction the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“Average Life” means, with respect to any Debt, the quotient obtained by dividing (i) the sum of the products of (x) the number of years from the date of determination to the dates of each successive scheduled principal payment of such Debt and (y) the amount of such principal payment by (ii) the sum of all such principal payments.

“Business Day” means any day other than a Saturday, a Sunday or a legal holiday or a day on which banking institutions or trust companies are authorized or obligated by law to close in the City of New York, São Paulo or Luxembourg.

“Capital Lease” means, with respect to any Person, any lease of any Property which, in conformity with IFRS, is required to be capitalized on the balance sheet of such Person.

“Capital Stock” means, with respect to any Person, any and all shares of stock of a corporation, partnership interests or other equivalent interests (however designated, whether voting or non-voting) in such Person’s equity, entitling the holder to receive a share of the profits and losses, and a distribution of assets, after liabilities, of such Person.

“Cash Equivalents” means

- (1) Brazilian *reais*, United States dollars, or money in other currencies received in the ordinary course of business that are readily convertible into United States dollars,
- (2) any evidence of Debt with a maturity of 180 days or less issued or directly and fully guaranteed or insured by the Federative Republic of Brazil or the United States of America or any agency or instrumentality thereof, provided that the full faith and credit of the Federative Republic of Brazil or the United States of America is pledged in support thereof,
- (3) (i) demand deposits, (ii) time deposits and certificates of deposit with maturities of one year or less from the date of acquisition, (iii) bankers’ acceptances with maturities not exceeding one year from the date of acquisition, and (iv) overnight bank deposits, in each case with any bank or trust company organized or licensed under the laws of the Federative Republic of Brazil or any political subdivision thereof or the United States or any state thereof having capital, surplus and undivided profits in excess of U.S.\$500.0 million whose short-term debt is rated “A-2” or higher by S&P or “P-2” or higher by Moody’s,
- (4) repurchase obligations with a term of not more than seven days for underlying securities of the type described in clauses (2) and (4) above entered into with any financial institution meeting the qualifications specified in clause (4) above,
- (5) commercial paper rated at least P-1 by Moody’s or A-1 by S&P and maturing within six months after the date of acquisition, and
- (6) money market funds at least 95% of the assets of which consist of investments of the type described in clauses (1) through (6) above.

“Change of Control” means:

- (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of Cosan and its Subsidiaries taken as a whole to any Person (including any “person” (as that term is used in Section 13(d)(3) of the Exchange Act)) other than to one or more of the Permitted Holders, other than pursuant to (i) any such transaction in which immediately after the consummation thereof, the voting power of Cosan’s outstanding Voting Stock immediately prior to such consummation constitutes or is converted into or exchanged for more than 50% of the voting power of the outstanding Voting Stock of such Person or (ii) any such sale, lease, transfer or conveyance to one or more Permitted Holders or a Subsidiary of a Permitted Holder, in each case, if immediately after such transaction no “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), other than one or more Permitted Holders, is the “beneficial owner” (as defined in Rules 13d-3 under the Exchange Act), directly or indirectly, of more than 50% of the voting power of the outstanding Voting Stock of such Permitted Holder; or
- (2) the consummation of any transaction (including without limitation, any merger or consolidation) the result of which is that any Person (including any “person” or “group” (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, other than one or more Permitted Holders) is or becomes the “beneficial owner” (as such term is used in Rules 13d-3 under the Exchange Act), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of Cosan; or
- (3) the first day on which the majority of the members of the board of directors of Cosan cease to be Continuing Directors.

“Consolidated Net Income” means, for any period, the aggregate net income (or loss) of Cosan for such period determined on a consolidated basis in conformity with IFRS.

“Continuing Director” means, as of any date of determination, any member of the board of directors of Cosan who:

- (1) was a member of such board of directors on the date of the indenture; or
- (2) was nominated for election or elected to such board of directors with the approval of a majority of the Continuing Directors who were members of such board of directors at the time of such nomination or election provided that, to the extent that the board of directors does not customarily approve the nomination or election of new members to the board of directors, such approval shall be presumed to have been given absent clear evidence to the contrary.

“Debt” means, with respect to any Person, without duplication,

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments, excluding obligations in respect of trade letters of credit or bankers’ acceptances issued in respect of trade accounts payables to the extent not drawn upon or presented, or, if drawn upon or presented, to the extent the resulting obligation of the Person is paid within 10 Business Days;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, all conditional sale obligations and all obligations of such person under any title retention agreement, excluding accounts payable arising in the ordinary course of business;
- (5) all obligations of such Person as lessee under Capital Leases;
- (6) all Debt of other Persons guaranteed by such Person to the extent so guaranteed;

- (7) all Debt of other Persons secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person; and
- (8) all obligations of such Person under Hedging Agreements.

The amount of Debt of any Person will be deemed to be:

- (A) with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation;
- (B) with respect to Debt secured by a Lien on an asset of such Person but not otherwise the obligation, contingent or otherwise, of such Person, the lesser of (x) the fair market value of such asset on the date the Lien attached and (y) the amount of such Debt;
- (C) with respect to any Debt issued with original issue discount, the face amount of such Debt less the remaining unamortized portion of the original issue discount of such Debt;
- (D) with respect to any Hedging Agreement, the net amount payable if such Hedging Agreement terminated at that time due to default by such Person; and
- (E) otherwise, the outstanding principal amount thereof.

The principal amount of any Debt or other obligation that is denominated in any currency other than United States dollars (after giving effect to any Hedging Agreement in respect thereof) shall be the amount thereof, as determined pursuant to the foregoing sentence, converted into United States dollars at the Spot Rate in effect on the date of determination.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Equity Interests” means Equity Interests that by their terms or upon the happening of any event are

- (1) required to be redeemed or redeemable at the option of the holder prior to the Stated Maturity of the notes for consideration other than Qualified Equity Interests, or
- (2) convertible at the option of the holder into Disqualified Equity Interests or exchangeable for Debt;

provided that Equity Interests will not constitute Disqualified Equity Interests solely because of provisions giving holders thereof the right to require repurchase or redemption upon an “asset sale” or “change of control” occurring prior to the Stated Maturity of the notes if those provisions

- (A) are no more favorable to the holders than the covenants described under the captions “—Certain Covenants—Limitation on Asset Sales” and “—Repurchase of Notes Upon a Change of Control,” and
- (B) specifically state that repurchase or redemption pursuant thereto will not be required prior to the Issuer’s repurchase of the notes as required by the indenture.

“Disqualified Stock” means Capital Stock constituting Disqualified Equity Interests.

“Equity Interests” means all Capital Stock and all warrants or options with respect to, or other rights to purchase, Capital Stock, but excluding Debt convertible into equity.

“Fitch” means Fitch Ratings Inc. and its successors.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-

or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for purposes of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof, in whole or in part; provided that the term “Guarantee” does not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“Guarantor” means each of (i) Cosan S.A. Indústria e Comércio and (ii) any other party that executes a supplemental indenture in the form of Exhibit B to the indenture providing for the guarantee of the payment of the notes, or any successor obligor under its Note Guarantee pursuant to the covenant described under the caption “—Certain Covenants—Consolidation, Merger or Transfer of Assets,” in each case unless and until such Guarantor is released from its Note Guarantee pursuant to the indenture.

“Hedging Agreement” means (i) any interest rate swap agreement, interest rate cap agreement or other agreement designed to protect against fluctuations in interest rates or (ii) any foreign exchange forward contract, currency swap agreement or other agreement designed to protect against fluctuations in foreign exchange rates or (iii) any commodity or raw material futures contract or any other agreement designed to protect against fluctuations in raw material prices.

“IFRS” means International Financial Reporting Standards as issued by the International Accounting Standards Board.

“Incur” means, with respect to any Debt or Capital Stock, to incur, create, issue, assume or guarantee such Debt or Capital Stock. If any Person becomes a Subsidiary on any date after the date of the indenture, the Debt and Capital Stock of such Person outstanding on such date will be deemed to have been Incurred by such Person on such date for purposes of the covenant described under the caption “—Certain Covenants—Limitation on Debt and Disqualified Stock,” but will not be considered the sale or issuance of Equity Interests for purposes of the covenants described under the captions “—Certain Covenants—Limitation on Restricted Payments” or “Limitation on Asset Sales.” The accretion of original issue discount or payment of interest in kind will not be considered an Incurrence of Debt.

“Investment” means

- (1) any direct or indirect advance, loan or other extension of credit to another Person, but excluding any such advance, loan or extension of credit having a term not exceeding 180 days arising in connection with the sale of inventory, equipment or supplies by that Person in the ordinary course of business,
- (2) any capital contribution to another Person, by means of any transfer of cash or other property or in any other form,
- (3) any purchase or acquisition of Equity Interests, bonds, notes or other Debt, or other instruments or securities issued by another Person, any acquisitions of assets or substantially all the assets of a Person, including the receipt of any of the above as consideration for the disposition of assets or rendering of services, or
- (4) any guarantee of any obligation of another Person.

For purposes of this definition, the term “Person” shall not include Cosan or any Subsidiary or any Person who would become a Subsidiary as a result of any Investment. If Cosan or any Subsidiary sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary so that, after giving effect to that sale or disposition, such Person is no longer a Subsidiary of Cosan, all remaining Investments of Cosan and the Subsidiaries in such Person shall be deemed to have been made at such time. For purposes of the definition of “Unrestricted Subsidiary” and the covenant described under “Certain Covenants—Limitation on Restricted Payments”:

- (1) Investment shall include the portion (proportionate to Cosan’s equity interest in such Subsidiary) of the fair market value of the net assets of any Subsidiary of Cosan at the time that such Subsidiary is designated an Unrestricted Subsidiary; provided, however, that, upon a redesignation of such Subsidiary as a Restricted Subsidiary, Cosan shall be deemed to continue to have a permanent “Investment” in an Unrestricted Subsidiary in an amount (if positive) equal to:

- (a) Cosan's Investment in such Subsidiary at the time of such redesignation, *minus*
 - (b) the portion (proportionate to Cosan's equity interest in such Subsidiary) of the fair market value of the net assets of such Subsidiary at the time of such redesignation; and
- (2) any property transferred to or from an Unrestricted Subsidiary shall be valued at its fair market value at the time of such transfer.

"Investment Grade" means BBB- or higher by S&P, Baa3 or higher by Moody's or BBB- or higher by Fitch, or the equivalent of such global ratings by S&P, Moody's or Fitch.

"Investment Grade Rating" means a rating equal to or higher than Investment Grade.

"Issue Date" means March 14, 2013.

"Joint Venture" means (i), as described in this offering memorandum, the joint venture between Cosan and Shell Brazil Holdings B.V. ("Shell") and their respective subsidiaries whereby (a) Cosan contributed its sugar and ethanol and its fuel distribution assets and (b) Shell contributed its distribution assets in Brazil, its interests in second generation ethanol research and development entities (Iogen Corp. and Codexis, Inc., its aviation fuel business in Brazil) and the license to use the Shell brand, and a cash contribution, or (ii) any similar or related transaction.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or Capital Lease).

"Marketable Securities" means publicly traded debt or equity securities that are listed for trading on a national securities exchange and that were issued by a corporation with debt securities rated at least "AA-" from S&P or "Aa3" from Moody's.

"Moody's" means Moody's Investors Service, Inc. and its successors.

"Net Cash Proceeds" means, with respect to:

- (A) any Asset Sale, the proceeds of such Asset Sale in the form of cash or Cash Equivalents (including (i) payments in respect of deferred payment obligations to the extent corresponding to, principal, but not interest, when received in the form of cash, and (ii) proceeds from the conversion of other consideration received when converted to cash), net of
 - (1) brokerage commissions and other fees and expenses related to such Asset Sale, including fees and expenses of counsel, accountants and investment bankers;
 - (2) provisions for taxes as a result of such Asset Sale taking into account the consolidated results of operations of Cosan and its Subsidiaries;
 - (3) payments required to be made to repay Debt (other than revolving credit borrowings) outstanding at the time of such Asset Sale that is secured by a Lien on the property or assets sold; and
 - (4) appropriate amounts to be provided as a reserve against liabilities associated with such Asset Sale, including pension and other post-employment benefit liabilities, liabilities related to environmental matters and indemnification obligations associated with such Asset Sale, with any subsequent reduction of the reserve other than by payments made and charged against the reserved amount to be deemed a receipt of cash; and
- (B) any Option Exercise, the proceeds from such Option Exercise in the form of cash or Cash Equivalents (including (i) payments in respect of deferred payment obligations to the extent corresponding to principal, but not interest, when received in the form of cash, and (ii) proceeds from the conversion of other consideration received when converted to cash), net of:
 - (1) fees and expenses related to such Option Exercise, including fees and expenses of counsel, auditors and investment bankers;

- (2) provisions for taxes as a result of such Option Exercise taking into account the consolidated results of operations of Cosan and its Subsidiaries;
- (3) payments required to be made to repay Debt (other than revolving credit borrowings) outstanding at the time of such Option Exercise that is secured by a Lien on the property or assets sold or conveyed; and
- (4) appropriate amounts to be provided as a reserve against liabilities associated with such Option Exercise, including pension and other post-employment benefit liabilities, liabilities related to environmental matters and indemnification obligations associated with such Option Exercise, with any subsequent reduction of the reserve other than by payments made and charged against the reserved amount to be deemed a receipt of cash.

“Net Debt to EBITDA Ratio” means, on any date (the “transaction date”), the ratio of:

- (x) the aggregate amount of Adjusted Net Debt at that time to
- (y) Adjusted EBITDA for the four fiscal quarters immediately prior to the transaction date for which internal financial statements are available (the “reference period”).

In making the foregoing calculation,

- (1) *pro forma* effect will be given to any Debt Incurred during or after the reference period to the extent the Debt is outstanding or is to be Incurred on the transaction date as if the Debt had been Incurred on the first day of the reference period; and
- (2) *pro forma* effect will be given to:
 - (A) the acquisition or disposition of companies, divisions or lines of businesses by Cosan and its Restricted Subsidiaries, including any acquisition or disposition of a company, division or line of business since the beginning of the reference period by a Person that became a Restricted Subsidiary after the beginning of the reference period, and
 - (B) the discontinuation of any discontinued operations

that have occurred since the beginning of the reference period as if such events had occurred, and, in the case of any disposition, the proceeds thereof applied, on the first day of the reference period. To the extent that *pro forma* effect is to be given to an acquisition or disposition of a company, division or line of business, the *pro forma* calculation will be based upon the most recent four full fiscal quarters for which the relevant financial information is available.

For the avoidance of doubt, (A) Radar Propriedades Agrícolas S.A. and its Subsidiaries (to the extent the results of operations of such entities are consolidated by Cosan) and (B) Cosan’s proportional interest in each of Raízen Energia S.A. and Raízen Combustíveis S.A. and their respective Subsidiaries shall be included in the calculation of each of Adjusted Net Debt and Adjusted EBITDA for purposes of the calculation of the Net Debt to EBITDA Ratio.

“Note Guarantee” means the guarantee of the notes by Cosan pursuant to the indenture.

“Officers’ Certificate” means a certificate signed by any two of the chief executive officer, the chief operating officer, the chief financial officer, the chief accounting officer, a director or the general counsel of the Issuer or any of its Subsidiaries, or a certificate of Cosan signed in the name of Cosan by the chairman of the Board of Directors, the president or chief executive officer, any vice president, the chief financial officer, the treasurer or any assistant treasurer or the secretary or any assistant secretary, as the case may be.

“Permitted Business” means any of the businesses in which Cosan and its Subsidiaries are engaged on the Issue Date or the Option Exercise date, as applicable, and any business reasonably related, incidental, complementary or ancillary thereto or any business determined in good faith by its board of directors to be in the interest of Cosan.

“Permitted Business Investment” means any Investment and expenditure made in assets or properties (including Capital Stock, Debt or any other security or instrument of a Person) related to a Permitted Business or any business determined in good faith by its board of directors to be in the interest of Cosan.

“Permitted Holders” means Mr. Rubens Ometto Silveira Mello and/or any immediate family members and any Person, directly or indirectly, controlled by any of them.

“Permitted Liens” means

- (1) any Lien existing on the date of the indenture, and any extension, renewal or replacement thereof or of any Lien in clause (2), (3) or (4) below; provided, however, that the total amount of Debt so secured is not increased;
- (2) any Lien on any property or assets (including Capital Stock of any person) securing Debt Incurred solely for purposes of financing the acquisition, construction or improvement of such property or assets after the date of the indenture; provided that (a) the aggregate principal amount of Debt secured by the Liens will not exceed (but may be less than) the cost (i.e., purchase price) of the property or assets so acquired, constructed or improved and (b) the Lien is Incurred before, or within 365 days after the completion of, such acquisition, construction or improvement and does not encumber any other property or assets of Cosan or any Subsidiary; and provided, further, that to the extent that the property or asset acquired is Capital Stock, the Lien also may encumber other property or assets of the person so acquired;
- (3) any Lien securing Debt for the purpose of financing all or part of cost of the acquisition, construction or development of a project; provided that the Liens in respect of such Debt are limited to assets (including Capital Stock of the project entity) and/or revenues of such project; and provided, further, that the Lien is Incurred before, or within 365 days after the completion of, that acquisition, construction or development and does not apply to any other property or assets of Cosan or any Subsidiary;
- (4) any Lien existing on any property or assets of any person before that person’s acquisition (in whole or in part) by, merger into or consolidation with Cosan or any Subsidiary after the date of the indenture; provided that the Lien is not created in contemplation of or in connection with such acquisition, merger or consolidation;
- (5) any Lien imposed by law that was Incurred in the ordinary course of business, including, without limitation, carriers’, warehousemen’s and mechanics’ liens and other similar encumbrances arising in the ordinary course of business, in each case for sums not yet due or being contested in good faith by appropriate proceedings;
- (6) any pledge or deposit made in connection with workers’ compensation, unemployment insurance or other similar social security legislation, any deposit to secure appeal bonds in proceedings being contested in good faith to which Cosan or any Subsidiary is a party, good faith deposits in connection with bids, tenders, contracts (other than for the payment of Debt) or leases to which Cosan or any Subsidiary is a party or deposits for the payment of rent, in each case made in the ordinary course of business;
- (7) any Lien in favor of issuers of surety bonds or letters of credit issued pursuant to the request of and for the account of Cosan or any Subsidiary in the ordinary course of business;
- (8) any Lien securing taxes, assessments and other governmental charges, the payment of which are not yet due or are being contested in good faith by appropriate proceedings and for which such reserves or other appropriate provisions, if any, have been established as required by IFRS;
- (9) minor defects, easements, rights-of-way, restrictions and other similar encumbrances Incurred in the ordinary course of business and encumbrances consisting of zoning restrictions, licenses, restrictions on the use of property or assets or minor imperfections in title that do not materially impair the value or use of the property or assets affected thereby, and any leases and subleases of real property that do

not interfere with the ordinary conduct of the business of Cosan or any Subsidiary, and which are made on customary and usual terms applicable to similar properties;

- (10) any rights of set-off of any person with respect to any deposit account of Cosan or any Subsidiary arising in the ordinary course of business;
- (11) any Liens granted to secure borrowings from, directly or indirectly, (a) Banco Nacional de Desenvolvimento Econômico e Social, or BNDES, or any other Brazilian governmental development bank or credit agency or (b) any international or multilateral development bank, government-sponsored agency, export-import bank or official export-import credit insurer;
- (12) any Liens on the inventory or receivables of Cosan or any Subsidiary securing the obligations of such person under any lines of credit or working capital facility or in connection with any structured export or import financing or other trade transaction; *provided* that the aggregate principal amount of Debt Incurred that is secured by receivables that will fall due in any calendar year shall not exceed (a) with respect to transactions secured by receivables from export sales, 80% of Cosan's consolidated gross revenues from export sales for the immediately preceding calendar year; or (b) with respect to transactions secured by receivables from domestic (Brazilian) sales, 80% of Cosan's consolidated gross revenues from sales within Brazil for the immediately preceding calendar year; and *provided, further*, that Advance Transactions will not be deemed transactions secured by receivables for purpose of the above calculation;
- (13) any Lien securing Hedging Agreements so long as such Hedging Agreements are entered into for bona fide, non-speculative purposes;
- (14) any Lien securing obligations under the documentation governing the establishment and operation of the Joint Venture pursuant to which Cosan will pledge or has pledged, among others, certain dividends, interest on capital and shares to Shell or its Affiliates; and
- (15) in addition to the foregoing Liens set forth in clauses (1) through (14) above, Liens securing Debt of Cosan or any Subsidiary (including, without limitation, guarantees of Cosan or any Subsidiary) which in aggregate principal amount, at any time of determination, do not exceed 10% of Cosan's Total Consolidated Assets.

"Person" means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity, including a government or political subdivision or an agency or instrumentality thereof.

"Productive Assets" means assets (including capital stock or its substantial equivalent or other Investments) that are used or usable by Cosan and its Subsidiaries in Permitted Businesses (or in the case of capital stock or its substantial equivalent or other Investments that represent direct, or indirect (via a holding company), ownership or other interests held by Cosan or any Subsidiary in entities engaged in Permitted Businesses).

"Property" means (i) any land, buildings, machinery and other improvements and equipment located therein, (ii) any intangible assets, including, without limitation, any brand names, trademarks, copyrights and patents and similar rights and any income (licensing or otherwise), proceeds of sale or other revenues therefrom.

"Qualified Equity Interests" means all Equity Interests of a Person other than Disqualified Equity Interests.

"Qualified Stock" means all Capital Stock of a Person other than Disqualified Stock.

"Radar Significant Entity" means Radar Propriedades Agrícolas S.A. and any of its Subsidiaries, in each case, only to the extent and for so long as Cosan consolidates the operations of such entity and such entity would satisfy the "significant subsidiary" tests with respect to Cosan (notwithstanding whether any such entity is a Subsidiary of Cosan) set forth in Rule 1-02 under Regulation S-X promulgated pursuant to the Securities Act.

"Raízen Significant Entity" means (i) Raízen Energia S.A., (ii) Raízen Combustíveis S.A. and (iii) any of their Subsidiaries, in each case, only to the extent and for so long as Cosan's proportional equity interest in any such entity would satisfy the "significant subsidiary" tests with respect to Cosan (notwithstanding whether any such entity is a Subsidiary of Cosan) set forth in Rule 1-02 under Regulation S-X promulgated pursuant to the Securities Act.

“Rating Agency” means S&P, Fitch or Moody’s; or if S&P, Fitch or Moody’s are not making ratings of the notes publicly available, an internationally recognized U.S. rating agency or agencies, as the case may be, selected by the Issuer, which will be substituted for S&P, Fitch or Moody’s, as the case may be.

“Rating Decline” means that at any time within 90 days (which period shall be extended so long as the rating of the notes is under publicly announced consideration for possible down grade by either Rating Agency) after the date of public notice of a Change of Control, or of the Issuer’s or Cosan’s intention, or that of any Person, to effect a Change of Control (i) in the event the notes or are assigned an Investment Grade Rating by at least two of the Rating Agencies prior to such public notice, the rating of the notes by at least two of the Rating Agencies shall be below an Investment Grade Rating; or (ii) in the event the notes are rated below an Investment Grade Rating by at least two of the Rating Agencies prior to such public notice, the rating of the notes by at least two of the Rating Agencies shall be decreased by one or more categories; provided that any such Rating Decline is in whole or in part in connection with a Change in Control.

“Restricted Subsidiary” means the Issuer and any Subsidiary of Cosan other than an Unrestricted Subsidiary.

“S&P” means Standard & Poor’s Ratings Group, a division of McGraw Hill, Inc. and its successors.

“Sale and Leaseback Transaction” means, with respect to any Person, an arrangement whereby such Person enters into a lease of property previously transferred by such Person to the lessor.

“Securities Act” means the United States Securities Act of 1933, as amended.

“Significant Subsidiary” of any Person means any Subsidiary, including its subsidiaries, that would be a “significant subsidiary” of such Person within the meaning of Rule 1-02 under Regulation S-X promulgated pursuant to the Securities Act.

“Spot Rate” means, for any currency, the spot rate at which that currency is offered for sale against United States dollars as published in The Wall Street Journal on the Business Day immediately preceding the date of determination or, if that rate is not available in that publication, as determined in any publicly available source of similar market data.

“Stated Maturity” means (i) with respect to any Debt, the date specified as the fixed date on which the final installment of principal of such Debt is due and payable or (ii) with respect to any scheduled installment of principal of or interest on any Debt, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Debt, not including any contingent obligation to repay, redeem or repurchase prior to the regularly scheduled date for payment.

“Subordinated Debt” means any Debt of Cosan which is subordinated in right of payment to the notes or the Note Guarantee, as applicable, pursuant to a written agreement to that effect.

“Subsidiary” means with respect to any Person, any corporation, association or other business entity of which more than 50% of the outstanding Voting Stock is owned, directly or indirectly, by such Person, provided, however, that (i) none of Raízen Energia S.A. or any of its subsidiaries shall be a Subsidiary unless Cosan owns, directly or indirectly, more than 51% of the Voting Stock of that entity; and (ii) none of Raízen Combustíveis S.A. or any of its subsidiaries shall be a Subsidiary unless Cosan owns, directly or indirectly, more than 51% of the Voting Stock of that entity.

“Substantially Wholly-Owned” means, with respect to any Subsidiary, a Subsidiary of at least 90% of the outstanding Capital Stock of which (other than director’s or other similar qualifying shares) is owned by Cosan or one or more Wholly Owned Subsidiaries (or a combination thereof) of Cosan.

“Total Consolidated Assets” means the total amount of consolidated assets of Cosan and its Restricted Subsidiaries, plus the total amount of consolidated assets of Radar Propriedades Agrícolas S.A. and its Subsidiaries (to the extent the results of operations of such entities are consolidated by Cosan) and Cosan’s proportionate equity interest in the total amount of the consolidated assets of Raízen Energia S.A. and Raízen Combustíveis S.A. and their respective Subsidiaries, in each case determined in accordance with IFRS.

“Unrestricted Subsidiary” means:

- (1) any Subsidiary of Cosan (other than the Issuer) that at the time of determination shall be designated an Unrestricted Subsidiary by the management of Cosan in the manner provided below; and
- (2) any Subsidiary of an Unrestricted Subsidiary.

The management of Cosan may designate any Restricted Subsidiary of Cosan (including any newly acquired or newly formed Subsidiary of Cosan) to be an Unrestricted Subsidiary pursuant to clause (1) above unless such Subsidiary or any of its Subsidiaries owns any Capital Stock or Debt of, or owns or holds any Lien on any property of, Cosan or any Restricted Subsidiary of Cosan that is not a Subsidiary of the Subsidiary to be so designated; provided, however, that either:

- (a) the Subsidiary to be so designated has total consolidated assets of U.S.\$1,000 or less; or
- (b) if such Subsidiary has consolidated assets greater than U.S.\$1,000, then such designation and Investment (treating such designation as an Investment in an Unrestricted Subsidiary at the time of designation) would be permitted under “—Certain Covenants— Limitation on Restricted Payments.”

The management of Cosan may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided*, however, that immediately after giving effect to such designation:

- (i) such designation shall be deemed an Incurrence of Debt by a Restricted Subsidiary and such designation shall only be permitted if such Debt is permitted under “—Certain Covenants— Limitation on Debt and Disqualified Stock”; and
- (ii) no Event of Default shall have occurred and be continuing.

Any such designation of a Subsidiary as a Restricted Subsidiary, and any such designation of a Subsidiary as an Unrestricted Subsidiary pursuant to clause (1) above, by the management of Cosan shall be evidenced to the Trustee by promptly filing with the Trustee an Officer’s Certificate certifying that such designation complied with the foregoing provisions. On the Closing Date, there will be no Unrestricted Subsidiary of Cosan.

“U.S. Government Obligations” means obligations issued or directly and fully guaranteed or insured by the United States of America or by any agent or instrumentality thereof, *provided* that the full faith and credit of the United States of America is pledged in support thereof.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly Owned” means, with respect to any Subsidiary, a Subsidiary all of the outstanding Capital Stock of which (other than any director’s or other similar qualifying shares) is owned by Cosan and one or more Wholly Owned Subsidiaries (or a combination thereof).

Book Entry, Delivery and Form

The notes are being offered and sold to qualified institutional buyers in reliance on Rule 144A (“Rule 144A notes”). Notes also may be offered and sold in offshore transactions in reliance on Regulation S (“Regulation S notes”). Notes will be issued at the closing of this offering only against payment in immediately available funds.

Rule 144A notes initially will be represented by one or more notes in registered, global form without interest coupons (collectively, the “Rule 144A global notes”). Regulation S notes initially will be represented by one or more notes in registered, global form without interest coupons (collectively, the “Regulation S global notes” and, together with the Rule 144A global notes, the “global notes”).

The global notes will be deposited upon issuance with the trustee as custodian for DTC, in New York, New York, and registered in the name of DTC or its nominee, in each case, for credit to an account of a direct or indirect participant in DTC as described below. Through and including the 40th day after the later of the commencement of this offering and the closing of this offering (such period through and including such 40th day, the “restricted

period”), beneficial interests in the Regulation S global notes may be held only through the Euroclear System (“Euroclear”) and Clearstream Banking, S.A. (“Clearstream”) (as indirect participants in DTC), unless transferred to a person that takes delivery through a Rule 144A global note in accordance with the certification requirements described below. Beneficial interests in the Rule 144A global notes may not be exchanged for beneficial interests in the Regulation S global notes at any time except in the limited circumstances described below. See “—Exchanges Between Regulation S Notes and Rule 144A Notes.”

Except as set forth below, the global notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the global notes may not be exchanged for notes in certificated form except in the limited circumstances described below. See “—Exchange of Global Notes for Certificated Notes.” Except in the limited circumstances described below, owners of beneficial interests in the global notes will not be entitled to receive physical delivery of notes in certificated form.

Rule 144A notes (including beneficial interests in the Rule 144A global notes) will be subject to certain restrictions on transfer and will bear a restrictive legend as described under “Transfer Restrictions.” Regulation S notes will also bear the legend as described under “Transfer Restrictions.” In addition, transfers of beneficial interests in the global notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream), which may change from time to time.

Depository Procedures

The following description of the operations and procedures of DTC, Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. We take no responsibility for these operations and procedures and urge investors to contact the system or their participants directly to discuss these matters.

DTC has advised us that DTC is a limited purpose trust company created to hold securities for its participating organizations (collectively, the “participants”) and to facilitate the clearance and settlement of transactions in those securities between participants through electronic book entry changes in accounts of its participants. The participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC’s system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain custodial relationship with a participant, either directly or indirectly (collectively, the “indirect participants”). Persons who are not participants may beneficially own securities held by or on behalf of DTC only through the participants or the indirect participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the participants and indirect participants.

DTC has also advised us that, pursuant to procedures established by it:

- (1) upon deposit of the global notes, DTC will credit the accounts of participants designated by the initial purchasers with portions of the principal amount of the global notes; and
- (2) ownership of these interests in the global notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the participants) or by the participants and the indirect participants (with respect to other owners of beneficial interests in the global notes).

Investors in the Rule 144A global notes who are participants in DTC’s system may hold their interests therein directly through DTC. Investors in the Rule 144A global notes who are not participants may hold their interests therein indirectly through organizations (including Euroclear and Clearstream) which are participants in such system. Investors in the Regulation S global notes must initially hold their interests therein through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants in such systems. After the expiration of the restricted period (but not earlier), investors may also hold interests in the Regulation S global notes through participants in the DTC system other than Euroclear and Clearstream. Euroclear and Clearstream will hold interests in the Regulation S global notes on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositories, which are Euroclear Bank S.A./N.V., as operator of Euroclear, and Citibank, N.A., as operator of Clearstream. All interests in a global note, including those held through Euroclear or Clearstream, may be subject to the procedures and

requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems. The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a global note to such persons will be limited to that extent. Because DTC can act only on behalf of participants, which in turn act on behalf of indirect participants, the ability of a person having beneficial interests in a global note to pledge such interests to persons that do not participate in the DTC system, or otherwise take actions in respect of such interests may be affected by the lack of a physical certificate evidencing such interests.

Except as described below, owners of interests in the global notes will not have notes registered in their names, will not receive physical delivery of notes in certificated form and will not be considered the registered owners or “holders” thereof under the indenture for any purpose.

Payments in respect of the principal of, and interest and premium and additional interest, if any, on a global note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the indenture. Under the terms of the indenture, the Issuer and the trustee will treat the persons in whose names the notes, including the global notes, are registered as the owners of the notes for the purpose of receiving payments and for all other purposes. Consequently, neither the Issuer, the trustee, the transfer agent, registrar, the paying agent nor any agent of the Issuer, nor the trustee has or will have any responsibility or liability for:

- (1) any aspect of DTC’s records or any participant’s or indirect participant’s records relating to or payments made on account of beneficial ownership interest in the global notes or for maintaining, supervising or reviewing any of DTC’s records or any participant’s or indirect participant’s records relating to the beneficial ownership interests in the global notes; or
- (2) any other matter relating to the actions and practices of DTC or any of its participants or indirect participants.

DTC has advised us that its current practice, upon receipt of any payment in respect of securities such as the notes (including principal and interest) is to credit the accounts of the relevant participants with the payment on the payment date unless DTC has reason to believe it will not receive payment on such payment date. Each relevant participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the participants and the indirect participants to the beneficial owners of notes will be governed by standing instructions and customary practices and will be the responsibility of the participants or the indirect participants and will not be our responsibility or that of DTC or the trustee. Neither the Issuer nor the trustee will be liable for any delay by DTC or any of its participants in identifying the beneficial owners of the notes, and the Issuer and the trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Subject to the transfer restrictions set forth under “Transfer Restrictions,” transfers between participants in DTC will be effected in accordance with DTC’s procedures, and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the notes described herein, cross-market transfers between the participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC’s rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depository; however, such cross market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counter-party in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf of delivering or receiving interests in the relevant global note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

DTC has advised us that it will take any action permitted to be taken by a holder of notes only at the direction of one or more participants to whose account DTC has credited the interests in the global notes and only in respect of such portion of the aggregate principal amount of the notes as to which such participant or participants has or have

given such direction. However, if there is an event of default under the notes, DTC reserves the right to exchange the global notes for legended notes in certificated form, and to distribute such notes to its participants.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the Rule 144A global notes and the Regulation S global notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time. Neither the Issuer nor the trustee nor any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Exchange of Global Notes for Certificated Notes

A global note is exchangeable for definitive notes in registered certificated form (“certificated notes”) if:

- (1) DTC (a) notifies the Issuer that it is unwilling or unable to continue as depository for the global notes and DTC fails to appoint a successor depository or (b) has ceased to be a clearing agency registered under the Exchange Act;
- (2) the Issuer, at its option, notifies the trustee in writing that it has elected to cause the issuance of the certificated notes; or
- (3) there has occurred and is continuing a default or event of default with respect to the notes.

In addition, beneficial interests in a global note may be exchanged for certificated notes upon prior written notice given to the trustee by or on behalf of DTC in accordance with the indenture. In all cases, certificated notes delivered in exchange for any global note or beneficial interests in global notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depository (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in “Transfer Restrictions,” unless that legend is not required by applicable law.

Exchange of Certificated Notes for Global Notes

Certificated notes may not be exchanged for beneficial interests in any global note unless the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such notes. See “Transfer Restrictions.”

Exchanges Between Regulation S Notes and Rule 144A Notes

Beneficial interests in the Regulation S global notes may be exchanged for beneficial interests in the Rule 144A global notes only if:

- (1) such exchange occurs in connection with a transfer of the notes pursuant to Rule 144A; and
- (2) the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that the notes are being transferred to a person:
 - (a) who the transferor reasonably believes to be a qualified institutional buyer within the meaning of Rule 144A;
 - (b) purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; and
 - (c) in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interest in a Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in the Regulation S global note, whether before or after the expiration of the restricted period, only if the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or Rule 144 (if available) and that,

if such transfer occurs prior to the expiration of the restricted period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream.

Transfers involving exchanges of beneficial interests between the Regulation S global notes and the Rule 144A global notes will be effected in DTC by means of an instruction originated by the DTC participant and approved by the trustee through the DTC Deposit/ Withdraw at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S global note and a corresponding increase in the principal amount of the Rule 144A global note or vice versa, as applicable. Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in the other global note will, upon transfer, cease to be an interest in such global note and will become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interest in such other global note for so long as it remains such an interest. The policies and practices of DTC may prohibit transfers of beneficial interests in the Regulation S global note prior to the expiration of the restricted period.

Same Day Settlement and Payment

The indenture will require that payments in respect of the notes represented by the global notes (including principal, interest and Additional Amounts, if any) be made by wire transfer of immediately available funds in such coin or currency of the United States as at the time of payment will be legal tender for the payment of public and private debts, to the accounts specified by holders of the global notes. With respect to notes in certificated form, the Issuer will make all payments by wire transfer of immediately available funds to the accounts specified by the holders thereof or, if no such account is specified, by mailing a check to each holder's registered address.

The notes represented by the global notes are expected to be eligible to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such notes will, therefore, be required by DTC to be settled in immediately available funds. The Issuer expects that secondary trading in any certificated notes will also be settled in immediately available funds.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a global note from a participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement process (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. DTC has advised us that cash received in Euroclear or Clearstream as a result of sales of interest in a global note by or through a Euroclear or Clearstream participant to a participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

TAXATION

The following discussion contains a description of certain material Brazilian, Luxembourg and United States federal income tax considerations that may be relevant to the purchase, ownership and disposition of notes by a holder. This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. You should consult your own tax advisors about the tax consequences of investing in and holding the notes, including the relevance to your particular situation of the considerations discussed below, as well as of state, local and other tax laws.

This summary is based upon tax laws of Brazil, Luxembourg and the United States as in effect on the date of this offering memorandum, which are subject to change, possibly with retroactive effect, and to differing interpretations. You should consult your own tax advisors as to the Brazilian, Luxembourg, the United States or other tax consequences of the purchase, ownership and disposition of notes.

Brazilian Taxation

The following discussion summarizes the main Brazilian tax considerations relating to the acquisition, ownership and disposition of the notes by an individual, entity, trust or organization that is not resident or domiciled in Brazil for purposes of Brazilian taxation, or Non-Resident Holder. The following discussion does not address all of the Brazilian tax considerations relating to the acquisition, ownership and disposition of the notes applicable to any particular Non-Resident Holder. Therefore, each Non-Resident Holder should consult his/her/its own tax advisor concerning the Brazilian tax consequences in respect of the notes.

Investors should note that, as to the discussions below, other income tax rate or treatment may be provided for in any applicable tax treaty between Brazil and the country where the Non-Resident Holder is domiciled. Investors should also note that there is no tax treaty between Brazil and the United States.

Payments made in respect of the notes, and Sale or Disposition of the notes

Generally, a Non-Resident Holder is taxed in Brazil only when income is derived from Brazilian sources or gains are realized on the disposition of assets located in Brazil.

Therefore, as the issuer will be considered, for tax purposes, as domiciled abroad, any income, which for the purposes of this paragraph includes any deemed income on the difference between the issue price of the notes and the price at which the notes are redeemed (“original discount”) payable by the issuer in respect of the notes issued in favor of Non-Resident Holders, should not, under Brazilian law, be regarded as payable by a Brazilian obligor and, accordingly, Brazilian income and withholding taxes should not apply to payments made by the issuer, provided that such payments are made with funds held by the issuer outside of Brazil.

Capital gains generated outside Brazil as a result of a transaction between two non-residents of Brazil with assets located in Brazil are subject to income tax in Brazil, according to article 26 of Law No. 10,833, enacted on December 29, 2003. Based on the fact that the notes are issued and registered abroad and thus, the notes should not fall within the definition of assets located in Brazil for purposes of Law No. 10,833, gains on the sale or the disposition of the notes made outside Brazil by a Non-Resident Holder to another non-Brazilian resident should not be subject to Brazilian taxes. However, considering the general and unclear scope of this legislation and the absence of judicial guidance in respect thereof, we cannot assure prospective investors that such interpretation of this law will prevail in the courts of Brazil.

As a result, gains recognized by a Non-Resident Holder from the sale or other disposition of the notes to (i) a non-resident in Brazil in case the notes are deemed to be located in Brazil or (ii) a resident in Brazil may be subject to income tax in Brazil at a rate of 15.0%, or 25.0% if such Non-Resident Holder is located in a country that does not impose any income tax or which imposes it at a maximum rate lower than 20% (“Low or Nil Tax Jurisdiction”) or in a country or location where the local legislation does not allow access to information related to the shareholding composition of legal entities, to their ownership or to the identity of the effective beneficiary of the income attributed to non-residents, unless a lower rate is provided for in an applicable tax treaty between Brazil and the country where the Non-Resident Holder has its domicile.

Payments Made by the Brazilian Guarantor

If, by any chance, a Brazilian source is required, as a guarantor, to assume the obligation to pay any amount in connection with the notes to a Non-Resident Holder, Brazilian tax authorities could attempt to impose withholding income tax at the rate of 15% or 25%, being the rate variable depending on the nature of the payment and the location of the respective Non-Resident Holder. In this circumstance, other income tax rate may be provided for in an applicable tax treaty between Brazil and the country of residence of the beneficiary. There is some uncertainty regarding the applicable tax treatment to payments of the principal amount by the guarantor to the Non-Resident Holder.

Although there is an argument according to which such payments made by the guarantor do not convert the nature of the payment from principal into taxable income, there are no precedents from Brazilian courts endorsing that position and it is not possible to assure that such argument would prevail in court.

Discussion on Low or Nil Tax Jurisdiction

On June 4, 2010, Brazilian tax authorities enacted Normative Instruction No. 1,037 listing (1) the countries and jurisdictions considered as Low or Nil Tax Jurisdiction or where the local legislation does not allow access to information related to the shareholding composition of legal entities to their ownership or to the identity of the effective beneficiary of the income attributed to non-residents and (2) the privileged tax regimes, which definition is provided by Law No. 11,727, of June 23, 2008. Although we believe that the best interpretation of the current tax legislation could lead to the conclusion that the above mentioned “privileged tax regime” concept should apply solely for purposes of Brazilian transfer pricing and thin capitalization rules, we cannot assure you whether subsequent legislation or interpretations by the Brazilian tax authorities regarding the definition of a “privileged tax regime” provided by Law No. 11,727 will also apply to a Non-Resident Holder on payments of interest.

We recommend prospective investors to consult their own tax advisors from time to time to verify any possible tax consequences arising of Normative Ruling No. 1,037 and Law No. 11,727. If the Brazilian tax authorities determine that payments made to a Non-Resident Holder under a “privileged tax regime,” the withholding income tax applicable to such payments could be assessed at a rate up to 25%.

Other Brazilian Tax Considerations

Pursuant to Decree No. 6,306, of December 14, 2007, as amended, conversions of foreign currency into Brazilian currency or vice versa are subject to the tax on foreign exchange transactions (“IOF/Exchange”), including foreign exchange transactions in connection with payments made by a Brazilian guarantor under the guarantee to Non-Resident Holders. Currently, the IOF/Exchange rate is 0.38% for most foreign exchange transactions, including foreign exchange transactions in connection with payments under the guarantee by a Brazilian guarantor to non-Brazilian Holders.

Despite the above, in any case, the Brazilian Government can reduce the IOF/Exchange rate at any time down to 0% or increase the IOF/Exchange rate at any time up to 25%, but only with respect to future foreign exchange transactions.

Generally, there are no stamp, transfer or other similar taxes in Brazil with respect to the transfer, assignment or sale of the notes outside Brazil nor any inheritance, gift or succession tax applicable to the ownership, transfer or disposition of the notes, except for gift and inheritance taxes imposed by some Brazilian states on gifts and bequests by a Non-Resident Holder to individuals or entities domiciled or residing within such state.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of notes. Prospective purchasers of notes should consult their own tax advisors concerning the tax consequences of their particular situations.

Certain Luxembourg Tax Considerations

Luxembourg Income Tax Consequences

The following summary of certain Luxembourg tax consequences of purchasing, owning and disposing of the notes is of a general nature and is included herein solely for information purposes and does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase or sell of the notes. It is based on the laws, regulations and administrative and judicial interpretations presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. This summary also does not take into account the specific circumstances of particular investors. Prospective investors in the notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used in the sub-headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers only to Luxembourg tax law and/or concepts. Also, please note that a reference to Luxembourg income tax generally encompasses corporate income tax (impôt sur le revenu des collectivités), municipal business tax (impôt commercial communal), a solidarity surcharge (contribution au fonds pour l'emploi), as well as personal income tax (impôt sur le revenu). Investors may further be subject to net wealth tax (impôt sur la fortune) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

Withholding Tax

Individuals

All payments of interest and principal by the issuer in the context of the holding, disposal, redemption or repurchase of the notes can be made free of withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein in accordance with applicable law, subject however to:

- (i) the application of the Luxembourg laws of June 21, 2005 (the “Laws”) implementing the EU Savings Directive and several agreements (the “Agreements”) concluded with certain dependent or associated territories of EU Member States and providing for the possible application of a withholding tax on interest paid to or for the benefit of certain non-Luxembourg resident investors (individuals and certain types of entities called “residual entities”, as defined by the Laws) in the event such payments are made by the relevant issuer or by an appointed paying agent established in Luxembourg within the meaning of the EU Savings Directive or Agreements, unless the beneficiary of the payment of interest or similar income elects for an exchange of information or provides a specific tax certificate to the Luxembourg paying agent (for more information, please refer to the paragraph below entitled “EU Savings Directive”); and
- (ii) the application of the Luxembourg law of December 23, 2005 as amended introducing a final (withholding) tax on certain payments of interest made to certain Luxembourg resident individuals (the “Law”).

Resident holders of notes

Payment of interest or similar income (within the meaning of the Law) on debt instruments made or deemed made by a paying agent (within the meaning of the Law) established in Luxembourg to or for the benefit of an individual Luxembourg resident for tax purposes who is the beneficial owner of such payment or to certain residual entities (such entities defined in article 4.2 of the EU Savings Directive, “Residual Entities”) established in another EU Member State or in an associated or dependent territory with which an Agreement has been signed, and deemed to be acting on behalf of an individual Luxembourg resident, may be subject to a tax at a rate of 10%. Such final tax will be in full discharge of income tax if the individual beneficial owner acts in the course of the management of

his/her private wealth. Responsibility for the withholding and payment of the tax lies with the Luxembourg paying agent.

An individual beneficial owner of interest or similar income (within the meaning of the Law) who is a resident of Luxembourg and acts in the course of the management of his/her private wealth may opt in accordance with the Law for a final tax of 10% when he receives or is deemed to receive such interest or similar income from a paying agent established in another EU Member State, in a Member State of the EEA which is not an EU Member State, or in a State which has concluded a treaty directly in connection with the EU Savings Directive. The individual resident that is the beneficial owner of interest is responsible for the declaration and the payment of the 10% final tax.

Non-Resident holder of notes

Under the EU Savings Directive and the Laws, a Luxembourg based paying agent (within the meaning of the EU Savings Directive) may be required to withhold tax on interest and other similar income (within the meaning of the Laws) paid by it to (or under certain circumstances, for the benefit of) an individual or a Residual Entity which is a resident of, or established in another Member State of the EU, unless the beneficiary of the interest payments or the Residual Entity (where applicable) elects for an exchange of information or provides the relevant documents (including a specific tax certificate) to the Luxembourg paying agent. The same regime applies to payments by a Luxembourg based paying agent to individuals or Residual Entities resident in certain non-EU countries and certain dependent or associated territories (including Jersey, Guernsey, Isle of Man, Montserrat, British Virgin Islands, Curaçao, Saba, Saint Eustatius, Bonaire, St. Maarten and Aruba).

The current tax rate is 35%. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. The tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain other countries (the transitional period may therefore never end).

Investors should note that the European Commission announced proposals to amend the Directive. If implemented, the proposed amendments would, inter alia, extend the scope of the Directive to (i) payments made through certain intermediate structures (whether or not established in a Member State) for the ultimate benefit of an EU resident individual, and (ii) a wider range of income similar to interest.

Corporations

There is no Luxembourg withholding tax for Luxembourg resident and non-resident corporations holders of the notes on payments of interest (including accrued but unpaid interest), except for interest paid on certain profit-sharing bonds and, arguably, profit-sharing interest paid on loans, which is subject to 15% withholding tax unless on the basis of the tax treaty, concluded with Luxembourg and the country in which the corporation is tax resident, a lower tax rate or an exemption is available.

Income Taxation

Non-Resident holders of notes

Non-resident holders of notes, not having a permanent establishment, a permanent representative, or a fixed place of business in Luxembourg to which the notes or income therefrom are attributable, are not subject to Luxembourg income taxes on income accrued or received, redemption premiums or issue discounts, under the notes nor on capital gains realized on the disposal or redemption of the notes. Non-residents holders who have a permanent establishment, a permanent representative, or a fixed place of business in Luxembourg to which the notes or income therefrom are attributable are subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the notes and on any gains realized upon the sale or disposal of the notes.

Resident holders of notes

Individuals

A resident individual acting in the course of the management of a professional or business undertaking must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realized on the sale or disposal, in any form whatsoever, of the notes, in its taxable income for Luxembourg income tax assessment purposes.

A resident holder of notes, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax in respect of interest received, redemption premiums or issue discounts, under the notes, except if tax has been levied on such payments in accordance with the Law.

A gain realized by an individual holder of notes, acting in the course of the management of his/her private wealth, upon the sale or disposal, in any form whatsoever, of notes is not subject to Luxembourg income tax, provided this sale or disposal took place more than 6 months after the notes were acquired. However, any portion of such gain corresponding to accrued but unpaid interest income is subject to Luxembourg income tax, except if tax has been levied on such interest in accordance with the Law.

Corporation

A resident holder of notes (which is not exempt) from income taxation must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realized on the sale or disposal, in any form whatsoever, of the notes, in its taxable income for Luxembourg income tax assessment purposes.

A holder of the notes that is governed by the law of May 11, 2007 on family estate management companies (as amended), or by the law of December 17, 2010 on undertakings for collective investment (amending the law of December 20, 2002), or the law of February 13, 2007 on specialized investment funds (as amended) is neither subject to Luxembourg income tax in respect of interest accrued or received, any redemption premium, nor on gains realized on the sale or disposal, in any form whatsoever, of the notes.

Net Wealth Taxation

An individual holder of notes, whether he/she is resident of Luxembourg or not, is not subject to Luxembourg wealth tax on such notes.

A resident corporate holder of notes or non-resident corporate holder of notes that maintains a permanent establishment, permanent representative or a fixed place of business in Luxembourg to which such notes are attributable, is subject to Luxembourg wealth tax on such notes, except if such holder is a private wealth management company ("*société de gestion de patrimoine familial*") introduced by the law of 11 May 2007 (as amended), an undertaking for collective investment governed by the law of December 17, 2010 (amending the law of December 20, 2002), a securitization vehicle governed by and compliant with the law of March 22, 2004 on securitization (as amended), a company governed by and compliant with the law of June 15, 2004 (as amended) on venture capital vehicles, or a specialized investment fund governed by the law of 13 February, 2007 (as amended).

Other Taxes

Neither the issuance nor the transfer of notes will give rise to any Luxembourg stamp duty, value-added tax, issuance tax, registration tax, transfer tax or similar taxes or duties, provided that the relevant issue or transfer agreement is not registered in Luxembourg, which is not mandatory.

Where a holder of notes is a resident of Luxembourg for tax purposes at the time of his/her death, the notes are included in his/her taxable estate for inheritance tax assessment purposes.

Gift tax may be due on a gift or donation of notes if embodied in a Luxembourg deed or registered in Luxembourg.

EU Savings Directive

On June 3, 2003, the EU Council of Economic and Finance Ministers adopted the EU Savings Directive effective from July 1, 2005. Under the directive, each Member State is required to provide to the tax authorities of another Member State details of payments of interest within the meaning of the EU Savings Directive or other similar income paid by a paying agent within the meaning of the EU Savings Directive, to an individual resident or certain types of entities called “residual entities,” within the meaning of the EU Savings Directive (the “Residual Entities”), established in that other Member State (or certain dependent or associated territories). For a transitional period, however, Luxembourg and Austria are permitted to apply a withholding tax system whereby if a beneficial owner, within the meaning of the EU Savings Directive, does not opt for exchange of information and does not provide a specific tax certificate issued by the tax authorities of his/her Member State of residence “certificate of exemption”, Luxembourg and Austria will levy a withholding tax on payments to such beneficial owner. The tax rate of the withholding is 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. As of January 1, 2010, Belgium which previously also applied withholding, applies the regime of exchange of information described above. See “EU Directive on Taxation of Savings Income in the Form of Interest Payments” (Council Directive 2003/48/EC).

Also with effect from July 1, 2005, a number of non-EU countries (Switzerland, Andorra, Liechtenstein, Monaco and San Marino) and certain dependent or associated territories (including Jersey, Guernsey, Isle of Man, Montserrat, British Virgin Islands, Curaçao, Saba, Saint Eustatius, Bonaire, St. Maarten, Aruba, Cayman Islands, Turks and Caicos Islands and Anguilla) have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent (within the meaning of the EU Savings Directive) within their jurisdiction to, or collected by such a paying agent for, an individual resident or a Residual Entity established in a Member State. In addition, Luxembourg has entered into reciprocal provision of information or transitional withholding arrangements or reciprocal provision of information (at the recipient beneficial owner’s or Residual Entity’s requests) with certain of those dependent or associated territories in relation to payments made by a paying agent (within the meaning of the EU Savings Directive) in Luxembourg to, or collected by such a paying agent for, an individual resident or a Residual Entity established in one of those territories.

The European Commission has announced on November 13, 2008 proposals to amend the EU Savings Directive. If implemented, the proposed amendments would, inter alia, (i) extend the scope of the EU Savings Directive to payments made through certain intermediate structures (whether or not established in a EU Member State) for the ultimate benefit of EU resident individuals and (ii) provide for a wider definition of interest subject to the EU Savings Directive. The European Parliament approved an amended version of this proposal on April 24, 2009. Discussions are still ongoing at Council level, building on unanimous conclusions adopted on December 2, 2008 and on June 9, 2009. Investors who are in any doubt as to their position should consult their professional advisers.

Certain U.S. Federal Income Tax Considerations

This disclosure is limited to the U.S. federal tax issues addressed herein. Additional issues may exist that are not addressed in this disclosure and that could affect the U.S. federal tax treatment of the notes. This tax disclosure was written in connection with the promotion or marketing of the notes, and it cannot be used by any holder for the purpose of avoiding penalties that may be asserted against the holder under the Internal Revenue Code of 1986, as amended (the “Code”). Holders should seek their own advice based on their particular circumstances from an independent tax advisor.

The following is a description of certain U.S. federal income tax consequences to U.S. Holders (as defined below) of acquiring, owning and disposing of notes, but it does not purport to be a comprehensive description of all tax considerations that may be relevant to a particular person’s decision to acquire the notes. This discussion applies only to initial U.S. Holders that (i) purchase notes at the “issue price,” which will equal the first price to the public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the notes is sold for money and (ii) hold these notes as capital assets for U.S. federal income tax purposes.

This discussion does not describe all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances, including tax consequences applicable to U.S. Holders subject to special rules, such as certain financial institutions, dealers or traders in securities who use a mark to market method of tax accounting, persons holding notes as part of a hedging transaction, straddle, wash sale, conversion transaction or integrated transaction or persons entering into a constructive sale with respect to the notes, persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar, entities classified as partnerships for U.S. federal income tax purposes, tax-exempt entities or persons holding notes in connection with a trade or business conducted outside of the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds the notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding notes and partners therein should consult their tax advisors as to the particular U.S. federal income tax consequences of acquiring, owning and disposing of the notes.

This discussion is based on the Code, administrative pronouncements, judicial decisions, and Treasury regulations, all as of the date hereof, any of which is subject to change, possibly with retroactive effect. Prospective investors should consult their tax advisors regarding the U.S. federal income tax consequences of an investment in the notes, as well as tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

As used herein, a "U.S. Holder" is a holder that is a beneficial owner of a note and is, for U.S. federal income tax purposes: (i) an individual who is a citizen or resident of the United States; (ii) a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or (iii) an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

Characterization of the notes. The issuer believes and intends to take the position that the notes constitute debt for U.S. federal income tax purposes. However, no ruling will be obtained from the Internal Revenue Service ("IRS") with respect to the characterization of the notes as debt, and there can be no assurance that the IRS or the courts would agree with this characterization of the notes. If, because of the capital structure of the issuer or otherwise, the notes were treated as equity interests in the issuer, U.S. Holders could be treated as owning an equity interest in a "passive foreign investment company," or PFIC. Treatment of the notes as interests in a PFIC could have adverse U.S. tax consequences to certain categories of U.S. Holders. Accordingly, prospective investors should consult their own tax advisors regarding the characterization of the notes and the consequences of owning an equity interest in a PFIC. The discussion below assumes that the notes will be treated as debt for U.S. federal income tax purposes.

Uncertainties Regarding Tax Treatment. The IRS could assert that our obligation to repurchase the notes for an amount equal to 101% of the principal amount of the notes, plus accrued interest to the date of purchase, under the circumstances described above under the heading "Description of Notes— Repurchase of Notes upon a Change of Control" requires the notes to be treated as "contingent payment debt instruments" under applicable Treasury regulations. The Company intends to take the position, and the remainder of this discussion assumes, that our obligation to repurchase the notes in these circumstances does not result in the notes being treated as "contingent payment debt instruments." Our determination is not, however, binding on the IRS, which could challenge this position. If such a challenge were successful, a U.S. Holder might be required to accrue income on the notes in excess of stated interest, and to treat as ordinary income rather than capital gain any income realized on the taxable disposition of a note.

Payments of Interest The notes are expected to be issued without original issue discount of U.S. federal income tax purposes. Accordingly, interest received by a U.S. Holder on a note (including any Additional Amounts) will be taxed as ordinary income at the time it is received or accrued, depending on the holder's method of accounting for U.S. federal income tax purposes.

Interest income with respect to a note will constitute foreign source income for U.S. federal income tax purposes, which is relevant in calculating a U.S. Holder's foreign tax credit limitation. The limitation on foreign taxes eligible for credit is calculated separately with respect to two specific classes of income. For this purpose, interest income on the notes will constitute "passive category income" for most U.S. Holders.

Sale, Retirement or Other Taxable Disposition of the Notes. A U.S. Holder's tax basis in a note will generally equal the cost of such note to the U.S. Holder. Upon the sale, retirement or other taxable disposition of a note, a U.S. Holder will recognize taxable gain or loss equal to the difference between the amount realized on the sale, retirement or taxable disposition and the U.S. Holder's tax basis in the note. Gain or loss, if any, will generally be U.S. source income for purposes of computing a U.S. Holder's foreign tax credit limitation. For these purposes the amount realized does not include any amount attributable to accrued interest which is treated (as described under "Payments of Interest" above), gain or loss realized on the sale, retirement or other taxable disposition of a note will generally be capital gain or loss, and will be long-term capital gain or loss if at the time of the sale, retirement or taxable disposition the note has been held for more than one year. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding. Payments of interest and proceeds from the sale of a note that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (i) the U.S. Holder is an exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the IRS. U.S. Holders should consult their tax advisors concerning the application of information reporting and backup withholding rules.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in the purchase agreement, dated March 7, 2013 among us and Banco Bradesco BBI S.A., Banco BTG Pactual S.A. – Cayman Branch, Itau BBA USA Securities, Inc. and Morgan Stanley & Co. LLC, as initial purchasers, we have agreed to sell, and the initial purchasers have agreed, severally not jointly, subject to certain conditions, to purchase, the following principal amount of notes.

Initial Purchaser	Principal Amount of Notes
Banco Bradesco BBI S.A.	U.S.\$151,515,000
Itau BBA USA Securities, Inc.	U.S.\$151,515,000
Morgan Stanley & Co. LLC	U.S.\$151,515,000
Banco BTG Pactual S.A. – Cayman Branch	U.S.\$ 45,455,000
Total	U.S.\$500,000,000

The purchase agreement provides that the initial purchasers are obligated to purchase all of the notes if any are purchased. The purchase agreement also provides that if the initial purchasers default, the purchase commitments of the non-defaulting initial purchasers may be increased or the offering may be terminated.

In the purchase agreement, subject to the conditions thereof, the initial purchasers have agreed to purchase the notes at a discount and to resell the notes to investors as described under “Transfer Restrictions.” The notes will initially be offered at the price indicated on the cover page of this offering memorandum. We have been advised by the initial purchasers that they may allow a further discount on sales to certain dealers. After the initial offering of the notes, the offering price and other selling terms may from time to time be varied by the initial purchasers. The purchase agreement provides that the obligations of the initial purchasers to pay for and accept delivery of the notes is subject to, among other conditions, the delivery of certain legal opinions of its counsel.

Bradesco Securities Inc. will act as agent of Banco Bradesco BBI S.A. for sales of the notes in the United States of America. Banco Bradesco BBI S.A. is not a broker-dealer registered with the SEC, and therefore may not make sales of any notes in the United States to U.S. persons. Banco Bradesco BBI S.A. and Bradesco Securities Inc. are affiliates of Banco Bradesco S.A.

Banco BTG Pactual S.A. – Cayman Branch is not a broker-dealer registered with the SEC, and therefore may not make sales of any securities in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that Banco BTG Pactual S.A. – Cayman Branch intends to effect sales of the Securities in the United States, it will do so only through BTG Pactual US Capital LLC or one or more U.S. registered broker-dealers, or otherwise as permitted by applicable U.S. law.

We have agreed to indemnify the initial purchases against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the initial purchasers may be required to make because of any of those liabilities.

The issuer and the guarantor will agree in the purchase agreement that, for a period of 30 days from the date of this offering memorandum, they will not, without the prior written consent of Banco Bradesco BBI S.A., Banco BTG Pactual S.A. – Cayman Branch, Itau BBA USA Securities, Inc. and Morgan Stanley & Co. LLC, offer, sell, or contract to sell or announce the offering of, any similar U.S. dollar-denominated debt securities in the international capital markets issued or guaranteed by the issuer or any of the guarantors (other than the notes).

The initial purchasers are not obligated to make a market in the notes. Accordingly, we cannot assure you as to the liquidity of, or trading markets for, the notes.

To facilitate the offering of the notes, the initial purchasers may engage in transactions that stabilize, maintain or otherwise affect the price of the notes. Specifically, the initial purchasers may overallocate in connection with this offering, creating a short position in the notes for its own account. In addition, to cover overallocations or to stabilize the price of the notes, the initial purchasers may bid for, and purchase, notes on the open market. Finally, the initial purchasers may reclaim selling concessions allowed to a dealer for distributing the notes in this offering, if the initial purchasers repurchase previously distributed notes in transactions to cover short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the notes above

independent market levels. The initial purchasers are not required to engage in these activities, and may end any of these activities at any time.

The initial purchasers and their affiliates may enter into derivative and/or structured transactions with clients, at their request, in connection with the notes and the initial Purchasers and/or their affiliates may also purchase some of the notes to hedge their risk exposure in connection with such transaction. Also, the initial purchasers and/or their affiliates may acquire the notes for their own proprietary account. Such acquisition may have an effect on the demand for and the price of the notes.

The initial purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Some of the initial purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the issuer, Cosan and/or their affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

Banco Bradesco S.A., the controlling shareholder of Banco Bradesco BBI S.A., an initial purchaser in this offering, and Banco Itaú BBA S.A., an affiliate of Itaú BBA USA Securities, Inc., an initial purchaser in this offering, are the lenders of the debentures we issued in the aggregate principal amount of R\$3.3 billion, which are being repaid in part with proceeds of this offering. The debentures are secured with (i) a pledge over Comgás' shares held by Cosan, (ii) an assignment of credit rights and (iii) guarantees by the former Provence Participações S.A. (which was incorporated into Comgás in December 2012) and Cosan Limited. See "Use of Proceeds" for more information.

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and may actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the issuer or Cosan and/or their affiliates. If the initial purchasers or their affiliates have a lending relationship with the issuer or Cosan, they routinely hedge their credit exposure to the issuer and Cosan consistent with their customary risk management policies. Typically, the initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Securities offered hereby. Any such short positions could adversely affect future trading prices of the Securities offered hereby.

The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

In connection with sales of the notes outside the United States, each initial purchaser has agreed that it will not offer, sell or deliver the notes to, or for the account or benefit of, U.S. persons (1) as a part of its distribution at any time or (2) otherwise prior to 40 days after the later of the commencement of the offering and the closing of the offering, within the United States or to, or for the account or benefit of, U.S. persons, other than in accordance with Rule 144A, and it will send to each dealer to whom it sells notes during such period a confirmation or other notice setting forth the restrictions on offers and sales of the notes within the United States or to, or for the account or benefit of, U.S. persons. In addition, until the expiration of the 40-day restricted period referred to above, an offer or sale of Securities within the United States by a dealer (whether or not it is participating in this offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A or pursuant to another exemption from registration under the Securities Act. Resales of the notes are restricted as described below under "Transfer Restrictions."

Delivery of the notes was made to purchasers against payment therefore on March 14, 2013, which was the fifth business day following the date of pricing of the notes (such settlement cycle referred to as "T+5"). Under Rule 15c6-1 of the SEC, under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade on the date of pricing will be required, by virtue of the fact that the notes will initially settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the notes

should note that trading of the notes on the date of pricing and the next succeeding three business days may be affected by the T+5 settlement.

Selling Restrictions

No action has been taken in any jurisdiction by us or the initial purchasers that would permit a public offering of the notes offered hereby in any jurisdiction where action for that purpose is required. The notes offered hereby may not be offered or sold, directly or indirectly, nor may this offering memorandum or any other offering material or advertisements in connection with the offer and sale of the notes be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of such jurisdiction. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the notes and the distribution of this offering memorandum. This offering memorandum does not constitute an offer to purchase or a solicitation of an offer to sell any of the notes offered hereby in any jurisdiction in which such an offer or a solicitation is unlawful.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”), there shall be no offer of notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that, with effect from and including the Relevant Implementation Date, an offer of notes may be made to the public in that Relevant Member State at any time:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the joint book-running managers for any such offer; or
- in any other circumstances which do not require the publication by the issuers or any guarantor of a prospectus pursuant to Article 3(2) of the Prospectus Directive.

For the purposes of this provision, (a) the expression an “offer of notes to the public” in relation to any of the notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, (b) the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and (c) the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

Grand Duchy of Luxembourg

The notes may not be offered or sold within the territory of the Grand Duchy of Luxembourg unless:

- (a) a prospectus has been duly approved by the Commission de Surveillance du Secteur Financier in accordance with the Law of July 10, 2005 on prospectuses for securities as amended from time to time (the “Prospectus Law”) and implementing the Prospectus Directive, as amended by the Law of July 3, 2012 which has implemented in Luxembourg law the 2010 PD Amending Directive; or
- (b) if Luxembourg is not the home member State, the Commission de Surveillance du Secteur Financier has been notified by the competent authority in the home member state that the prospectus has been duly approved in accordance with the Prospectus Directive and the 2010 PD Amending Directive; or

- (c) the offer is made to “qualified investors” as described in points (1) to (4) of Section I of Annex II to Directive 2004/39/EC of the European Parliament and of the Council of April 21, 2004 on markets in financial instruments, and persons or entities who are, on request, treated as professional clients in accordance with Annex II to Directive 2004/39/EC, or recognized as eligible counterparties in accordance with Article 24 of Directive 2004/39/EC unless they have requested that they be treated as non-professional clients; or
- (d) the offer benefits from any other exemption to, or constitutes a transaction otherwise not subject to, the requirement to publish a prospectus.

France

No offering memorandum (including any amendment, supplement or replacement thereto) has been prepared in connection with this offering of the notes that has been approved by the *Autorité des Marchés Financiers* or by the competent authority of another state that is a contracting party to the Agreement on the EEA and notified to the *Autorité des Marchés Financiers*; no notes have been offered or sold and will be offered or sold, directly or indirectly, to the public in France except to permitted investors (“Permitted Investors”) consisting of persons licensed to provide the investment service of portfolio management for the account of third-parties, qualified investors (*investisseurs qualifiés*) acting for their own account and/or corporate investors meeting one of the four criteria provided in article D. 341-1 of the French Code *Monétaire et Financier* and belonging to a limited circle of investors (*cercle restreint d’investisseurs*) acting for their own account, with “qualified investors” and “limited circle of investors” having the meaning ascribed to them in Article L. 411-2, D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French Code *Monétaire et Financier*; none of this offering memorandum or any other materials related to the offer or information contained therein relating to the notes has been released, issued or distributed to the public in France except to Permitted Investors; and the direct or indirect resale to the public in France of any notes acquired by any Permitted Investors may be made only as provided by articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French Code *Monétaire et Financier* and applicable regulations thereunder.

Switzerland

This Offering Memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1,156 of the Swiss Code of Obligations. The Securities will not be listed on the SIX Swiss Exchange and, therefore, this Offering Memorandum may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the Securities may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors, which do not subscribe to the Securities with a view to distribution. The prospective investors must be individually approached by a dealer from time to time.

Republic of Ireland

The notes are not being offered, directly or indirectly, to the general public in Ireland and no offers or sales of any securities under or in connection with this offering memorandum may be effected except in conformity with the provisions of Irish law including the Irish Companies Acts 1963 to 2009, the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland, the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) of Ireland and the Market Abuse (Directive 2003/6/EC) Regulations 2005 of Ireland.

Italy

The offering of the Securities has not been registered pursuant to Italian securities legislation and, accordingly, no Securities may be offered, sold or delivered, nor may copies of this Offering Memorandum or of any other document relating to the Securities be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the “Financial Services Act”) and Article 34-ter, first paragraph, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (“Regulation No. 11971”); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of the Regulation No. 11971.

Any offer, sale or delivery of the Securities or distribution of copies of this Offering Memorandum or any other document relating to the Securities in the Republic of Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of October 29, 2007 (as amended from time to time) and Legislative Decree No. 385 of September 1, 1993, as amended (the “Banking Act”); and
- (b) in compliance with Article 129 of the Banking Act, as amended, and implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

Brazil

The Securities have not been and will not be issued nor publicly placed, distributed, offered or negotiated in the Brazilian capital markets. The issuance of the Securities has not been nor will be registered with the CVM. Any public offering or distribution, as defined under Brazilian laws and regulations, of the Securities in Brazil is not legal without prior registration under Law No. 6,385/76 and CVM Instruction No. 400. Documents relating to the offering of the Securities, as well as information contained therein, may not be supplied to the public in Brazil (as the offering of the Securities is not a public offering of securities in Brazil), nor be used in connection with any offer for subscription or sale of the Securities to the public in Brazil. Therefore, each of the initial purchasers has represented, warranted and agreed that it has not offered or sold, and will not offer or sell, the Securities in Brazil, except in circumstances which do not constitute a public offering, placement, distribution or negotiation or an unauthorized distribution of securities in the Brazilian capital markets regulated by Brazilian legislation.

Persons wishing to offer or acquire the Securities within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

Chile

Neither the issuer nor the notes are registered in the Securities Registry (*Registro de Valores*) or the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the Chilean Securities and Insurance Commission (*Superintendencia de Valores y Seguros de Chile*), or SVS, or subject to the control and supervision of the SVS. This offering memorandum and other offering materials relating to the offer of the notes do not constitute a public offer of, or an invitation to subscribe for or purchase, the notes in the Republic of Chile, other than to individually identified purchasers pursuant to a private offering within the meaning of Article 4 of the Chilean Securities Market Act (*Ley de Mercado de Valores*) (an offer that is not “addressed to the public at large or to a certain sector or specific group of the public”).

Peru

The notes and the information contained in this offering memorandum are not being publicly marketed or offered in Peru and will not be distributed or caused to be distributed to the general public in Peru. Peruvian securities laws and regulations on public offerings will not be applicable to the offering of the notes and therefore, the disclosure obligations set forth therein will not be applicable to the issuer or the sellers of the notes before or after their acquisition by prospective investors. The notes and the information contained in this offering memorandum have not been and will not be reviewed, confirmed, approved or in any way submitted to the Peruvian National Supervisory Commission of Companies and Securities (*Comisión Nacional Supervisora de Empresas y Valores*) nor have they been registered under the Securities Market Law (*Ley del Mercado de Valores*) or any other Peruvian regulations. Accordingly, the notes cannot be offered or sold within Peruvian territory except to the extent any such offering or sale qualifies as a private offering under Peruvian regulations and complies with the provisions on private offerings set forth therein.

The notes have been registered with the Superintendency of Banking, Insurance and Private Pension Funds (*Superintendencia de Bancos, Seguros y Administradoras Privadas de Fondos de Pensiones*) so that they could qualify as eligible instruments and be acquired by Peruvian Private Pension Funds Administrators

Mexico

The notes have not been, and will not be, registered with the National Securities Registry maintained by the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*, or the “CNBV”) and, therefore the notes may not be publicly offered or sold nor be the subject of intermediation in Mexico, publicly or otherwise, except that the common shares may be offered in Mexico to institutional and qualified investors pursuant to the private placement exception set forth in Article 8 of the Mexican Securities Market Law.

Colombia

The notes have not been offered or sold, and will not be offered or sold, in Colombia other than in compliance with applicable laws.

Cayman Islands

No invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the Securities unless the issuer is listed on the Cayman Islands Stock Exchange.

Hong Kong

Each of the initial purchasers has represented and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Japan

The Securities offered in this Offering Memorandum have not been registered under the Securities and Exchange Law of Japan. The Securities have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law and (ii) in compliance with any other applicable requirements of Japanese law.

Singapore

The Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Cap. 289 of Singapore, or the SFA, and accordingly, the initial purchasers may not offer nor sell the Securities pursuant to an offering nor make the Securities the subject of an invitation for subscription or purchase, nor will the initial purchasers circulate or distribute this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Securities, whether directly or indirectly, to any person in Singapore other than under exemptions provided in the SFA for offers made (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) or any person, pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with, the conditions of any other applicable provision of the SFA.

Each holder of the Securities should note that any subsequent sale of the Securities acquired pursuant to an offer in this Offering Memorandum made under exemptions (a) or (b) above within a period of six months from the

date of initial acquisition is restricted to (i) institutional investors (as defined in Section 4A of the SFA), (ii) relevant persons as defined in Section 275(2) of the SFA, and (iii) persons pursuant to an offer referred to in Section 275(1A) of the SFA.

Where the Securities are acquired by persons who are relevant persons specified in Section 276 of the SFA, namely:

- (i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the SFA except: (1) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275 of the SFA; (2) where no consideration is or will be given for the transfer; or (3) where the transfer is by operation of law.

United Arab Emirates

The notes may not be, have not been and are not being sold, subscribed for, transferred or delivered in the UAE other than in compliance with the laws of the UAE governing the sale, subscription for, transfer and delivery of securities.

Dubai International Financial Center

The notes may not be, are not and will not be sold, subscribed for, transferred or delivered, directly or indirectly, to any person in the Dubai International Financial Center who is not a client within the meaning of the Conduct of Business Module of the Rules of the Dubai Financial Services Authority or a qualified investor within the meaning of the Offered Securities Rules of the Dubai Financial Services Authority.

United Kingdom

Each of the initial purchasers has represented and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by them in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Bank; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by them in relation to the Securities in, from or otherwise involving the United Kingdom.

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

TRANSFER RESTRICTIONS

The notes have not been registered under the Securities Act or any other U.S. securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable U.S. securities laws. Accordingly, the notes and guarantees are being offered and sold only:

(1) to qualified institutional buyers in compliance with Rule 144A under the Securities Act; or

(2) outside the United States to persons other than U.S. persons, in an offshore transaction in compliance with Regulation S under the Securities Act.

The terms “United States,” “U.S. persons,” and “offshore transaction” used in this section have the meanings given to them under Regulation S. The term “qualified institutional buyer” used in this section has the meaning given to it under Rule 144A.

Each purchaser of the notes offered, or the Restricted Notes, will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein):

(1) The purchaser is either:

(A) a qualified institutional buyer and is aware that the sale to it is being made in reliance on Rule 144A and such qualified institutional buyer is acquiring such notes for its own account or for the account of another qualified institutional buyer; or

(B) not a U.S. person (as defined in Regulation S under the Securities Act), and is purchasing the notes in accordance with Regulation S under the Securities Act. The purchaser acknowledges that the seller may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A or other exemptions under the Securities Act.

(2) The purchaser understands that the notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the notes have not been registered under the Securities Act or any U.S. securities laws and that (A) the notes may be reoffered, resold, pledged or otherwise transferred only (1) (a) to a person who the purchaser reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (b) outside the United States to a person that is not a U.S. person (as defined in Regulation S under the Securities Act) in an offshore transaction meeting the requirements of Regulation S under the Securities Act or (c) pursuant to another available exemption under the Securities Act; (2) to us or any of our subsidiaries or (3) under an effective registration statement and, in each case, in compliance with any applicable securities laws of any State of the United States or any other applicable jurisdiction and (B) the purchaser will, and each subsequent holder is required to, notify any later purchaser from it of the resale restrictions described in (A) above.

(3) The purchaser confirms that (A) it has requisite knowledge and experience in financial and business matters so that it is capable of evaluating the merits and risks of purchasing notes, and the purchaser and any accounts for which it is acting are each able to bear the economic risks of its or their investment, including a complete loss of the investment, (B) it is not acquiring notes with a view to any distribution of the notes in a transaction that would violate the Securities Act or the securities laws of any State of the United States or another applicable jurisdiction; provided that the disposition of its property and the property of any accounts for which the purchaser is acting as fiduciary shall remain at all times within its control and (C) it has received a copy of this offering memorandum and acknowledges that the purchaser has had access to the financial and other information, and has been afforded the opportunity to ask questions of our representatives and receive answers to those questions, as it deemed necessary in connection with its decision to purchase notes.

(4) The purchaser acknowledges that we and the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the foregoing acknowledgments, representations or agreements deemed to have been made by it are no longer accurate, it shall promptly notify the issuer, the guarantor of the notes and the initial purchasers. If such purchaser is acquiring any notes as a fiduciary or agent for one or more investor accounts, such purchaser represents that it has sole investment

discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

(5) If it is a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, it acknowledges that until the expiration of the “40-day distribution compliance period” within the meaning of Rule 903 of Regulation S, any offer or sale of the notes shall not be made by it to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902(k) of the Securities Act.

(6) The purchaser understands that the Restricted Notes will bear a legend substantially to the following effect, or the Restricted Notes Legend:

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES ACT, AND THIS NOTE MAY NOT BE REOFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE ISSUERS OR ANY SUBSIDIARY THAT (A) THIS NOTE MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) OUTSIDE THE UNITED STATES TO A PERSON THAT IS NOT A U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (III) PURSUANT TO ANOTHER AVAILABLE EXEMPTION UNDER THE SECURITIES ACT, (IV) TO THE ISSUER OR ANY SUBSIDIARY OF THE ISSUER OR (V) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (V) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES; AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE. THIS LEGEND MAY ONLY BE REMOVED AT THE OPTION OF THE ISSUER.

Each purchaser of the notes offered in reliance on Regulation S will be deemed to have represented and agreed that it is not a U.S. person and is purchasing such notes in an offshore transaction (as such terms are defined in Regulation S) pursuant to Regulation S and understands that such notes will bear a legend substantially to the following effect, or the Regulation S Legend:

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION ORIGINALLY EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES ACT, AND MAY NOT BE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT.

Restricted Notes may be exchanged for notes not bearing the Restricted Notes Legend but bearing the Regulation S Legend upon certification by the transferor in the form set forth in the Indenture that the transfer of any such Restricted Notes has been made in accordance with Rule 904 under the Securities Act.

LEGAL MATTERS

The validity of the notes will be passed upon for the issuer and the guarantor by Davis Polk & Wardwell LLP and for the initial purchasers by Clifford Chance US LLP. Certain Brazilian legal matters relating to the notes and the guarantees will be passed upon for us and the guarantor by Mattos Filho, Veiga Filho, Marrey Jr. e Quiroga Advogados and for the initial purchasers by Machado, Meyer, Sendacz e Opice Advogados. Certain Luxembourg legal matters relating to the notes and the guarantees will be passed upon for the issuer by Loyens & Loeff, Avocats à la Cour.

LISTING AND GENERAL INFORMATION

1. The notes were delivered in book-entry form through DTC, and its direct and indirect participants, including Clearstream and Euroclear, on March 14, 2013. The CUSIP, ISIN and Common Code numbers for the notes are as follows:

	Restricted Global Note	Regulation S Global Note
CUSIP	22112E AA6	L20041 AA4
ISIN	US22112EAA64	USL20041AA41
Common Code.....	090478761	090476122

2. Copies of the latest audited annual financial statements and unaudited quarterly financial information of Cosan, copies of the Issuer's articles of association and by-laws and of Cosan's *estatuto social* (by-laws), as well as the indenture (including forms of notes) and the contracts of the guarantee, will be available (free of charge) at the offices of any paying agent. The Issuer will make available copies of its yearly financial statements.

3. Except as disclosed in this offering memorandum, there has been no material adverse change in our unaudited financial position since December 31, 2012, the date of our latest financial statements included in this offering memorandum. There has been no material adverse change in the unaudited financial position of the Issuer since its date of incorporation.

4. Application has been made to list the notes offered pursuant to this offering memorandum on the Official List of the Luxembourg Stock Exchange.

5. Ernst & Young Terco Auditores Independientes S.S. has agreed to the inclusion of its reports in this offering memorandum in the form and context in which it is included.

6. PricewaterhouseCoopers Auditores Independientes S.S. has agreed to the inclusion of its report in this offering memorandum in the form and context in which it is included.

7. The issuance of the notes in connection with this offer was authorized by our board of managers on March 14, 2013. The issuance of the guarantee by the guarantor was authorized by the board of directors of the guarantor on March 14, 2013.

8. We are not involved in any legal, administrative or arbitration proceeding that is material in the context of the issuance of the notes. We are not aware of any material legal, administrative or arbitration proceeding that is pending or threatened against us except as disclosed in this offering memorandum.

9. The issuer is not involved in any legal, administrative or arbitration proceeding that is material in the context of the issuance of the notes. We are not aware of any material legal, administrative or arbitration proceeding that is pending or threatened against us except as disclosed in this offering memorandum.

INDEPENDENT AUDITORS

The consolidated financial statements of Cosan S.A. Indústria e Comércio as of and for the fiscal years ended March 31, 2012, 2011 and 2010 included elsewhere in this offering memorandum have been audited by Ernst & Young Terco Auditores Independentes S.S., independent auditors, as stated in their reports appearing herein.

With respect to the unaudited interim consolidated financial information of Cosan S.A. Indústria e Comércio for the nine-month periods ended December 31, 2011, included elsewhere in this offering memorandum, Ernst & Young Terco Auditores Independentes S.S. have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report dated February 28, 2013 appearing herein states that they did not audit and did not express an opinion on those unaudited interim consolidated financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review conducted.

Our unaudited consolidated interim financial statements as of and for the nine months ended December 31, 2012, included elsewhere in this offering memorandum, PricewaterhouseCoopers Auditores Independentes reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report dated February 28, 2013 appearing herein states that they did not audit and they do not express an opinion on that unaudited financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

ENFORCEABILITY OF CIVIL LIABILITIES

Enforcement of Judgments in Luxembourg

The issuer is a company incorporated and established under the laws of the Grand Duchy of Luxembourg under the form of a public limited liability company (*société anonyme*) and it may be difficult for you to obtain or enforce judgments against it or its directors in the United States.

The issuer is organized under the laws of the Grand Duchy of Luxembourg. Most of its assets are located outside the United States. Furthermore none of the issuer's directors resides in the United States. As a result, investors may find it difficult to effect service of process within the United States upon the issuer or these persons or to enforce outside the United States judgments obtained against the issuer or these persons in U.S. courts, including judgments in actions predicated upon the civil liability provisions of the U.S. federal securities laws. Likewise, it may also be difficult for an investor to enforce in U.S. courts judgments obtained against us or these persons in courts located in jurisdictions outside the United States, including actions predicated upon the civil liability provisions of the U.S. federal securities laws. It may also be difficult for an investor to bring an original action in a Luxembourg court predicated upon the civil liability provisions of the U.S. federal securities laws against the issuer or these persons. Luxembourg law, furthermore, does not recognize a shareholder's right to bring a derivative action on behalf of the issuer. It may be possible for investors to effect service of process within Luxembourg upon the issuer provided that The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

As there is no treaty in force governing the reciprocal recognition and enforcement of judgments in civil and commercial matters between the United States and the Grand Duchy of Luxembourg, courts in Luxembourg will not automatically recognize and enforce a final judgment rendered by a U.S. court. A valid final, non-appealable and conclusive judgment against an issuer incorporated in Luxembourg with respect to the notes obtained from a court of competent jurisdiction in the United States remains in full force and effect after all appeals as may be taken in the relevant state or federal jurisdiction with respect thereto have been taken, may be entered and enforced through a court of competent jurisdiction of Luxembourg, subject to compliance with the enforcement procedures (*exequatur*) set out in Article 678 *et seq.* of the Luxembourg New Code of Civil Procedure (*Nouveau Code de Procédure Civile*) and Luxembourg case-law, being:

- the judgment of the U.S. court is enforceable (*exécutoire*) in the United States;
- the U.S. court had full jurisdiction over the subject matter leading to the judgment (that is, its jurisdiction was in compliance both with Luxembourg private international law rules and with the applicable domestic U.S. federal or state jurisdictional rules);
- the U.S. court has applied to the dispute the substantive law which would have been applied by Luxembourg courts or, at least, the order must not contravene the principles underlying those rules;
- the judgment must not have been obtained subsequent to a breach of Luxembourg law (*fraude à la loi*) and must have been granted in compliance with the rights of the defendant to appear, and if the defendant appeared, to present its defense;
- the U.S. court has acted in accordance with its own procedural laws; and
- the considerations of the foreign order, as well as the judgment, do not contravene international public policy as understood under the laws of Luxembourg or have been given proceedings of a penal, criminal or tax nature (which would include awards of damages made under civil liabilities provisions of the U.S. federal securities laws, or other laws, to the extent that the same would be classified by Luxembourg courts as being of a penal or punitive nature (for example, fines or punitive damages)) or rendered subsequent to an evasion of Luxembourg law (*fraude à la loi*). Ordinarily an award of monetary damages would not be considered as a penalty, but if the monetary damages include punitive damages such punitive damages may be considered as a penalty).

If an original action is brought in Luxembourg, without prejudice to specific conflict of law rules, Luxembourg courts may refuse to apply the designated law (i) if the choice of such foreign law was not made bona fide or (ii) if the foreign law was not pleaded and proved or (iii) if pleaded and proved, such foreign law as contrary to mandatory

Luxembourg laws or incompatible with Luxembourg public policy rules. In an action brought in Luxembourg on the basis of U.S. federal or state securities laws, Luxembourg courts may not have the requisite power to grant the remedies sought.

In practice, Luxembourg courts now tend not to review the merits of a foreign judgment, although there is no clear statutory prohibition of such review.

In a judgment of the Luxembourg District Court, dated January 10, 2008, the Court differed slightly from the traditional rules for enforcing a judgment described above, and decided that, in order to enforce a foreign judgment in Luxembourg, a Luxembourg judge has to make sure that three conditions are fulfilled: (1) the “indirect” competence of the foreign judge based on the connection of the litigation with such judge, (2) the conformity with international public policy requirements, both substantive and procedural, and (3) the absence of fraud to the law. In the judgment, the District Court held that the Luxembourg judge does not need to verify that the (substantive) law applied by the foreign judge is the law which would have been applicable according to Luxembourg conflict of law rules.

Whether the District Court’s opinion described above will develop into the prevailing position of Luxembourg case law cannot be forecast with certainty at this stage, especially considering that in the case at issue the matter was not appealed to the Court of Appeal and because, to the best of our knowledge and belief, having taken all reasonable care to ensure that such is the case, there has been no further case law on the issue since then. To the extent, however, that the District Court’s decision endorsed the solution prevailing in French case law, its decision might, in the future, be endorsed by the Luxembourg courts in general.

Registration in Luxembourg

The registration of the notes, the indenture, the guarantees and the transaction documents (and any document in connection therewith) with the *Administration de l’Enregistrement et des Domaines* in Luxembourg may be required in the case of legal proceedings before Luxembourg courts or in the case that the notes, the indenture, the guarantees and the transaction documents (and any document in connection therewith) must be produced before an official Luxembourg authority (*autorité constituée*). In such case, either a nominal registration duty or an ad valorem duty (or, for instance, 0.24% of the amount of the payment obligation mentioned in the document so registered) will be payable depending on the nature of the document to be registered.

The Luxembourg courts or the official Luxembourg authority may require that the notes, the security interest agreements, the indentures, the guarantees and the transaction documents (and any document in connection therewith) and any judgment obtained in a foreign court be translated into French or German.

Insolvency Proceedings in Luxembourg

The issuer is incorporated under the laws of Luxembourg, and as such any insolvency proceedings applicable to such a company are in principle governed by Luxembourg law. The insolvency laws of Luxembourg may not be as favorable to your interests as creditors as the laws of the United States or other jurisdictions with which you may be familiar.

The following is a brief description of certain aspects of insolvency law in Luxembourg. In the event that the issuer incorporated under the laws of Luxembourg, experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

The issuer is incorporated under the laws of the Grand Duchy of Luxembourg and has its registered office in the Grand Duchy of Luxembourg. Accordingly, Luxembourg courts should have, in principle, jurisdiction to open main insolvency proceedings with respect to the issuer, as entity having its registered office and central administration (*administration centrale*) and centre of main interest (“COMI”), as used in the EC Regulation 1346/2000 of 29 May 2000 on insolvency proceedings (the “EU Regulation”), in the Grand Duchy of Luxembourg, such proceedings to be governed by Luxembourg insolvency laws. According to the EU Regulation, there is a rebuttable presumption that a company has its COMI in the jurisdiction in which it has the place of its registered office. As a result, there is a rebuttable presumption that the COMI of the issuer is in the Grand Duchy of Luxembourg and consequently that any

“main insolvency proceedings” (as defined in the EU Regulation) would be opened by a Luxembourg court and be governed by Luxembourg law.

However, the determination of where the issuer has its COMI is a question of fact, which may change from time to time. Preamble 13 of the EU Insolvency Regulation states that the COMI of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and “is therefore ascertainable by third parties.”

Under Luxembourg insolvency laws, the following types of proceedings (the “Insolvency Proceedings”) may be opened against the issuer:

- bankruptcy proceedings (*faillite*), the opening of which is initiated by the relevant guarantor, by any of its creditors or by Luxembourg courts *ex officio*. The directors of the issuer have the obligation to file for bankruptcy within one month in case it is in a state of cessation of payment (*cessation de paiement*). Following such a request, the Luxembourg courts having jurisdiction may open bankruptcy proceedings, if the relevant guarantor (i) is in default of payment (*cessation des paiements*) and (ii) has lost its commercial creditworthiness (*ébranlement de crédit*). If a court finds that these conditions are satisfied, it may also open *ex officio* bankruptcy proceedings, absent a request made by the issuer. The main effects of such proceedings are (i) the suspension of all measures of enforcement against the issuer, except, subject to certain limited exceptions, for secured creditors and (ii) the payment of the issuer’s creditors in accordance with their ranking upon the realization of the issuer’s assets;
- controlled management proceedings (*gestion contrôlée*), the opening of which may only be requested by the issuer and not by its creditors; and
- composition proceedings (*concordat préventif de faillite*), the obtaining of which is requested by the relevant guarantor only after having received a prior consent from a majority of its creditors holding 75% at least of the claims against the issuer. The obtaining of such composition proceedings will trigger a provisional stay on enforcement of claims by creditors.

In addition to these proceedings, the ability of the holders of notes to receive payment on the notes may be affected by a decision of a Court to grant a stay on payments (*sursis de paiement*) or to put the relevant guarantor into judicial liquidation (*liquidation judiciaire*). Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in serious breach or violation of the commercial code or of the laws governing commercial companies dated August 10, 1915, as amended (the “Companies Act”). The management of such liquidation proceedings will generally follow similar rules as those applicable to bankruptcy proceedings.

The issuer’s liabilities in respect of the notes will, in the event of a liquidation of the issuer following bankruptcy or judicial liquidation proceedings, rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and those of the concerned obligor’s debts that are entitled to priority under Luxembourg law. For example, preferential debts under Luxembourg law include, among others:

- certain amounts owed to the Luxembourg Revenue;
- value-added tax and other taxes and duties owed to the Luxembourg Customs and Excise;
- social security contributions; and
- remuneration owed to employees.

For the avoidance of doubt, the above list is not exhaustive.

Assets in the form of shares or receivables over which a security interest has been granted and perfected will in principle not be available for distribution to unsecured creditors (except after enforcement and to the extent a surplus is realized), and subject to application of the relevant priority rule and liens and privileges arising mandatorily by law.

During insolvency proceedings, all enforcement measures by unsecured creditors are suspended. In the event of controlled management proceedings, the ability of secured creditors to enforce their security interest may also be limited, automatically causing the rights of secured creditors to be frozen until a final decision has been taken by the court as to the petition for controlled management, and may be affected thereafter by a reorganization order given by the relevant Luxembourg court subject to the exceptions under the Luxembourg law of August 5, 2005 on financial collateral arrangements (the “Luxembourg Collateral Law”). A reorganization order requires the prior approval of more than 50% of the creditors representing more than 50% of the relevant guarantor’s liabilities in order to take effect. Furthermore, declarations of default and subsequent acceleration (such as acceleration upon the occurrence of an event of default) may not be enforceable during controlled management proceedings.

Luxembourg insolvency laws may also affect transactions entered into or payments made by the issuer during the period before bankruptcy, the so-called “suspect period” (*periode suspecte*), which is a maximum of six months, as from the date on which the Commercial Court formally adjudicates a person bankrupt, and, as for specific payments and transactions, during an additional period of ten days before the commencement of such period preceding the judgment declaring bankruptcy, except that in certain specific situations the court may set the start of the suspect period at an earlier date, if the bankruptcy judgment was preceded by another insolvency proceedings (e.g., a suspension of payments or controlled management proceedings) under Luxembourg law.

In particular:

- pursuant to article 445 of the Luxembourg code of commerce, specified transactions (such as, in particular, the granting of a security interest for antecedent debts; the payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange; the sale of assets or entering into transactions generally without consideration or with substantially inadequate consideration) entered into during the suspect period (or the ten days preceding it) will be set aside or declared null and void, if so requested by the insolvency receiver;
- pursuant to article 446 of the Luxembourg code of commerce, payments made for matured debts for considerations, as well as other transactions concluded during the suspect period, are subject to cancellation by the court upon proceedings instituted by the insolvency receiver if they were concluded with the knowledge of the bankrupt’s cessation of payments;
- regardless of the suspect period, article 448 of the Luxembourg Code of Commerce and article 1167 of the Luxembourg Civil Code (*action paulienne*) give any creditor the right to challenge any fraudulent payments and transactions made prior to the bankruptcy.

After having converted all available assets of the company into cash and after having determined all the company’s liabilities, the insolvency receiver will distribute the proceeds of the sale to the creditors further to their priority ranking as set forth by law, after deduction of the receiver fees and the bankruptcy administration costs.

Any international aspects of Luxembourg bankruptcy, controlled management and composition proceedings may be subject to the EU Insolvency Regulation. Insolvency proceedings may hence have a material adverse effect on the issuer’s obligations under the Notes.

In principle, a bankruptcy order rendered by a Luxembourg court does not result in automatic termination of contracts except for *intuitu personae* contracts, that is, contracts for which the identity of the company or its solvency were crucial. The contracts, therefore, subsist after the bankruptcy order. However, the insolvency receiver may choose to terminate certain contracts as to avoid worsening the financial situation of the company. As of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue *vis-à-vis* the bankruptcy estate. Insolvency proceedings may hence have a material adverse effect on a Luxembourg company’s business and assets and the Luxembourg company’s respective obligations under the notes.

The bankruptcy receiver decides whether or not to continue performance under on-going contracts (*i.e.*, contracts existing before the bankruptcy order). The bankruptcy receiver may elect to continue the business of the debtor, provided the bankruptcy receiver obtains the authorization of the court and such continuation does not cause any prejudice to the creditors. However, two exceptions apply:

- the parties to an agreement may contractually agree that the occurrence of a bankruptcy constitutes an early termination or acceleration event; and
- *intuitu personae* contracts (*i.e.*, contracts whereby the identity of the other party constitutes an essential element upon the signing of the contract) are automatically terminated as of the bankruptcy judgment since the debtor is no longer responsible for the management of the company. Parties can agree to continue to perform under such contracts.

The bankruptcy receiver may elect not to perform the obligations of the bankrupt party which are still to be performed after the bankruptcy under any agreement validly entered into by the bankrupt party prior to the bankruptcy. The counterparty to that agreement may make a claim for damages in the bankruptcy and such claim will rank *pari passu* with claims of all other unsecured creditors and/or seek a court order to have the relevant contract dissolved. The counterparty may not require specific performance of the contract.

Brazil

We have been advised by Mattos Filho, Veiga Filho, Marrey Jr. e Quiroga Advogados, our Brazilian counsel, that a final conclusive judgment of non-Brazilian courts for the payment of money rendered thereby, subject to certain requirements described below, may be enforced in Brazil. A judgment against either us our Directors, our Officers or the issuer obtained outside Brazil would be enforceable in Brazil against us, our Directors, our Officers or the issuer without reconsideration of the merits, upon confirmation of that judgment by the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça*), or STJ. That confirmation, generally, will occur if the foreign judgment:

- fulfills all formalities required for enforceability under the laws of the non-Brazilian courts;
- is issued by a competent court after proper service of process on the parties, which service must comply with Brazilian law, or after sufficient evidence of the parties' absence has been given, as required by applicable law;
- is not subject to appeal;
- is for payment of a fixed amount;
- is authenticated by the Brazilian consulate with jurisdiction over the place the judgment is rendered;
- is translated into Portuguese by a certified translator; and
- does not violate Brazilian public policy, national sovereignty or public morality (as set forth in Brazilian law).

We have also been advised that civil actions may be brought before Brazilian courts in connection with this offering memorandum based solely on the federal securities laws of the United States and that Brazilian courts may enforce such liabilities in such actions against us (provided that provisions of the federal securities laws of the United States do not contravene Brazilian public policy, good morals or national sovereignty). We have been further advised that a plaintiff, whether Brazilian or non-Brazilian, who resides outside Brazil or is outside Brazil during the course of the litigation in Brazil and who does not own real property in Brazil must post a bond to guarantee the payment of the defendant's legal fees and court expenses, except in case of collection claims based on an instrument (which do not include the notes issued hereunder) that may be enforced in Brazilian courts without the review of its merit (*título executivo extrajudicial*), counterclaims as established under Article 836 of the Brazilian Code of Civil Procedure, or in the case of enforcement of foreign judgments that have been duly confirmed by STJ.

The confirmation process may be time consuming and may also give rise to difficulties in enforcing the foreign judgment in Brazil. Accordingly, we cannot assure you that confirmation would be obtained, that the confirmation process would be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment for violation of the securities laws of countries other than Brazil.

FINANCIAL STATEMENTS

Unaudited Consolidated Financial Statements of Cosan S.A. Indústria e Comércio at December 31, 2012 and for the Nine Months Ended December 31, 2012 and 2011

Report of PricewaterhouseCoopers Auditores Independentes	F-2
Independent auditor's review report	F-4
Statement of financial position at December 31, 2012 and December 31, 2011	F-6
Statements of comprehensive income for the nine months ended December 31, 2012 and December 31, 2011	F-8
Consolidated statements of changes in equity for the nine months ended December 31, 2012 and December 31, 2011	F-10
Statements of cash flows for the nine months ended December 31, 2012 and December 31, 2011	F-12
Statements of value added for the nine months ended December 31, 2012 and December 31, 2011	F-14
Notes to the consolidated financial statements	F-16

Audited Financial Statements of Cosan S.A. Indústria e Comércio at and for the Fiscal Years Ended March 31, 2012 and 2011

Report of independent auditors on the financial statements	F-78
Statements of financial position as at March 31, 2012 and 2011	F-81
Statements of income for the fiscal years ended March 31, 2012 and 2011	F-83
Statements of comprehensive income for the fiscal years ended March 31, 2012 and 2011	F-84
Statements of changes in equity for the fiscal years ended March 31, 2012 and 2011	F-85
Statements of cash flows for the fiscal years ended March 31, 2012 and 2011	F-87
Statements of value added for the fiscal years ended March 31, 2012 and 2011	F-88
Notes to the financial statements	F-89

Audited Consolidated Financial Statements of Cosan S.A. Indústria e Comércio at and for the Fiscal Years Ended March 31, 2011 and 2010

Report of independent auditors	F-175
Consolidated statements of financial position as at March 31, 2011 and 2010 and April 1, 2009	F-177
Consolidated statements of income for the fiscal years ended March 31, 2011 and 2010	F-179
Consolidated statements of changes in equity for the fiscal years ended March 31, 2011 and 2010	F-180
Consolidated statements of comprehensive income for the fiscal years ended March 31, 2011 and 2010	F-181
Consolidated statements of cash flows for the fiscal years ended March 31, 2011 and 2010	F-182
Notes to the consolidated financial statements	F-183

Audited Financial Statements of Comgás at and for the Years Ended December 31, 2012 and 2011

Report of independent auditors	F-257
Balance sheets at December 31, 2012 and December 31, 2011	F-259
Statements of income for the years ended December 31, 2012 and December 31, 2011	F-260
Statements of changes in equity for the years ended December 31, 2012 and December 31, 2011	F-261
Statements of cash flows for the years ended December 31, 2012 and December 31, 2011	F-262
Statements of value added for the years ended December 31, 2012 and December 31, 2011	F-263
Notes to the financial statements	F-264

FINANCIAL STATEMENTS

Unaudited Consolidated Financial Statements of Cosan S.A. Indústria e Comércio at December 31, 2012 and for the Nine Months Ended December 31, 2012 and 2011

Report of PricewaterhouseCoopers Auditores Independentes	F-2
Independent auditor's review report	F-4
Statement of financial position at December 31, 2012 and December 31, 2011.....	F-6
Statements of comprehensive income for the nine months ended December 31, 2012 and December 31, 2011.....	F-8
Consolidated statements of changes in equity for the nine months ended December 31, 2012 and December 31, 2011.....	F-10
Statements of cash flows for the nine months ended December 31, 2012 and December 31, 2011	F-12
Statements of value added for the nine months ended December 31, 2012 and December 31, 2011	F-14
Notes to the consolidated financial statements	F-16

Audited Financial Statements of Cosan S.A. Indústria e Comércio at and for the Fiscal Years Ended March 31, 2012 and 2011

Report of independent auditors on the financial statements.....	F-78
Statements of financial position as at March 31, 2012 and 2011.....	F-81
Statements of income for the fiscal years ended March 31, 2012 and 2011	F-83
Statements of comprehensive income for the fiscal years ended March 31, 2012 and 2011	F-84
Statements of changes in equity for the fiscal years ended March 31, 2012 and 2011	F-85
Statements of cash flows for the fiscal years ended March 31, 2012 and 2011	F-87
Statements of value added for the fiscal years ended March 31, 2012 and 2011.....	F-88
Notes to the financial statements	F-89

Audited Consolidated Financial Statements of Cosan S.A. Indústria e Comércio at and for the Fiscal Years Ended March 31, 2011 and 2010

Report of independent auditors.....	F-175
Consolidated statements of financial position as at March 31, 2011 and 2010 and April 1, 2009.....	F-177
Consolidated statements of income for the fiscal years ended March 31, 2011 and 2010.....	F-179
Consolidated statements of changes in equity for the fiscal years ended March 31, 2011 and 2010.....	F-180
Consolidated statements of comprehensive income for the fiscal years ended March 31, 2011 and 2010	F-181
Consolidated statements of cash flows for the fiscal years ended March 31, 2011 and 2010.....	F-182
Notes to the consolidated financial statements	F-183

Audited Financial Statements of Comgás at and for the Years Ended December 31, 2012 and 2011

Report of independent auditors.....	F-257
Balance sheets at December 31, 2012 and December 31, 2011.....	F-259
Statements of income for the years ended December 31, 2012 and December 31, 2011	F-260
Statements of changes in equity for the years ended December 31, 2012 and December 31, 2011	F-261
Statements of cash flows for the years ended December 31, 2012 and December 31, 2011	F-262
Statements of value added for the years ended December 31, 2012 and December 31, 2011	F-263
Notes to the financial statements	F-264

Report on Review of Quarterly Information

To the Board of Directors and Shareholders
Cosan S.A. Indústria e Comércio

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Cosan S.A. Indústria e Comércio, included in the Quarterly Information Form (ITR) for the quarter ended December 31, 2012, comprising the balance sheets as at that date and the statements of income and comprehensive income for the quarter and nine-month period then ended, and the statements of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company interim accounting information in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and of the consolidated interim accounting information in accordance with CPC 21 and International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim accounting 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 and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity). A review of interim 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.

Conclusion on the parent company interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

Conclusion on the consolidated interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

Other matters

Statements of value added

We have also reviewed the parent company and consolidated statements of value added for the nine-month period ended December 31, 2012. These statements are the responsibility of the Company's management, and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

Audit and review of prior-year information

The Quarterly Information (ITR) mentioned in the first paragraph includes the accounting information corresponding to the statements of income, changes in equity, cash flows and value added for the quarter ended December 31, 2011, obtained from the quarterly information then ended, and the balance sheets at March 31, 2012, obtained from the financial statements as at March 31, 2012, presented for comparison purposes. The review of the Quarterly Information (ITR) for the quarter ended December 31, 2011 and the audit of the financial statements for the year ended March 31, 2012 were conducted by other independent auditors, who issued unqualified review and audit reports dated February 28, 2013 and May 30, 2012, respectively.

Reissuance of the interim accounting information

We draw attention to Note 2.4 to the interim accounting information, which describes the restatement and reissuance of the accompanying parent company and consolidated interim accounting information of Cosan S.A. Indústria e Comércio, included in the Quarterly Information Form (ITR) for the quarter ended December 31, 2012 due to matters described in this note. We issued our original review's report dated February 6, 2013 on the previously issued interim accounting information. Due to the restatement described in Note 2.4, we provide this new review's report on the reissued interim accounting information.

São José dos Campos, February 28, 2013

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

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



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INDEPENDENT AUDITOR'S REVIEW REPORT

The Board of Directors and Shareholders of
Cosan S.A. Indústria e Comércio
São Paulo - SP

Introduction

We have reviewed the accompanying individual and consolidated interim financial information, contained in the Quarterly Financial Information (ITR) of Cosan S.A. Indústria e Comércio, comprising the statements of income and comprehensive income for the three-month and nine-month periods ended December 31, 2011, and changes in equity and cash flows for the nine-month period ended December 31, 2011, including the explanatory notes.

Management is responsible for the preparation of the individual interim financial information in accordance with CPC 21 – Interim Financial Reporting, issued by the Brazilian Accounting Pronouncements Committee (CPC) and of the consolidated interim financial information in accordance with CPC 21 and 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). 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 individual interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual interim financial information included in the quarterly information referred to above is not prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of quarterly financial information (ITR), consistently with the rules issued by the Brazilian Securities Commission.



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 CPC 21 and IAS 34 applicable to the preparation of quarterly information (ITR), consistently with the rules issued by the Brazilian Securities Commission.

Other matters

Interim statements of value added

We have also reviewed the individual and consolidated interim statements of value added (SVA) for the nine-month period ended December 31, 2011, whose presentation in the interim financial information is required by rules issued by the Brazilian Securities Commission (CVM), and as supplementary information by IFRS, which do not require SVA presentation. These statements have been subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, in relation to the overall accompanying individual and consolidated interim financial information.

São Paulo, February 28, 2013

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

Cosan S.A. Indústria e Comércio

Statements of financial position December 31, 2012 and March 31, 2012 In thousands of reais

	No te	Parent Company		Consolidated	
		December 31, 2012	March 31, 2012	December 31, 2012	March 31, 2012
Assets					
Current					
Cash and cash equivalents	4	346,086	316,539	2,324,594	1,616,169
Restricted cash	5	19,780	18,233	90,923	94,268
Accounts receivable	7	60,212	-	1,857,291	963,586
Derivatives	25	-	-	115,090	19,590
Inventories	8	-	-	1,706,626	748,150
Related parties	10	15,445	26,627	183,564	678,374
Advances to suppliers		489	-	217,368	159,028
Income taxes	9	38,725	31,968	141,284	107,561
Recoverable taxes	9	-	1,809	332,395	217,535
Other financial assets	6	-	-	-	40,080
Dividends receivable		106,565	243,790	-	861
Other Credits		12,660	25,795	96,509	69,933
		<u>599,962</u>	<u>664,761</u>	<u>7,065,644</u>	<u>4,715,135</u>
Non-current					
Accounts receivable	7	149,032	-	212,949	81,627
Deferred Income tax and social contribution	19	-	-	405,827	543,024
Advances to suppliers		-	-	41,375	21,865
Related parties	10	662,683	712,276	720,550	753,153
Recoverable Taxes	9	-	-	127,829	111,856
Judicial deposits	20	213,730	206,633	542,130	509,235
Other financial assets	6	199,470	140,820	665,318	790,402
Financial Instruments		-	-	125,768	-
Other non-current asset		369,939	362,630	418,335	411,568
Equity method investments	12	16,542,841	11,660,289	190,144	419,029
Investment property	13	-	-	2,420,685	-
Biological assets	14	-	-	950,594	968,023
Property, plant and equipment	15	34,102	21,554	7,016,528	7,866,963
Intangible assets	16	196	83,667	13,955,115	4,932,255
		<u>18,171,993</u>	<u>13,187,869</u>	<u>27,793,147</u>	<u>17,409,000</u>
Total Assets		<u>18,771,955</u>	<u>13,852,630</u>	<u>34,858,791</u>	<u>22,124,135</u>

Cosan S.A. Indústria e Comércio

Statements of financial position December 31, 2012 and March 31, 2012 In thousands of reais

		Parent Company		Consolidated	
		December	March 31,	December	March 31,
	Note	31, 2012	2012	31, 2012	2012
Liabilities					
Current					
Current portion of long-term debt	17	36,032	-	1,789,555	537,135
Derivatives	25	-	-	14,469	9,611
Accounts payable		1,337	1,798	1,449,504	606,029
Salaries Payable		17,355	11,579	257,127	183,660
Income tax payable	18	1,933	-	182,177	11,973
Taxes payable	18	65,457	62,597	241,041	229,746
Dividends payable		23,539	14,376	43,146	16,760
Related parties	10	151,510	113,783	140,012	175,030
Deferred revenue		-	-	40,390	38,040
Other current liabilities		23,341	62,727	296,685	269,954
		320,504	266,860	4,454,106	2,077,938
Non-current					
Long-term debt	17	3,613,572	337,733	9,871,883	4,476,942
Taxes payable	18	656,216	670,463	974,135	1,202,624
Provision for judicial demands	20	349,342	356,259	1,133,948	1,051,677
Related Parties	10	2,139,823	1,906,539	372,366	389,718
Pension		135	-	324,264	37,312
			1,076,506		
Deferred Income taxes	19	1,899,279		3,516,212	2,443,430
Deferred revenue		-	-	180,016	196,260
Other non-current liabilities		61,508	86,477	568,913	631,860
		8,719,875	4,433,977	16,941,737	10,429,823
Equity					
Common stock	21	4,691,822	4,691,822	4,691,822	4,691,822
Treasury shares		(52,988)	(67,663)	(52,988)	(67,663)
Capital reserve		897,163	690,530	897,163	690,530
Profit reserve		3,587,104	3,837,104	3,587,104	3,837,104
Accumulated earnings		608,475	-	608,475	-
Equity attributable to owners of the Company		9,731,576	9,151,793	9,731,576	9,151,793
Equity attributable to non-controlling interests		-	-	3,731,372	464,581
Total equity		9,731,576	9,151,793	13,462,948	9,616,374
Total liabilities and equity		18,771,955	13,852,630	34,858,791	22,124,135

Cosan S.A. Indústria e Comércio

Statements of comprehensive income December 31, 2012 and 2011 In thousands of reais

	Note	Parent Company (Amended)				Quarter ended	
		Quarter ended		Nine-month period ended		Quarter ended	
		12.31.2012	12.31.2011	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Net sales	22	-	1,230	-	1,294	8,397,096	13,397,096
Cost of goods sold		-	(1,071)	-	(1,968)	(7,339,915)	(7,339,915)
Gross profit		-	159	-	(674)	1,057,181	1,057,181
Selling		-	-	-	-	(395,389)	(395,389)
General and administrative		(32,885)	(35,140)	(87,577)	(69,684)	(241,455)	(241,455)
Other, net	24	(4,135)	(10,651)	50,115	(44,863)	139,921	139,921
Gain on the de-recognition of subsidiaries to form the JVs		-	-	-	36,865	-	-
		(37,020)	(45,791)	(37,462)	(77,682)	(496,923)	(496,923)
Income (loss) before financial results, equity income of associates and income taxes		(37,020)	(45,632)	(37,462)	(78,356)	560,258	560,258
Equity income of associates	12	319,813	203,856	828,432	2,893,811	3,190	3,190
Financial expense	23	(128,093)	(123,057)	(498,063)	(681,292)	(235,981)	(235,981)
Financial income	23	52,638	24,094	89,783	67,179	111,252	111,252
		244,358	104,893	420,152	2,279,698	(121,539)	(121,539)
Income before income tax		207,338	59,261	382,690	2,201,342	438,719	438,719
Current	19	-	20,242	-	348,481	(110,532)	(110,532)
Deferred	19	(2,493)	4,818	83,499	(150,758)	(17,556)	(17,556)
		(2,493)	25,060	83,499	197,723	(128,088)	(128,088)
Net income for the period from continuing operations		204,845	84,321	466,189	2,399,065	310,631	310,631
Net income from discontinued operations		137,449	9,436	142,286	57,215	137,449	137,449
Net income		342,294	93,757	608,475	2,456,280	448,080	448,080
Net income attributable to non-controlling interests:		-	-	-	-	105,786	105,786
Net income attributable to owners of the Company:		342,294	93,757	608,475	2,456,280	342,294	342,294
Earnings per share from continuing operations:							
Basic		0.845	0.239	1.503	6.057	0.845	0.845
Diluted		0.836	0.168	1.484	5.986	0.836	0.836
Earnings per share from discontinued operations:							
Basic		0.339	0.141	0.351	0.141	0.339	0.339
Diluted		0.335	0.139	0.347	0.139	0.335	0.335

Cosan S.A. Indústria e Comércio

Statements of comprehensive income December 31, 2012 and 2011

In thousands of reais

	Consolidated			
	Quarter ended		Nine-month period ended	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Net Income for the period	448,080	106,731	751,593	2,496,006
Other comprehensive income (loss)				
Exchange differences on translation of foreign operations-CTA	3,331	8,071	13,030	8,071
Net movement on cash flow hedge and derivatives	4,176	59,712	66,418	174,364
Investment Property Fair Value	-	-	193,301	-
Other	86	-	382	-
Income tax effects	(1,449)	(20,302)	(25,278)	(59,284)
Other comprehensive income for the period, net of tax	6,144	47,481	247,853	123,151
Total comprehensive income for the period, net of tax	454,224	154,212	999,446	2,619,157
Attributed to				
Owners of the Company	348,438	141,238	856,328	2,579,431
Non-controlling interests	105,786	12,974	143,118	39,726

Cosan S.A. Indústria e Comércio

Consolidated statement of changes in equity December 31, 2012 and March 31, 2012 In thousands of reais

	Capital Reserve				Profit Reverse			
	Common Stock	Treasury share	Others capital reserve (APIC)	Others equity components	Legal	Statutory Reserve	Unrealized Earnings	Retained Earnings
March 31, 2012	4,691,822	(67,663)	672,667	17,863	193,411	-	2,475,542	1,168,151
Net income for the period	-	-	-	-	-	-	-	-
Cumulative translation adjustment – CTA	-	-	-	13,030	-	-	-	-
Adjusted reflection of asset evaluation – Hedge Accounting	-	-	-	43,836	-	-	-	-
Adjusted reflection of asset evaluation - Investment Property	-	-	-	190,735	-	-	-	-
Adjusted reflection of asset evaluation - Others	-	-	-	252	-	-	-	-
Exercise of stock options plan	-	14,675	-	-	-	-	-	-
Effect of distribution of dividends to non-controlling	-	-	(2,079)	-	-	-	-	-
Effect of Corporate Reorganization in the Raízen Group	-	-	57,170	-	-	-	-	-
Share based compensation	-	-	9,971	-	-	-	-	-
Non-controlling acquisition	-	-	(4,589)	-	-	-	-	-
Effect of the acquisition of a new business by Raízen Combustível	-	-	-	-	-	-	-	-
Effect of business combination Comgás	-	-	(101,212)	-	-	-	-	-
Effect of business combination Radar	-	-	(481)	-	-	-	-	-
Effect on minority by Logisport business combination	-	-	-	-	-	-	-	-
Statutory reserve	-	-	-	-	-	1,856,657	(1,856,657)	-
Capital increase –Sabbá	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	(250,000)	-
December 31, 2012	4,691,822	(52,988)	631,447	265,716	193,411	1,856,657	368,885	1,168,151

Cosan S.A. Indústria e Comércio

Consolidated statement of changes in equity December 31, 2011 and March 31, 2011 In thousands of reais

	Capital Reserve			Profit	
	Common Stock	Treasury share	Others capital reserve (APIC)	Others equity components	Legal Reserve
March 31, 2011	4,691,822	(19,405)	660,743	(123,275)	63,119
Hedge accounting	-	-	-	49,834	-
Equity Adjustment - deconsolidation of subsidiaries contributed to joint ventures	-	-	-	65,246	-
Current translation adjustment – CTA	-	-	-	8,071	-
Stock option compensation plan	-	-	4,800	-	-
Change in the non-controlling interest due to the formation of JV	-	-	-	-	-
Acquisition of treasury shares	-	(48,258)	-	-	-
Net income for the period	-	-	-	-	-
Rumo corporate reorganization	-	-	(3,199)	-	-
Capitalization of dividends in subsidiaries	-	-	(956)	-	-
Dividends	-	-	-	-	-
December 31, 2011	4,691,822	(67,663)	661,388	(124)	63,119

Cosan S.A. Indústria e Comércio

Statements of cash flows December 31, 2012 and 2011 In thousands of reais

	Parent Company					
	Quarter ended		Nine-month period ended		Quarter ended	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Operating activities cash flow						
Income before income tax	207,338	59,261	382,690	2,201,342	438,719	15,200,000
Adjustments to reconcile net income to net cash flows from operating activities:						
Depreciation and amortization	19	567	838	3,921	455,911	25,000,000
Variation in the biological asset fair value	-	-	-	-	21,872	1,000,000
Equity pick-up of investees / associates	(319,813)	(154,002)	(828,432)	(2,893,811)	(3,190)	1,000,000
Loss (gain) in the permanent asset write-off	(33,146)	-	(118,119)	48	(55,968)	(2,000,000)
Stock options	3,324	4,800	9,971	4,800	3,324	1,000,000
Fair value of investment properties	-	-	-	-	(85,915)	1,000,000
Provision for judicial demands	(31,296)	56,443	(4,360)	56,443	(1,245)	2,000,000
Monetary interest and exchange variations. Net	79,844	12,917	392,878	106,380	156,355	12,000,000
Effect of the formation of Joint Ventures	-	167,995	-	(36,865)	-	1,000,000
Other	1,760	(14,658)	-	(14,658)	36,592	1,000,000
	(91,970)	133,323	(164,534)	(572,400)	966,455	55,000,000
Assets and liabilities variations:						
Accounts receivable	1,735	(72)	-	(4,058)	(133,295)	(5,000,000)
Restricted cash	(12)	-	(1,547)	(3,207)	(2,306)	(3,000,000)
Inventory	-	628	-	628	(126,568)	(2,000,000)
Recoverable taxes	5,550	1,888	5,027	(7,309)	(8,159)	(1,000,000)
Related parties	(171,802)	(2,179)	(175,685)	572,487	(564)	(10,000,000)
Advances to suppliers	111	-	(489)	(18,245)	26,530	2,000,000
Accounts payable	(622)	4,432	(461)	18,946	(72,143)	(3,000,000)
Salaries payable	3,542	609	5,776	4,044	(23,974)	(3,000,000)
Provision for judicial demands	9,929	(44,094)	(2,557)	214,232	796	2,000,000
Financial instruments	-	-	-	(274,364)	1,492	(4,000,000)
Tax payable	(9,705)	21,680	(44,748)	126,846	(105,295)	(3,000,000)
Other asset and liabilities. net	(42,428)	(229,146)	(97,764)	157,624	118,473	(4,000,000)
Cash generated from operations	(295,672)	(112,931)	(476,982)	215,224	641,442	24,000,000

Cosan S.A. Indústria e Comércio

Statements of cash flows December 31, 2012 and 2011 In thousands of reais

	Parent Company				
	Quarterly ended		Nine-month period ended		Quarterly ended
	12.31.2012	12.31.2011	12.31.2012	12.31.2011	12.31.2012
Investing activities cash flow					
Acquisitions net of cash acquired	(3,509,072)	(12,146)	(3,543,964)	(102,942)	(3,093,898)
Cash contributed to the formation of Raízen	-	-	-	-	-
Cash contributed in the incorporation of Cosan Distribuidora de Combustível	-	21,198	-	21,198	-
Dividends received	189,398	19,965	555,300	47,109	8,482
Purchase of property, plant and equipment, software and intangible assets	(369)	(2,661)	(13,500)	(5,921)	(423,979)
Sugar-cane planting and growing costs	-	-	-	-	(131,487)
Proceeds from sale of property, plant and equipment intangible and investments	325,637	-	434,855	-	343,724
Cash reclassified from discontinued operations	-	-	-	-	-
Net cash flow (used in) in the investing activities	(2,994,406)	26,356	(2,567,309)	(40,556)	(3,297,158)
Cash flows from financing activities					
New loans and financings	3,300,000	-	3,300,000	-	3,515,463
Payments of loans and financings	-	-	-	-	(342,105)
Dividends Paid	(104)	-	(240,837)	(192,656)	(152,301)
Treasury shares	-	(1,379)	-	(48,258)	-
Exercise of stock option plan	14,675	-	14,675	-	14,675
Additional paid in capital by minority shareholder in jointly controlled entities	-	-	-	-	52,417
Net cash (used in) financing activities	3,314,571	(1,379)	3,073,838	(240,914)	3,088,149
Increase (decrease) in cash and cash equivalents	24,493	(87,954)	29,547	(66,246)	432,433
Cash and cash equivalents at beginning of period	321,593	394,026	316,539	372,318	1,892,161
Cash and cash equivalents at end of period	346,086	306,072	346,086	306,072	2,324,594
Supplemental disclosure of cash flow information					
Financial interest expenses paid	-	-	-	77,883	91,760
Income taxes paid	-	-	-	35,354	80,294

Cosan S.A. Indústria e Comércio

Statements of value added December 31, 2012 and 2011 In thousands of reais

	Parent Company (Amended)		Consolidated (Amended)	
	Quarter ended		Quarter ended	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Revenues				
Sale of services and products, net	-	1,276	8,857,241	6,832,028
Other operational revenues, net	(4,686)	2,194	191,447	41,678
Gain recognition of subsidiaries	-	-	-	-
Reversal (additions) of allowed of doubtful accounts	-	-	(12,748)	9,786
	(4,686)	3,470	9,035,940	6,883,492
Raw materials acquired from third parties				
Cost of goods sold and services rendered	-	(1,071)	(6,472,847)	(5,427,728)
Materials, energy, third parties services, others	(17,144)	(32,232)	(654,045)	(350,200)
	(17,144)	(33,303)	(7,126,892)	(5,777,928)
Gross value added	(21,830)	(29,833)	1,909,048	1,105,564
Retention				
Depreciation and amortization	(19)	(567)	(455,911)	(253,918)
	(19)	(567)	(455,911)	(253,918)
Net value added	(21,849)	(30,400)	1,453,137	851,646
Value added received in transfer				
Income from equity investments	319,813	203,856	3,190	11
Revenue from rentals and leasing, and Royalties	6	-	16,292	-
Financial revenue	44,109	10,366	523,692	54,091
	363,928	214,222	543,174	54,102
Value added to be distributed	342,079	183,822	1,996,311	905,748
Distribution of value added				
Salaries	16,455	12,439	458,815	184,722
Taxes and contributions	5,794	(22,832)	486,381	465,101
Financial expenses	119,565	109,329	648,150	127,614
Rentals and leasing	257	565	97,171	31,016
Non-controlling interests	-	-	105,786	12,974
Dividends	-	-	96,078	-
Net income for the period from continuing operations	200,008	84,321	103,930	84,321
	342,079	183,822	1,996,311	905,748

Cosan S.A. Indústria e Comércio

Statements of value added December 31, 2012 and 2011 In thousands of reais

	Parent Company (Amended)		Consolidated (Amended)	
	Nine-month period ended		Nine-month period ended	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Revenues				
Sale of services and products, net	-	1,340	22,796,423	19,211,220
Other operational revenues, net	83,188	3,599	301,017	66,918
Gain recognition of subsidiaries	-	36,865	-	3,296,959
Reversal (additions) of allowed of doubtful accounts	-	-	(13,189)	4,175
	83,188	41,804	23,084,251	22,579,272
Raw materials acquired from third parties				
Cost of goods sold and services rendered	-	(1,968)	(17,675,294)	(15,101,271)
Materials, energy, third parties services, others	(65,234)	(36,098)	(1,152,120)	(641,297)
	(65,234)	(38,066)	(18,827,414)	(15,742,568)
Gross value added	17,954	3,738	4,256,837	6,836,704
Retention				
Depreciation and amortization	(838)	(3,921)	(1,092,627)	(922,712)
	(838)	(3,921)	(1,092,627)	(922,712)
Net value added	17,116	(183)	3,164,210	5,913,992
Value added received in transfer				
Income from equity investments	828,432	2,893,811	64,964	639
Revenue from rentals and leasing, and Royalties	125	-	62,107	-
Financial revenue	81,253	172,404	768,508	205,617
	909,810	3,066,215	895,579	206,256
Value added to be distributed	926,926	3,066,032	4,059,789	6,120,248
Distribution of value added				
Salaries	45,519	24,209	837,513	648,842
Taxes and contributions	(74,572)	(195,495)	1,241,638	2,414,321
Financial expenses	489,533	836,371	1,205,465	485,558
Rentals and leasing	257	1,882	165,866	132,736
Non-controlling interests	-	-	143,118	39,726
Dividends	-	16,747	96,077	16,747
Net income for the period from continuing operations	466,189	2,382,318	307,112	2,382,318
	926,926	3,066,032	4,059,789	6,120,248

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

1 Operations

Cosan S.A. Indústria e Comércio ("Cosan" or "the Company") is a Brazilian Company with its shares traded on the São Paulo Stock Exchange (Bovespa – CSAN 3). Its registered office is located in the city of São Paulo, Brazil. Cosan Limited is the controlling shareholder of Cosan, holding a stake of 62.30%.

The primary activities of Cosan S.A., through its subsidiaries and jointly controlled entities, 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 Raízen Energia S.A. ("Raízen Energia"); (ii) Fuel Distribution through its joint venture Raízen Combustíveis S.A. ("Raízen Combustíveis"); (iii) Logistics services including transportation, terminal loading and storage of sugar, through its indirect subsidiary Rumo Logística Operadora Multimodal S.A. ("Rumo"); (iv) Production and distribution of lubricants under the Mobil licensed trademark in Brazil, Bolivia, Uruguay and Paraguay, in addition to the European and Asian market using the Comma brand ; (v) Purchase, sale and leasing of agricultural land through its subsidiary Radar Propriedades Agrícolas S.A. ("Radar"), and (vi) Piped natural gas distribution to part of the State of São Paulo through its subsidiary Companhia de Gás de São Paulo – COMGÁS ("COMGÁS").

Main events in the quarter

As at October 24, 2012, the Company signed an Amendment to the Association Agreement and Other Covenants, of May 28, 2012, with Camil Alimentos SA ("Camil") whereby it agreed the sale of all of the shares issued by its subsidiary, Docelar Alimentos e Bebidas S.A., for Camil, for a total price of R\$ 293,770. Of this total, R\$ 88,770 will be received in cash and the remaining R\$ 205,000 will be divided into four installments. Docelar is no longer presented as part of the Company's financial information.

On November 5, 2012, the Company completed the acquisition of 60.05% of Companhia de Gás de São Paulo – ("COMGÁS") from BG Group for R\$ 3.4 billion, financed by a R\$ 3.3 billion loan which is to be paid over eight years, with a two year grace period and accruing interest at 123% of the CDI rate. Accordingly COMGÁS has been consolidated into the Company's financial information.

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

2 Summary of significant accounting policies

2.1 Basis of preparation

The consolidated condensed financial statements have been prepared in accordance with the technical pronouncement CPC 21 - Interim Financial Reporting (Brazilian standards) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and presented in a manner consistent with the standards issued by the Securities and Exchange Commission applicable to the preparation of the Quarterly Information - ITR. This quarterly information have been prepared following the basis of preparation and accounting policies consistent with those adopted in preparing the financial statements of March 31, 2012 and should be read in conjunction with the same, added by accounting policies demonstrated below due to business combinations. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings. The information notes that no significant changes or irrelevant information presented in comparison to March 31, 2012 were not fully presented in these statements.

The individual financial statements were prepared in accordance with accounting practices adopted in Brazil. These practices differ from IFRS, applicable to separate financial information, only in respect to the evaluation of investments in subsidiaries, affiliates and jointly controlled entities, which are accounted for under the equity method, while for IFRS purposes these would be accounted for at cost or fair value.

Investment property

Investment property is property held to earn rental income or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost upon initial recognition and subsequently at its fair value. Changes in fair value are recognized in income as they are generated.

Concession contract

The subsidiary has a public concession contract for gas distribution, where the Granting Authority controls the services to be provided and their price, and holds a significant stake in the infrastructure at the end of the concession period. This concession contract represents the right to charge users for the supply of gas over the contract term. The subsidiary has recognized the concession as an intangible asset.

The construction of the necessary infrastructure for the distribution of gas is considered a service provided to the Granting Authority. The financing costs directly related to the construction are also capitalized.

Subject to the evaluation of the Granting Authority, the subsidiary has the option to apply for an extension of the distribution services longer than 20 years. Upon termination of the concession, the assets related to the provision of gas distribution service will revert to the Granting Authority, and the Company would be entitled to compensation to be determined based on surveys and assessments noting the carrying amounts to be determined at that time. On February 27, 2013, the Board of Directors approved the Company's financial statements and authorized their disclosure.

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

2.2 Basis of consolidation

The interim consolidated financial statements include the accounts of Cosan, its subsidiaries and jointly controlled entities. The Subsidiaries and jointly controlled subsidiaries are listed below:

	December 31, 2012			March 31, 2012		
	Direct	Indirect	Total	Direct	Indirect	Total
<u>Subsidiaries</u>						
Administração de Participações Aguassanta Ltda.	-	65.00	65.00	91.50	-	91.50
Bioinvestments Negócios e Participações S.A.	-	65.00	65.00	-	91.50	91.50
Vale da Ponte Alta S.A.	-	65.00	65.00	-	91.50	91.50
Águas da Ponte Alta S.A.	-	65.00	65.00	-	91.50	91.50
Proud Participações S.A.	-	65.00	65.00	100.00	-	100.00
Radar II Propriedades Agrícolas S.A.	65.00	-	65.00	-	-	-
Radar Propriedades Agrícolas S.A. (6)	18.92	10.60	29.50	-	-	-
Nova Agrícola Ponte Alta S.A. (6)	-	29.50	29.50	-	-	-
Terras da Ponte Alta S.A. (6)	-	29.50	29.50	-	-	-
Nova Santa Barbara Agrícola S.A. (6)	-	29.50	29.50	-	-	-
Nova Amaralina S.A. Propriedades Agrícolas (6)	-	29.50	29.50	-	-	-
Cosan US, Inc.	-	100.00	100.00	-	-	-
Cosan Biomassa S.A.	100.00	-	100.00	-	-	-
Cosan Lubes Investments Limited	100.00	-	100.00	-	-	-
Comma Oil Chemicals	-	100.00	100.00	-	-	-
Companhia de Gás de São Paulo – “COMGÁS”	60.05	-	60.05	-	-	-
Cosan Overseas Limited	100.00	-	100.00	100.00	-	100.00
Pasadena Empreendimentos e Participações S.A.	100.00	-	100.00	100.00	-	100.00
Cosan Cayman Finance Limited	100.00	-	100.00	100.00	-	100.00
Cosan Cayman II Limited	100.00	-	100.00	100.00	-	100.00
Cosan Lubrificantes e Especialidades S.A.	100.00	-	100.00	100.00	-	100.00
CCL Cayman Finance Limited	-	100.00	100.00	-	100.00	100.00
Copsapar Participações S.A.	100.00	-	100.00	90.00	-	90.00
Novo Rumo Logística S.A.	28.82	71.18	100.00	28.82	64.06	92.90
Handson Participações S.A.	-	-	-	100.00	-	100.00
Docelar Alimentos e Bebidas S.A.	-	-	-	99.90	-	99.90
Rumo Logística Operadora Multimodal S.A. (former Cosan Operadora Portuária S.A.)	-	75.00	75.00	-	69.67	69.67
Logisport Armazéns Gerais S.A. (5)	-	38.25	38.25	-	35.53	35.53
Stallion S.A.	-	100.00	100.00	-	100.00	100.00
<u>Jointly-controlled</u>						
Raízen S.A. (1)	50.00	-	50.00	50.00	-	50.00
Raízen Energia Participações S.A. (1) (2) (3)	-	-	-	50.00	-	50.00
Raízen Energia S.A. (1) (2)	50.00	-	50.00	-	-	-
Raízen Combustíveis S.A. (1) (2)	50.00	-	50.00	50.00	-	50.00
IPUTI Empreendimentos e Participações S.A. (1) (4)	-	-	-	50.00	-	50.00

- (1) Company jointly-controlled with Shell;
- (2) Represents voting and economic interest. Cosan S.A. holds 50% plus one of the common stock of Raízen Energia, and 50% minus one common stock of Raízen Combustíveis;
- (3) Incorporated in Raízen Energia SA on November 30, 2012;
- (4) Alienated in June 1, 2012;
- (5) Our subsidiary Rumo owns 51% of interest;
- (6) See details related to the acquisition in note 11.

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. For subsidiaries in which the Company holds less than 50% of the voting shares, control is defined by: (i) the ability to appoint the majority of the Board and/or senior management of the subsidiary and, (ii) the ability to approve the main financial and operating decisions related the day-to-day business of the subsidiary.

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

2.3 New IFRS and IFRIC Interpretations Committee (Financial Reporting Interpretations of IASB) applicable to the quarterly information

New accounting pronouncements of the IASB and IFRIC interpretations have been published and/or reviewed, as presented below:

- **IFRS 9 - Financial Instruments: Classification and Measurement**

Classification and measurement - reflects the first phase of the IASB's work on the replacement of IAS 39 - "Financial Instruments: Recognition and Measurement". IFRS 9 uses a simplified approach to determining whether a financial asset is measured at amortized cost or fair value, based on the manner in which an entity manages its financial instruments (the 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 the recoverable values of assets. The standard is effective for annual periods beginning on or after January 1, 2015. Early adoption is permitted. Management is still evaluating the impact on its financial position or performance.

- **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 of the adoption of IFRS 10.

- **IFRS 11 - Joint Arrangements**

IFRS 11 will significantly change the accounting for the Company's joint arrangements. The new standard eliminates inconsistencies in the reporting of joint arrangements in current practice, by requiring a single method (the equity method of accounting) to account for interests in jointly controlled entities. It eliminates the option to proportionally consolidate these jointly controlled entities. It is effective for annual periods beginning on or after January 1, 2013 and early adoption is permitted.

With the adoption of IFRS 11, currently expected for the nine-month period to end on December 31, 2013, the Company's joint ventures (Raízen Energia and Raízen Combustíveis) currently presented via proportionate consolidation, will be presented using the equity method of accounting in accordance with IAS 28R - "Investments in Associates and Joint Ventures".

The total assets of these joint ventures represented approximately 43% of the consolidated totals as at December 31, 2012. The revenue, operating income and cash flow from the operating activities of these joint ventures accounted for approximately 86%, 57% and 69% respectively of the consolidated totals for the period ended December 31, 2012. A change from proportionate consolidation to equity method accounting would have no impact on the total equity or net income derived from these joint ventures, except that when using a proportional consolidation model net income would be lower in the year of joint venture formation as the transaction costs would be expensed as incurred. When applying the equity method of accounting, those expenses would be considered as part of the cost of investment.

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

- **IFRS 12 - Disclosure of Involvement with 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 January 1, 2013. Earlier application is permitted. Management is still evaluating the impact on its financial position or performance of 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 (USGAAP). The standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

- **IAS 28 - Investments in Associates and Joint Ventures (revised in 2011)**

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 - "Investments in Associates and Joint Ventures", and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

There are no other pronouncements issued and yet to be adopted that may have a significant impact on the Company's operations and financial position.

2.4 Reissuance of the Quarterly Financial Information

- **Reclassification of discontinued operations**

After the closing and issuance of the Quarterly Financial Information related to the nine-month period ended December 31, 2012 were identified: (i) that the gain in the amount of R\$ 177,818 and corresponding income tax of R\$ 40,369 recognized upon sale of Docelar was not included in the results of Docelar that were presented as discontinued operations in nine-month period ended December 31, 2012, and, (ii) that the results of operations of Docelar that were sold during the nine-month period ended December 31, 2012 were not presented as discontinued operations for the comparative period (nine-month period ended December 31, 2011).

Consistent with the requirements of IFRS 5 – Non-current Assets Held-for-sale and Discontinued Operations, the Company is amending the presentation of its income statements (parent company and consolidated) for the nine-month periods ended December 31, 2012 and 2011 and reissuing its Quarterly Financial Information. The main impacts of these changes for the nine-month periods are as follows:

Income statements for the nine-month period ended December 31, 2012						
	Parent Company			Consolidated		
	As issued	Reclassification	Adjusted	As issued	Reclassification	Adjusted
Other, net	227,933	(177,818)	50,115	381,371	(177,818)	203,553
Income before income tax	560,508	(177,818)	382,690	875,121	(177,818)	697,303
Net income from continuing operations	603,638	(137,449)	466,189	746,756	(137,449)	609,307
Net income from discontinued operations	4,837	137,449	142,286	4,837	137,449	142,286
Net income attributable to owners of the Company	608,475	-	608,475	608,475	-	608,475

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

Income statements for the Nine-month period ended December 31, 2011

	Parent Company			Consolidated		
	As issued	Reclassification	Adjusted	As issued	Reclassification	Adjusted
Gross profit	674	-	674	1,989,730	(112,453)	1,877,277
Equity income	2,951,026	(57,215)	2,893,811	639	-	639
Income before income tax	2,258,557	(57,215)	2,201,342	3,596,258	(47,309)	3,548,949
Net income from continuing operations	2,456,280	(57,215)	2,399,065	2,496,006	(57,215)	2,438,791
Net income from discontinued operations	-	57,215	57,215	-	57,215	57,215
Net income attributable to owners of the Company	2,456,280	-	2,456,280	2,456,280	-	2,456,280

- **Other**

In addition to the aforementioned adjustments, some improvements were included in certain disclosures mainly affecting the disclosures related to Business combinations, Segment information and presentation of Income tax, Taxes payable and recoverable and Related parties in the Company's balance sheet and related notes. These improvements mainly affected the statement of financial position disclosure of Recoverable taxes and Income tax assets and Income tax and Other taxes payable without affecting current and non-current classification, as follows:

Statements of Financial Position, December 31, 2012

	Parent Company			Consolidated		
	As issued	Reclassification	Adjusted	As issued	Reclassification	Adjusted
Current assets						
Income taxes	-	-	-	-	141,284	141,284
Recoverable taxes	38,725	-	38,725	473,679	(141,284)	332,395
Current liabilities						
Income tax payable	-	1,933	1,933	-	182,177	182,177
Taxes payable	67,390	(1,933)	65,457	423,218	(182,177)	241,041

Statements of Financial Position, March 31, 2012

	Parent Company			Consolidated		
	As issued	Reclassification	Adjusted	As issued	Reclassification	Adjusted
Current assets						
Income taxes	-	31,968	31,968	-	107,561	107,561
Recoverable taxes	33,777	(31,968)	1,809	325,096	(107,561)	217,535
Current liabilities						
Income tax payable	-	-	-	-	11,973	11,973
Taxes payable	62,597	-	62,597	241,719	(11,973)	229,746

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

3 Segment information

(a) Segment information

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

Following the business combinations with Radar and Comgás, Cosan has changed the presentation of its business reporting into six segments, as shown below:

Continued operations

- (i) Raízen Energia: production and marketing of a variety of products derived from sugar cane, including raw sugar (VHP), anhydrous and hydrated ethanol, and activities related to energy cogeneration from sugarcane bagasse. In addition, this segment holds interests in companies engaged in research and development on new technologies.
- (ii) Raízen Combustíveis: distribution and marketing of fuels and lubricants, mainly through a franchised network of service stations under the brand "Shell" and "Esso" throughout Brazil.
- (iii) Radar: buying, selling and leasing of agricultural land for sugarcane plants and grains.
- (iv) Rumo: logistics services for transport, storage and port lifting, mainly for sugar products.
- (v) Comgás: distribution of piped natural gas in part of the territory of the State of São Paulo (approximately 180 municipalities, including the region called Greater São Paulo) to customers in the industrial, residential, commercial, automotive, thermogeneration and cogeneration sectors.
- (vi) Cosan's other business: sale and distribution of lubricants and other investments, in addition to the corporate activities of the Company.

Discontinued operations

- (vii) Cosan Alimentos: sale of food, mainly, of sugar in the retail under the brands "União" and "Da Barra", whose participation was sold on October 24, 2012, as described (Note 1).

The following selected information of segment assets and segment income statement data were measured in accordance with the accounting practices used in the preparation of consolidated information:

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information December 31, 2012 In thousands of reais

	Quarter ended 12.31.2012							Other adjustments and eliminations
	Raizen Energia (*)	Raizen Combustíveis (*)	Radar (**)	Rumo	Comgás (***)	Cosan other business	Elimination 50% Raizen	
Income statement:								
Net sales	2,605,413	11,383,783	15,568	221,567	951,245	377,934	(6,994,599)	(163,815)
Domestic market	983,293	11,383,783	15,568	196,778	951,245	239,868	(6,183,539)	(163,815)
External market	1,622,120	-	-	24,791	-	138,066	(811,060)	
Gross profit	576,579	610,536	15,568	100,133	245,307	102,616	(593,558)	
Selling, general and administrative expenses	(309,328)	(363,045)	(6,118)	(15,202)	(165,446)	(113,890)	336,185	
Other income (expenses)	10,235	114,134	86,917	(3,856)	(863)	(4,465)	(62,181)	
Financial result, net	(83,052)	7,561	221	(67)	(13,676)	(73,460)	37,744	
Income tax and social contribution	(67,167)	(109,053)	(6,338)	(26,816)	1,102	(7,925)	88,109	
Net income (****)	123,707	252,803	90,252	54,814	66,424	221,013	(188,253)	(415,915)
Other selected data:								
Addition PP&E, intangible and biological assets (cash)	499,433	165,803	39	79,320	119,826	23,664	(332,619)	
Depreciation and amortization (including biological assets non cash effect)	556,237	131,041	221	17,806	78,112	16,133	(343,639)	

	Nine-month period ended 12.31.2012							Other adjustments and eliminations
	Raizen Energia (*)	Raizen Combustíveis (*)	Radar (**)	Rumo	Comgás (***)	Cosan other business	Elimination 50% Raizen	
Income statement:								
Net sale	6,117,874	32,585,131	36,471	544,392	951,245	1,064,892	(19,351,503)	(393,535)
Domestic market	2,250,866	32,585,131	36,471	480,814	951,245	926,826	(17,417,999)	(393,535)
External market	3,867,008	-	-	63,579	-	138,066	(1,933,504)	
Gross profit	1,326,915	1,737,718	34,729	218,984	245,307	272,107	(1,532,316)	
Selling, general and administrative expenses	(797,063)	(1,030,141)	(10,077)	(41,392)	(165,446)	(306,912)	913,601	
Other income (expenses)	23,243	152,217	89,927	(1,499)	(863)	28,255	(87,727)	
Financial result, net	(342,912)	(64,871)	2,737	1,412	(13,676)	(223,808)	203,890	
Income tax and social contribution	31,743	(223,977)	(9,757)	(59,883)	1,102	76,662	96,114	
Net income(****)	227,002	551,557	107,560	116,564	66,424	559,399	(389,277)	(773,040)
Other selected data:								
Addition PP&E, intangible and biological assets (cash)	1,387,374	523,701	62	209,646	119,826	63,176	(955,539)	
Depreciation and amortization (including biological assets non cash effect)	1,458,550	375,837	655	51,530	78,112	45,138	(917,195)	

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information December 31, 2012 In thousands of reais

	Quarter ended 12.31.2011						
	Raízen Energia (*)	Raízen Combustíveis (*)	Rumo	Cosan other business	Elimination 50% Raizen	Others adjustments and eliminations	
Income statement:							
Net sale	1,751,353	10,083,212	143,060	263,547	(5,917,283)	(253,235)	
Domestic market	909,893	10,083,212	143,060	263,547	(5,496,553)	(253,235)	
External market	841,460	-	-	-	(420,730)	-	
Gross profit	375,546	552,369	57,273	73,194	(463,957)	-	
Selling, general and administrative expenses	(230,588)	(375,412)	(9,231)	(86,040)	303,000	-	
Other income (expenses)	(7,550)	72,496	2,717	2,850	(32,473)	(8,496)	
Financial result, net	(28,465)	290	6,606	(62,287)	14,088	-	
Income tax and social contribution	(34,423)	(48,230)	(19,455)	2,135	41,327	-	
Net income (****)	71,920	198,649	38,562	117,637	(135,284)	(207,163)	
Other selected data:							
Addition PP&E, intangible and biological assets (cash)	571,350	181,135	67,056	14,597	(382,021)	-	
Depreciation and amortization (including biological assets non cash effect)	364,516	98,164	10,428	12,150	(231,340)	-	
	Nine-month period ended 12.31.2011						
	Raízen Energia (*)	Raízen Combustíveis (*)	Rumo	Cosan other business	Elimination 50% Raizen	Others adjustments and eliminations	Total Continuing Operations
Income statement:							
Net sale	6,054,449	25,114,068	497,724	794,581	(14,118,211)	(546,859)	17,799,792
Domestic market	3,276,921	25,114,068	497,724	794,581	(13,024,831)	(546,859)	16,114,853
External market	2,777,528	-	-	-	(1,093,380)	-	1,684,148
Gross profit	1,232,794	1,286,301	181,035	254,732	(1,077,585)	-	1,879,942
Selling, general and administrative expenses	(751,242)	(936,215)	(28,656)	(239,054)	728,200	-	(1,226,903)
Gain on the de-recognition of subsidiaries to form the JVs	-	-	-	3,296,959	-	-	3,296,959
Other income (expenses)	(26,955)	181,709	9,313	(17,925)	(82,862)	(8,496)	5,544
Financial result, net	(326,597)	(126,512)	18,447	(291,951)	272,870	-	(453,743)
Income tax and social contribution	(33,997)	(108,507)	(60,182)	(905,714)	(1,757)	-	(1,110,053)
Net income (****)	83,792	307,242	119,843	2,525,191	(97,863)	(539,140)	2,335,265
Other selected data:							
Addition PP&E, intangible and biological assets (cash)	1,729,478	295,572	223,410	54,163	(780,739)	-	1,521,884
Depreciation and amortization (including biological assets non cash effect)	1,291,990	267,012	30,869	34,727	(701,886)	-	922,712

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

	December 31, 2012						
	Raizen Energia (*)	Raizen Combustiveis (*)	Radar (**)	Rumo	Comgás (***)	Cosan other business	Elimination 50% Raizen
Statements of financial position							
Investment property	-	-	2,420,685	-	-	-	-
Property, plant and equipment	9,129,302	2,635,618	11,371	938,689	-	192,504	(5,882,460)
Intangible assets	3,056,410	4,039,969	104	653,584	8,885,131	868,109	(3,548,192)
Loans and long term-debt net of cash and cash equivalents	(4,483,091)	(717,550)	26,531	(192,388)	(2,351,142)	(4,219,523)	2,600,319
Other assets and liabilities, net	2,756,066	778,216	(45,274)	(122,996)	(667,354)	13,859,804	(1,767,142)
Total assets (net of liabilities) allocated per segment	10,458,687	6,736,253	2,413,417	1,276,889	5,866,635	10,700,894	(8,597,475)
Total assets	20,958,486	11,794,794	2,524,108	2,257,058	9,463,247	20,744,365	(16,376,639)

(*) The segment information for Raízen Energia and Raízen Combustíveis represents 100% of the business, regardless of the fact that control of that business on June 1, 2011 with the formation of the JVs. The segment Raízen Energia represents basically represented in prior periods by the "CAA" segment. The segment Raízen Combustíveis represents until May 31, 2011 the previously called CCL, except for the lubricants business and since then also the business of fuel distribution of Shell Brazil Ltda JV. All of the non-current assets of the Company are located in the host country of the entity (Brazil).

(**) For the period of six months due to consolidation.

(***) For the period of two months due to consolidation.

(****) Management considers the EBITDA, or earnings before interest(financial results), income taxes, depreciation and amortization, as a measure of segment performance

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

(b) Detailed net sales per segment

	Consolidated			
	Quarter ended		Nine-month period ended	
	12.31.2012	12.31.2011 (Amended)	12.31.2012	12.31.2011 (Amended)
Raízen Energia				
Sugar	1,250,432	887,554	3,177,327	3,247,176
Ethanol	937,569	744,495	2,190,030	2,370,064
Cogeneration	321,660	53,047	556,570	233,816
Other	95,752	66,257	193,947	203,393
	2,605,413	1,751,353	6,117,874	6,054,449
Raízen Combustíveis				
Fuels	11,379,158	10,083,212	32,574,501	25,097,122
Other	4,625	-	10,630	16,946
	11,383,783	10,083,212	32,585,131	25,114,068
Rumo				
Port lifting	41,071	29,611	113,395	123,545
Logistics	176,764	109,386	420,922	359,771
Other	3,732	4,063	10,075	14,408
	221,567	143,060	544,392	497,724
Radar (2)				
Property sale	-	-	4,721	-
Land lease	15,568	-	31,750	-
	15,568	-	36,471	-
Comgás (1)				
Industrial	589,038	-	589,038	-
Residential	89,139	-	89,139	-
Thermogeneration	63,970	-	63,970	-
Cogeneration	44,345	-	44,345	-
Automotive	32,481	-	32,481	-
Commercial	35,609	-	35,609	-
Construction revenue	94,877	-	94,877	-
Other	1,787	-	1,787	-
	951,245	-	951,245	-
Cosan – other business				
Lubricants	337,497	254,429	928,873	767,383
Other	40,437	9,118	136,019	27,198
	377,934	263,547	1,064,892	794,581
Adjustments / elimination	(7,158,414)	(6,170,518)	(19,745,038)	(14,665,070)
Total	8,397,096	6,070,654	21,554,967	17,795,752

(1) For the period of two months due to buying in November 5, 2012.

(2) For the period of six months due to buying in June 1, 2012.

(c) Net sales per region

The percentages of net sales of the Raízen Energia segment by geographic area for the nine-month period ended are as follow:

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

	December 31, 2012	March 31, 2012
Brazil	47.16%	66.32%
Europe	33.05%	24.18%
Middle East and Asia	9.87%	2.63%
North America	3.92%	0.62%
Other	6.01%	6.25%
Total	100.00%	100.00%

Raízen Combustíveis, Comgás and Radar's net sales are only to the domestic market (Brazil), with no revenue from export customers.

(d) Concentration of customers

Raízen Energia

There is generally a board customer base in this segment, with only one customer representing more than 10% of the segment's net sales in either 2012 and 2011 (Wilmar Sugar in 2012 and SUCDEN Group in 2011, with 10% and 25%, respectively).

Raízen Combustíveis

No customers or specific groups represented 10% or more of sales in 2012 and 2011.

Rumo

In 2012, 35% of the segment's net sales were generated from sales to the ALL América Latina Logística (33% in 2011 for the Raízen Energia segment).

Radar

In 2012, 33% of the sales in this segment were to Raízen Energia.

COMGÁS

No customers or specific groups represented 10% or more of sales in 2012 and 2011.

Cosan's other business

No customers or specific groups represented 10% or more of sales in 2012 and 2011.

4 Cash and cash equivalents

	Parent Company		Consolidated	
	December 31, 2012	March 31, 2012	December 31, 2012	March 31, 2012
Cash	120	177	689	3,027
Bank accounts	272	13	245,573	124,804
Financial Investments	345,694	316,349	2,078,332	1,488,338
	346,086	316,539	2,324,594	1,616,169

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

5 Restricted cash

	Parent Company		Consolidated	
	December 31, 2012	March 31, 2012	December 31, 2012	March 31, 2012
Restricted financial investments	19,780	18,233	52,438	48,292
Deposits in connection with derivative transactions (a)	-	-	38,485	45,976
	<u>19,780</u>	<u>18,233</u>	<u>90,923</u>	<u>94,268</u>

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

6 Other financial assets

	Parent Company		Consolidated	
	December 31, 2012	March 31, 2012	December 31, 2012	March 31, 2012
Fair value of Radar option (a)	199,470	140,820	199,470	140,820
Brazilian Treasury Certificates (b)	-	-	173,758	149,438
ExxonMobil financial assets – reimbursement (c)	-	-	292,090	540,224
	<u>199,470</u>	<u>140,820</u>	<u>665,318</u>	<u>830,482</u>
Current	-	-	-	40,080
Non-current	<u>199,470</u>	<u>140,820</u>	<u>665,318</u>	<u>790,402</u>

(a) Cosan S.A. holds warrants on Radar, exercisable at any time up to maturity (August 2018). These warrants will allow Cosan S.A. to purchase additional shares at R\$ 41.67 per share adjusted for inflation (IPCA), equivalent to net equity of 20% of the total shares issued by Radar as at the date of exercise. The fair value of these warrants was calculated based on observable market data.

(b) Represents bonds issued by the Brazilian National Treasury under the Special Program for Agricultural Securitization ("PESA") with original maturities of 20 years (April 2023) in connection with the long-term debt denominated PESA (Note 17). These bonds have yields of inflation (IGP-M) plus 12% p.a. The value of these securities at maturity is expected to be equal to the amount due to PESA at that date. Even if the PESA debt is prepaid, the Company can maintain this investment through to maturity.

(c) On June 28, 2011, Cosan Lubrificantes e Especialidades S.A., the successor entity of Esso Brasileira de Petróleo Ltda. ("Essobrás"), joined the Brazilian Government's tax amnesty and refinancing program upon request of ExxonMobil Brasil Holdings B.V. ("ExxonMobil"). ExxonMobil is the entity that is legally responsible for the tax contingencies up to the acquisition date of Essobrás by the Company. As at March 31, 2012, the liability amounted to R\$ 534,363 and is being refunded to the Company by ExxonMobil. On November 30, 2012, ExxonMobil settled R\$ 211,637, with a prepayment discount of R\$ 39,471.

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

7 Accounts receivable

	Parent Company		Consolidated	
	December 31, 2012	March 31, 2012	December 31, 2012	March 31, 2012
Domestic	209,244	-	2,046,700	984,034
Foreign	-	-	228,747	164,681
Allowance for doubtful accounts	-	-	(205,207)	(103,502)
	209,244	-	2,070,240	1,045,213
Current	60,212	-	1,857,291	963,586
Non-current	149,032	-	212,949	81,627

8 Inventory

	Consolidated	
	December 31, 2012	March 31, 2012
Finished goods:		
Sugar	447,602	87,110
Ethanol	451,947	101,994
Fuel	385,108	276,867
Lubricants	181,697	112,492
Raw material	20,113	52,586
Spare parts and other	232,756	121,643
Provision for inventory realization and obsolescence	(12,597)	(4,542)
	1,706,626	748,150

9 Income tax and Recoverable taxes

	Parent Company		Consolidated	
	December 31, 2012	March 31, 2012	December 31, 2012	March 31, 2012
Income tax	38,725	31,968	141,284	107,561
	38,725	31,968	141,284	107,561
<i>Recoverable taxes</i>				
COFINS – Revenue tax	-	-	75,291	63,727
PIS – Revenue tax	-	-	23,649	18,614
ICMS – State VAT	-	-	296,749	194,818
IPI – Excise tax	-	-	51,348	43,039
Other	-	1,809	13,187	9,193
	38,725	1,809	460,224	329,391
Current	38,725	33,777	473,679	325,096
Non-current	-	-	127,829	111,856

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

10 Related parties

a) Receivables from and payables to related parties are as follows:

	Parent Company		Consolidated	
	December 31, 2012	March 31, 2012	December 31, 2012	March 31, 2012
Current asset				
Commercial operations				
Shell Brazil Holding B.V.	-	-	76,623	71,167
Cosan Lubrificantes e Especialidades	3,738	18,558	-	-
Raízen Energia	7,965	6,755	13,367	21,554
Rezende Barbosa Group	-	-	759	2,116
RUMO Group	1,728	164	-	-
Raízen Combustíveis	-	327	1,858	14,242
Other	1,619	458	14,580	5,138
	<u>15,050</u>	<u>26,262</u>	<u>107,187</u>	<u>114,217</u>
Corporate Operations / Contractual assets				
Shell Brazil Holding B.V.	-	-	67,860	65,679
Other	350	-	533	-
	<u>350</u>	<u>-</u>	<u>68,393</u>	<u>65,679</u>
Capital to be paid				
Shell Brazil Holding B.V.	-	-	-	489,856
	<u>-</u>	<u>-</u>	<u>-</u>	<u>489,856</u>
Financial Operations				
Raízen Energia	45	45	17	1,013
Rezende Barbosa Group	-	-	7,209	7,354
Other	-	320	758	255
	<u>45</u>	<u>365</u>	<u>7,984</u>	<u>8,622</u>
	<u>15,445</u>	<u>26,627</u>	<u>183,564</u>	<u>678,374</u>

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

	Parent Company		Consolidated	
	December 31, 2012	March 31, 2012	December 31, 2012	March 31, 2012
Non-current asset				
Commercial Operations				
Shell Brazil Holding B.V.	-	-	-	4,737
Other	-	-	249	169
	-	-	249	4,906
Corporate Operations /				
Contractual assets				
Shell Brazil Holding B.V.	-	-	252,317	244,046
Raízen Energia	394,909	429,480	197,454	214,740
Raízen Combustíveis	140,328	175,623	70,164	87,810
	535,237	605,103	519,935	546,596
Financial Operations				
Rezende Barbosa Group	90,161	92,221	98,298	105,751
Other	-	-	3,880	67
	90,161	92,221	102,178	105,818
Corporate Restructuring				
Shell Brazil Holding B.V.	-	-	83,680	86,535
Comma	16,058	-	-	-
Cosan Biomassa S.A.	6,719	-	-	-
CTC - Centro de Tecnologia				
Canavieira	11,863	6,147	11,863	9,298
Handson Participações S.A	-	8,805	-	-
Other	2,645	-	2,645	-
	37,285	14,952	98,188	95,833
	662,683	712,276	720,550	753,153

Notes to consolidated quarterly financial information
December 31, 2012
In thousands of reais

F-32

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

b) Related party transactions are as follows:

	Consolidated			
	Quarterly ended		Nine-month period ended	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Product sales				
Vertical UK LLP	-	33,178	-	151,900
Shell Western Supply and Trading	80,864	-	100,568	-
Other	332	188	686	308
	81,196	33,366	101,254	152,208
Purchase of goods / inputs				
Rezende Barbosa Group	62,064	47,768	201,149	270,347
Vertical UK LLP	-	8,901	-	8,901
	62,064	56,669	201,149	279,248
Land lease				
Aguassanta	4,249	3,437	14,300	14,115
Radar	7,774	2,016	13,316	19,524
	12,023	5,453	27,616	33,639
Financial result				
Grupo Rezende Barbosa	395	606	1,354	1,949
Shell Brasil Holding B.V.	-	36,193	119,308	136,523
Other	(131)	89	(822)	157
	264	36,888	119,840	138,629

(i) Shell

Shell Holdings B.V. and its subsidiaries ("Shell") are related parties of Raízen Energia and Raízen Combustíveis, and therefore the transactions between Shell and these entities were treated as related party transactions and all balances disclosed are 50% proportionally consolidated.

The short-term receivables mainly represent reimbursements arising from the formation of JVs.

The long-term receivables are mainly (i) reimbursements of provisions existing at the legal entity contributed by Shell in relation to contingencies of R\$ 252,317, and (ii) a financial asset equivalent to the investment that Shell hold in Iogen, valued at fair value, and that will be contributed to Raízen Energia, amounting to R\$ 83,680.

The short term payables mainly represented the reimbursement of the tax credits of the legal entity contributed by Shell, amounting to R\$ 60,623.

The long term payables refers to (i) the reimbursement of the judicial deposits of the legal entity contributed by Shell, which will be refunded when redeemed, amounting to R\$ 99,680, and (ii) the reimbursement of the tax credits of the legal entity contributed by Shell, amounting to R\$ 268,224.

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

(ii) Raízen Energia and Raízen Combustíveis

The balances with Raízen Energia and Raízen Combustível are consolidated proportionally at 50%, considering the elimination of the portion related to the Company.

Non-current assets receivable from Raízen Energia and Raízen Combustíveis basically represent, tax credits which will be reimbursed to the Company when they are effectively realized by the JVs.

(iii) Rezende Barbosa Group

The Company has receivables from Rezende Barbosa which are guaranteed by shares issued by Cosan.

The jointly-controlled entity "Raízen Energia" has a long-term agreement with Group Rezende Barbosa to supply sugar-cane at prices based on the ATR prices published by CONSECANA.

(iv) Vertical

The jointly-controlled entity "Raízen Energia" sells and buys ethanol from Vertical UK LLP ("Vertical") in the normal course of business. Vertical is a trading company headquartered in Switzerland in which the Company indirectly holds a 50% non-controlling interest.

c) Officers' and directors' compensation

At the Annual General and extraordinary Meeting on July 31 2012 was approved the total annual remuneration of the directors of the Company for the fiscal year ending on March 31, 2013 amounting to R\$ 32,000 including fees and any bonuses, and this will be adjusted annually based on the outcome of collective wage negotiations.

11 Business combinations

(a) Companhia de Gás de São Paulo ("COMGÁS")

On November 5, 2012, Cosan, through its subsidiary Provence Participações S.A. ("Provence"), obtained control by acquiring 60.05% of the shares of Comgás from BG Group for R\$ 3.4 billion in cash, of which R\$ 3.3 billion was raised through long term financing which is to be repaid by the Company over eight years, with a two year grace period, accruing interest at 123% of the CDI rate.

On December 19, 2012, the Extraordinary General Meeting of COMGÁS' shareholders, approved the incorporation of its immediate parent company, Provence Participações S.A. ("Provence"), as signed by the administrators of COMGÁS and Provence on December 03 of 2012. Provence's main assets at that date comprised the investment held in COMGÁS and tax basis of goodwill totaling R\$ 2,482,767 based on expected future profitability of the investment in COMGÁS, on which a future tax benefit totaling R\$ 844,141 was recognized as a deferred tax asset in subsidiary COMGÁS, following the legal incorporation of the two entities, after which the goodwill became tax deductible.

COMGÁS is located in the city of São Paulo, State of São Paulo, and has as its main activity the distribution of piped natural gas in part of the territory of the State of São Paulo (approximately 180 municipalities, including the Greater São Paulo region) to consumers

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

in the industrial, residential, commercial, automotive, thermo-generation and cogeneration segments. As a result of the acquisition, Cosan diversified its investment portfolio in accordance with management's strategic planning.

In a preliminary assessment, part of the acquisition price was allotted as the concession right to distribute gas and the remaining balance was allotted, preliminarily, as goodwill in the COMGÁS segment.

The following table summarizes the consideration paid and the fair values of assets acquired and liabilities assumed at the date of acquisition as well as the fair value at the date of acquisition of the non-controlling stake in COMGÁS.

November 05, 2012

Consideration	3,400,000
Cash acquired	(426,876)
Total of consideration transferred	<u>2,973,124</u>

Recognized values of the assets acquired and liabilities assumed

Accounts receivable	598,567
Financial Instruments	144,330
Inventory	99,424
Intangible assets	8,121,334
Other assets	284,009
Loans and long term debt	(2,568,802)
Accounts payable	(692,480)
Tax payable	(208,489)
Deferred income taxes and social contribution	(1,303,704)
Provision for contingencies	(51,592)
Other liabilities	(391,151)
Net assets acquired	<u>4,031,446</u>

Non-controlling interests	(1,781,100)
Goodwill	<u>722,778</u>

Consideration transferred	<u>2,973,124</u>

The fair value of other liabilities amounting to R\$ 391,151 includes the recognition of the fair value of liabilities of post-retirement benefits of R\$ 126,594.

The fair value of intangible assets of R\$ 8,121,334 includes the fair value step-up of the concession right in the amount of R\$ 4,567,311 calculated based on the concession agreement between the grantor and COMGÁS. The Concession period runs for a period of 30 years from the contracted date (May 31, 1999 to May 31, 2029), which may be extended for a further period of 20 years (to May 31, 2049) at the concessionaire's request.

The Company has chosen to measure the non-controlling stake in the net assets acquired as the proportionate share in the recognized amounts of COMGÁS' identifiable net assets.

The revenue included in the consolidated income statements from November 1, 2012 includes revenue totaling R\$ 951,245 and profit of R\$ 66,424.

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

If COMGÁS had been consolidated from April 1, 2012, the consolidated income statements would present a net revenue *pro forma* of R\$ 4,159,167 and *pro forma* profit of R\$ 293,102. This information of net income was obtained by simple aggregation of the values of the acquired and acquiring companies and does not represent the actual figures consolidated for the year.

As a separate transaction, Cosan Limited (our Parent company) ceded the stock option of 30,917,231 shares of Cosan S.A. to Shell Brazil Holdings BV (a minority shareholder in COMGÁS), exercisable in three annual tranches, with the last one maturing on April 15, 2017. If exercised, Cosan Limited will receive all the shares of COMGÁS held directly and indirectly by Shell Brazil Holdings BV.

(b) Mime Distribuidora de Petróleo Ltda. ("Mime")

On April 1, 2012, Cosan, through Raízen Combustíveis, acquired a 72.3% stake in Mime's common stock by contributing net assets valued at R\$ 82,169 through an exchange of assets.

Mime is located in the state of Santa Catarina and its main activities are the distribution and sales of fuel, as well as its convenience store business. With this acquisition, Raízen Combustíveis now operates three additional fuel distribution centers and 124 gas stations operated by Mime.

Management's preliminary assessment of the estimated fair value of the acquired assets and liabilities assumed on the date of Mime's acquisition as recognized by our Joint Venture Raízen Combustíveis, was as follows:

Description

Cash and cash equivalents	246
Accounts receivable	57,588
Inventory	8,734
Recoverable taxes	5,400
Other assets	1,725
Property, plant and equipment	56,808
Intangible assets	20,267
Loans	(15,264)
Accounts payable	(5,594)
Related parties	(16,527)
Deferred taxes and social contributions	(6,457)
Other liabilities	(7,981)
Stake of non-controlling shareholders	(27,407)
Net assets acquired	71,538
Consideration given	82,169
Preliminary goodwill	10,631

Cosan recognized 50% of the net assets acquired as the acquirer, Raízen Combustíveis is proportionally consolidated in the Company's financial statements.

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

The non-controlling interest in Mime was measured as the proportionate share of the identifiable net assets acquired.

On November 12, 2012, Cosan, through Raízen Combustíveis, acquired an additional 3.7% stake in Mime's common stock, for R\$16,460.

Mime's acquisition price was allocated on the basis of the preliminary fair value of the assets acquired and liabilities assumed. The preliminary goodwill was allotted to the Raízen Combustíveis segment.

(c) Radar Propriedades Agrícolas S.A. ("Radar")

On July 14, 2012, Cosan gained control of Radar, through amendment in the Statute and Shareholders Agreement which granted Cosan the preponderant controlling power in the operation of Radar, without consideration transferred.

Radar is located in the city of São Paulo and has as main goal the purchase, financing, leasing, management, operation and sale of agricultural investments, through direct or indirect acquisition of rural properties, services, imports of agricultural products and inputs, as well as participation as a partner or shareholder in other companies directly or indirectly related to the objectives described above.

Fair value of the investment before business combination	349,139
Fair value of Assets and liabilities of Radar	1.845,341
Stockholdings	18.92%
Fair value of the acquired assets and liabilities	349,139
Gain/ (loss) on prior participation	-

Management's preliminary assessment of the estimated fair value of the acquired assets and liabilities on the date was as follows:

Description	
Cash and cash equivalents	111,654
Accounts receivable	19,995
Other assets	8,062
Investments	6,579
Investments properties	1,792,661
Accounts payable	(4,185)
Dividends	(21,015)
Deferred taxes and social contributions	(52,126)
Other Liabilities	(16,284)
Consolidated net assets	1,845,341
Non-controlling interest	1,496,202
Previously held equity interest	349,139

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

The non-controlling interest in Radar was measured as the proportionate share of the identifiable net assets acquired.

No goodwill was recognized upon the gain of control of Radar.

(d) Comma Oil and Chemicals Limited ("Comma")

On July 1, 2012, Cosan, through its subsidiary Cosan Lubes Investments Limited ("Cosan Lubes"), acquired 100% of the common shares of Comma for £ 54,000, equivalent to R\$ 171,212, in cash, raised through a loan undertaken by Cosan Lubes.

Comma is located in Kent, England, and operates in manufacturing and commercialization of automotive chemicals, including lubricants, through specific distribution channels in the UK.

Management's preliminary assessment of the estimated fair value of the acquired assets and liabilities on the date of Comma's acquisition was as follows:

Description	
Accounts receivable	46,468
Inventory	32,879
Other assets	472
Property, plant and equipment	16,791
Accounts payable	(40,308)
Taxes Payable	(3,900)
Other liabilities	(2,750)
Net acquired assets	49,652
Contributed net assets, net of cash acquired	133,898
Preliminary goodwill	84,246

The consolidated net assets of Comma were allotted on the basis of the preliminary fair value of acquired assets and liabilities. The preliminary goodwill was allotted to the Cosan other business segment.

The acquisition of Comma reinforces Cosan's strategy of entering the European lubricants & specialties market.

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

On June 28, 2012, through a Share Purchase and Sale Agreement, the subsidiary Raízen Energia S.A. ("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 achievement of certain terms in the agreement.

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

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

Management's preliminary assessment of the estimated fair value of the acquired assets and liabilities on the date of Comma's acquisition was as follows:

Biological assets	20,827
Agricultural contracts partially assessed(i)	19,730
Total identified net assets	40,557
Consideration given, net of cash received	108,434
Preliminary goodwill	67,877

(i) On September 26, 2012, Raízen Energia sold to São Martinho S.A. rights of some agricultural contracts previously acquired through the acquisition of Costa Rica's business combination by the of R\$19,730.

The Raízen Energia is currently analyzing the purchase price allocation which is expected to be concluded by the end of the year.

The acquisition of Costa Rica has the objective to increase our sugarcane supply.

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

12 Equity income

(a) Parent company

	<u>Issued shares</u>	<u>Number of</u>		<u>Investments</u>	
	<u>of the</u>	<u>shares held by</u>	<u>Percentage of</u>	<u>12.31.2012</u>	<u>03.31.2012</u>
	<u>investee</u>	<u>Cosan</u>	<u>interest (%)</u>		
<u>Subsidiaries and jointly-controlled entities</u>					
Administração de Participações Aguassanta S.A.	-	-	-	-	158
Copsapar Participações S.A.	190,797,424	190,797,424	100.00	648,435	540
Cosan Cayman Finance Limited	1	1	100.00	863,464	735
Cosan Lubrificantes e Especialidades S.A.	431,480	431,474	100.00	1,193,935	1,103
Cosan Distribuidora de Combustíveis	-	-	-	-	-
Handson Participações S.A	-	-	-	-	150
Novo Rumo Logística S.A.	278,336,920	198,120,217	71.18	262,240	242
Proud Participações S.A.	-	-	-	-	210
Raízen Combustíveis S.A.	3,009,400,941	1,504,700,471	50.00	3,319,502	4,666
Raízen Energia Participações S.A.	-	-	-	-	3,522
Raízen Energia S.A.	5,902,595,634	2,951,297,817	50.00	5,220,354	-
Radar Propriedades Agrícolas S.A.	21,148,989	4,001,167	18.92	353,100	283
Radar II Propriedades Agrícolas S.A.	830,690,258	539,979,896	65.00	552,891	-
Companhia de Gás de São Paulo – “COMGÁS”	119,822,797	71,957,990	60.05	4,047,807	-
Other	-	-	-	38,900	25
<u>Associates</u>					
Other investments	-	-	-	42,213	20
				16,542,841	11,660

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

Changes in investments:

Balance at March 31, 2012	11,660,289
Equity method	828,432
Comprehensive income	247,853
Acquisition of non-controlling stake	77,911
Advance for future capital increase and capital increase	49,464
Reclassification to assets held for sale of discontinued operation	(238,459)
Reclassification of advance for capital increase to related parties of discontinued operation	(85,861)
Incorporation of Handson	175,295
Cosan's share of recognition of tax benefit in subsidiary COMGÁS upon downstream merger	742,929
Corporate Reorganization in the Raizen Group	42,571
Capital contribution in Provence	3,412,000
Dividends declared by subsidiaries	(366,556)
Other	(3,027)
Balance at December 31, 2012	16,542,841

(b) Consolidated

	<u>Issued shares of the investee</u>	<u>Number of shares held by Cosan</u>	<u>Percentage of interest (%)</u>	<u>Investments</u>		<u>Equity income (loss) of associates</u>	
				<u>12.31.2012</u>	<u>03.31.2012</u>	<u>12.31.2012</u>	<u>12.31.2011</u>
Radar Propriedades Agrícolas S.A.	21,148,989	4,001,167	18.92	-	283,259	67,612	4,438
Codexis Inc (a)	35,965,000	5,573,000	7.72	57,572	49,866	(2,292)	(347)
Logum Logística S.A. ("Logum") (a)	430,556,443	86,111,288	10.00	21,786	25,731	(3,946)	-
Uniduto Logística	106,973,748	49,188,382	22.99	7,044	6,959	(596)	-
Tellus Brasil Participações Ltda (b)	12,021,794	23,572,145	51.00	60,563	29,495	7,278	-
CTC - Centro Tecnologia Canavieira S.A.	73,102	634,400	11.52	17,398	4,892	-	-
Other investments	-	-	-	25,781	18,827	(3,092)	(3,452)
				<u>190,144</u>	<u>419,029</u>	<u>64,964</u>	<u>639</u>

Changes on investments:

Balance at March 31, 2012	419,029
Equity method	64,964
Advance for future capital increase and capital increase	52,315
Dividends declared by subsidiaries	(2,831)
Comprehensive income	3,348
Radar consolidation effect	(341,460)
Exchange rate variation on foreign investments	5,463
Other	(10,684)
Balance at December 31, 2012	190,144

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

Information of investments:

December 31, 2012.

	Assets	Liabilities	Equity	Income (9 months)
Codexis Inc (a)	243,250	53,213	190,037	(31,302)
Uniduto Logística (a)	30,642	5	30,637	(437)
Tellus Brasil Participações Ltda (b)	772,219	77,110	695,109	122,936
CTC - Centro Tecnologia Canavieira S.A.	131,482	19,511	111,971	(27,826)
Logum Logística S.A. ("Logum") (a)	965,067	747,236	217,861	(43,694)

March 31, 2012.

	Assets	Liabilities	Equity	Income (12 months)
Radar Propriedades Agrícolas S.A.	1,685,618	188,392	1,497,226	162,544
Codexis (a)	247,663	60,552	187,111	(2,138)
Logum (a)	741,782	484,471	257,311	(28,670)

(a) Shares held by Raízen Energia;

(b) The Company owns 5% of economics benefits of this associates as established in shareholders agreement.

13 Investment property

The balance of investment property is composed as follow:

	Consolidated
March 31, 2012	
Effect of consolidation of land segment ("Radar")	1,803,484
Transfer of assets between segments	533,281
Change in fair value	85,915
Write-off	(1,995)
December 31, 2012	2,420,685

Investment properties include agricultural land located in the Southeast, Midwest and Northeast regions of Brazil, which are leased to third parties and jointly controlled entities. The leases have an average term of 18 years for the cultivation of sugarcane and 10 years, for grain. The annual value of the leases indexed to changes in commodity prices.

The fair value of agricultural land was determined based on the method of direct comparison of data from the market, using transactions concerning comparable properties (property type, location, quality of the property) observed in the market. The portfolio is valued annually by independent experts and reviewed periodically by internal professionals technically qualified to perform such appraisals.

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

14 Biological assets

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

	<u>Consolidated</u>
March 31, 2012	968,023
Change in fair value net	(42,788)
Increase due to planning and growing costs	368,955
Harvested cane transferred to inventory (a)	(354,010)
Business combination Costa Rica	10,414
December 31, 2012	950,594

(a) Of this balance, RS 206,659 was allocated to sugar and ethanol inventory as at December 31, 2012.

Sugarcane plants

Areas cultivated represent only sugarcane, without considering the land used to grow these crops. The following assumptions were used to determine fair value using the discounted cash flow:

	<u>December 31, 2012</u>	<u>March 31, 2012</u>
Crop area (hectares)	416,008	382,798
Expect productivity(tons of cane per hectare)	78.20	78.20
Total amount of recoverable sugar - ATR (Kg)	137.27	137.27
Price kg ATR projected average (R\$/Kg)	0.4881	0.4881

Sugar production depends on the volume and sucrose content of the sugarcane grown or supplied by farmers located near the mills. The crop yield and the sucrose content in sugarcane mainly depends on weather conditions such as rainfall and temperature.

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

15 Property, plant and equipment

	Parent Company			December 31, 2012
	March 31, 2012	Additions	Capitalization/ Reclassification	
Cost:				
Land and Rural Properties	1,225	2,722	-	3,947
Buildings and Improvements	9,077	-	-	9,077
Machinery, Equipment and Facilities	4,706	14	1,590	6,310
Airplanes, vessels and vehicles	13,395	9,826	-	23,221
Furniture and Fixtures and Computer Equipment	2,738	81	1,262	4,081
Construction in progress	5,501	784	(2,903)	3,382
Total	<u>36,642</u>	<u>13,427</u>	<u>(51)</u>	<u>50,018</u>
Depreciation:				
Buildings and Improvements	(631)	(245)	-	(876)
Machinery, Equipment and Facilities	(914)	(156)	3	(1,067)
Airplanes, vessels and vehicles	(13,395)	(328)	-	(13,723)
Furniture and Fixtures and Computer Equipment	(148)	(99)	(3)	(250)
Total	<u>(15,088)</u>	<u>(828)</u>	<u>-</u>	<u>(15,916)</u>
	<u>21,554</u>	<u>12,599</u>	<u>(51)</u>	<u>34,102</u>

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

	Consolidated				"Cosan Alimentos de-consolidada"
	March 31, 2012	Additions	Write-offs	Capitalization / Reclassification	Alimentos de-consolidada
Cost:					
Land and Rural Properties	1,570,489	2,582	(100,905)	(619,891)	(61,905)
Buildings and Improvements	1,069,914	744	(7,758)	(25,034)	(28,542)
Machinery, Equipment and Facilities	5,274,544	38,004	(114,043)	722,694	(3,108)
Airplanes, vessels and vehicles	334,157	259	(5,677)	(50,643)	(9,378)
Rail Cars and Locomotives	391,647	41,511	-	9,108	(2,508)
Furniture and Fixtures and Computer Equipment	125,267	467	(4,381)	11,250	(9,378)
Construction in progress	675,000	481,512	-	(502,890)	(103,912)
Renovation and maintenance of machines and equipment	263,449	99,306	-	(13,378)	6,190
Other	157,508	5	(2)	(142,236)	17,912
Total	<u>9,861,975</u>	<u>664,390</u>	<u>(232,766)</u>	<u>(611,020)</u>	<u>(103,912)</u>
Depreciation:					
Buildings and Improvements	(262,910)	(27,321)	3,160	(13,148)	6,190
Machinery, Equipment and Facilities	(1,388,712)	(277,901)	62,194	(132,080)	17,912
Airplanes, vessels and vehicles	(138,935)	(15,952)	5,137	3,961	(3,108)
Rail Car and Locomotives	(18,397)	(9,647)	-	-	(9,378)
Furniture and Fixtures and Computer Equipment	(81,301)	(9,666)	3,516	(35)	1,212
Renovation and maintenance of machines and equipment	-	(307,911)	-	-	(103,912)
Other	(104,757)	(851)	8	93,700	26,542
Total	<u>(1,995,012)</u>	<u>(649,249)</u>	<u>74,015</u>	<u>(47,602)</u>	<u>26,542</u>
	<u>7,866,963</u>	<u>15,141</u>	<u>(158,751)</u>	<u>(658,622)</u>	<u>(76,370)</u>

Capitalization of borrowing costs

During the period ended December 31, 2012, the borrowing costs capitalized amounted to R\$ 29,426 (R\$ 7,311, 2012). The weighted average interest rate, used for the capitalization of interest on the balance of construction, was 8.60% per year until December 31, 2012 (8.60% per year during the year ended March 31, 2012).

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

16 Intangible assets

Parent Company					
	March 31, 2012	Additions	Capitalization / Reclassification	Reclassification to held for sale	December 31, 2012
Cost:					
Software licenses	83	73	52	-	208
Trademarks	83,585	-	-	(83,585)	-
Total	<u>83,668</u>	<u>73</u>	<u>52</u>	<u>(83,585)</u>	<u>208</u>
Amortization:					
Software licenses	(1)	(10)	(1)	-	(12)
Trademarks	-	(442)	-	442	-
Total	<u>(1)</u>	<u>(453)</u>	<u>-</u>	<u>442</u>	<u>(12)</u>
	<u>83,667</u>	<u>(379)</u>	<u>51</u>	<u>(83,143)</u>	<u>196</u>

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

	Consolidated				
	March 31, 2012	Additions	Write- offs	Capitalization / Reclassification	"Cosan Alimentos" de- consolidation
Cost:					
Software licenses	106,970	6,154	(1,713)	991	(128)
Trademarks	608,411	-	-	(1,770)	(83,585)
Goodwill	2,932,254	3,582	-	51,371	
Operation Licenses	282,734	97,845	(8,219)	-	
Customer contracts and related customer relationships	602,646	54,450	(434)	47,847	
Leases	79,919	-	(9,866)	1,769	
Distribution rights	451,371	152,870	-	35,487	
Railroad access	236,397	-	-	73,252	
Other	122,072	-	-	(69,930)	
Total	<u>5,422,774</u>	<u>314,901</u>	<u>(20,232)</u>	<u>139,017</u>	<u>(83,713)</u>
Amortization:					
Software licenses	(85,056)	(13,194)	1,665	3	11
Trademarks	(110,431)	(59,107)	-	1,770	44
Operation Licenses	-	(61,185)	7,619	-	
Customer contracts and related customer relationships	(66,146)	(66,587)	436	(76,155)	
Leases	(12,652)	(3,263)	-	9,600	
Distribution rights	(133,655)	(69,903)	-	(17,835)	
Improvements in public concessions	(14,968)	(11,838)	-	(25)	
Other	(67,611)	(5,551)	-	50,562	
Total	<u>(490,519)</u>	<u>(290,628)</u>	<u>9,720</u>	<u>(32,080)</u>	<u>55</u>
	<u>4,932,255</u>	<u>24,273</u>	<u>(10,512)</u>	<u>106,937</u>	<u>(83,155)</u>

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

Intangible assets (excluding goodwill)	Annual rate of Amortization - %	December 31, 2012	March 31, 2012
Software licenses	20.00	19,519	21,915
Trademarks (a)	20.00	218,766	260,313
Trademark Mobil (b)	10.00	136,964	154,082
Trademark União (c)	2.00	-	83,585
Customer agreements (d)	3.00	466,810	535,405
Operating license and customer agreements (e)	4.00	273,930	283,829
Favorable operating leases (f)	6.00	74,677	67,267
Distribution rights (g)	Over the life of the agreement	419,934	317,716
Improvements in public grants (h)	Over the life of the agreement	277,933	221,428
Concession contract - Comgás (i)	Remaining concession period	8,162,354	-
Other		64,596	54,461
Total		10,115,483	2,000,001

- (a) Refers to the right to use the trademark for fuel distribution through its joint venture Raízen Combustíveis.
- (b) Refers to the right to use the trademark of Mobil Lubricants.
- (c) Refers to the right to use the trademark for União sugar arising from the business combination. Reclassified to assets held for sale.
- (d) Refers to the relationships between Raízen Combustíveis and the gas stations that maintain its flags and the distribution contracts acquired through the business combination.
- (e) Refers to the Licenses to carry out port operations and the customer relationships held by Rumo, from business combinations.
- (f) Intangible assets related to agreements for existing land leases from business combinations.
- (g) Intangible assets related to customer agreements with preferred providers of loyalty products and trademarks.
- (h) Refers to the improvements made to the Federal Government owned railroad in relation to the transportation contract of Rumo.
- (i) Refers to the public concession contract of gas distribution, which represents the right to charge users for gas supply. The amortization term is 37 years (the remaining concession period, plus extension).

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

Analysis of loss on the recoverable amount for the cash-generating units containing goodwill

The Company tests annually (March 31) the recoverable amounts of intangible assets with indefinite useful lives, composed primarily of goodwill for expected future earnings arising from the processes of business combination and the formation of JVs. Property, plant and equipment and intangible assets subject to amortization are reviewed whenever there are indications that the carrying amount is not recoverable.

During the period ended December 31, 2012, no indicators of impairment were identified that would trigger impairment testing by the Company.

The combined carrying values of the goodwill allocated to each unit are as follow:

	Consolidated	
	December 31, 2012	March 31, 2012
Carrying amount of goodwill		
Cash-generating unit Raízen Energia S.A.	1,453,844	1,405,407
Cash-generating unit Raízen Combustíveis S.A.	901,387	855,907
Cash-generating unit Rumo	100,451	98,972
Cash-generating unit COMGÁS	722,778	-
Cash-generating unit Cosan - Other Business	661,172	571,968
Total goodwill	3,839,632	2,932,254

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

17 Loans and long term debt

	Financial charges (b)		Parent Company		Consolidated		
Description	Index	Average annual interest rate - %	December 31, 2012	March 31, 2012	December 31, 2012	March 31, 2012	Maturity date
Senior Notes Due 2014	Dollar (USD)	9,50	-	-	370,353	322,654	jul-14
Senior Notes Due 2017	Dollar (USD)	7,00	-	-	420,541	368,601	feb-17
BNDES	URTJLP	8,14	-	-	647,658	683,586	oct-25
	Pre-fixed	4,50	-	-	199,757	185,568	jul-20
	UMBND	6,52	-	-	17,642	18,365	jul-19
	Dollar (USD)	6,86	-	-	-	11	nov-12
	TJLP	8,53	-	-	787,692	-	jun-17
	Selic	1,80	-	-	242,632	-	oct-20
	TJ462	8,40	-	-	61,985	-	oct-20
ACC	Dollar (USD)	1,82	-	-	77,517	138,369	jun-13
Perpetual notes	Dollar (USD)	8,25	-	-	1,041,375	930,094	nov-15
Resolution 2471 (PESA)	IGP-M	11,97	-	-	343,399	316,108	apr-23
	Pre-fixed	3,00	-	-	50	53	oct-25
Rural credit	Pre-fixed	5,50	-	-	20,560	20,460	nov-13
Working capital	Dollar (USD) + Libor	1,81	-	-	460,204	410,002	dec-15
	IGP-M	20,52	-	-	-	88	dec-12
	Pre-fixed	14,00	-	-	4,250	5,332	mar-15
					115,032		
	106% CDI	-	-	-	-	-	mar-13
Pre-payments	Dollar (USD) + Libor	7,11	-	-	511,185	507,454	feb-16
Credit notes	110% CDI	7,27	363,055	341,227	519,970	341,226	feb-14
	Dollar (USD)	3,07	-	-	-	52,891	-
Finame	Pre-fixed	4,62	-	-	385,790	397,515	sep-22
	URTJLP	7,71	-	-	419,078	337,091	jan-22
	UMBND	8,36	-	-	-	16	oct-12
Leasing	R\$	15,01	-	-	128	-	jun-14
	100% CDI	-	-	-	2,336	-	oct-14
Foreign loans	Libor UK Semestral	4,64	-	-	178,583	-	jun-17
Loan EIB	Dollar (USD) + Libor	2,76	-	-	567,333	-	sep-21
Loan Resolution 4131	Dollar (US) + Libor	3,25	-	-	455,329	-	jul-17
Debentures	123% CDI	8,49	3,343,987	-	3,343,987	-	oct-20
Non-convertible debentures	CDI	1,50	-	-	68,959	-	aug-14
Finep	Pre-fixed	5,00	-	-	89,828	-	jan-21
Promissory note	105,20 % CDI	-	-	-	159,846	-	mar-13
Credit assignment	CDI	1,38	-	-	59,724	-	may-13
Other	Several	Several	-	-	137,668	-	Several
Commodity broker current account	Several	Several	-	-	29,497	-	Several
Expenditure on issue of debt			(57,438)	(3,494)	(78,450)	(21,407)	
			3,649,604	337,733	11,661,438	5,014,077	
		Current	36,032	-	1,789,555	537,135	
		Non-current	3,613,572	337,733	9,871,883	4,476,942	

(a) 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 originating from energy contracts (BNDES); (ii) CTN and land mortgages(PESA); and (iii) underlying assets being financed (FINAME).

(b) Financial charges as at December 31, 2012, except where otherwise indicated.

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

Our non-current borrowings, less the depreciation expenses on the placement of bonds, are scheduled to fall due within the following periods as of the balance sheet date:

	Parent Company		Consolidated	
	December 31, 2012	March 31, 2012	December 31, 2012	March 31, 2012
13 to 24 months	655,100	337,733	1,721,216	1,046,326
25 to 36 months	292,209	-	2,431,213	702,633
37 to 48 months	293,021	-	916,512	1,249,602
49 to 60 months	443,020	-	1,458,302	545,982
61 to 72 months	543,019	-	1,030,507	179,137
73 to 84 months	643,020	-	1,109,223	300,921
85 to 96 months	744,183	-	1,056,425	220,893
Thereafter	-	-	148,485	231,448
	<u>3,613,572</u>	<u>337,733</u>	<u>9,871,883</u>	<u>4,476,942</u>

PESA - Resolution 2471- Special Agricultural Financing Program (Programa Especial de Saneamento de Ativos), or PESA

From 1998 to 2000, the Company and current the jointly-controlled Raízen Energia renegotiated their debts related to financing for agricultural costs with several financial institutions, reducing them to annual interest rates below 10%, ensuring the repayment of the debt principal through the assignment and transfer of Treasury Certificates, redeemable when the debt is cleared, using the incentives promoted by Central Bank resolution No. 2471 of February 26, 1998. That debt has been self-cleared by CTN (note 6).

Senior Notes Due in 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” amounting to US\$ 350,000 thousands, which accrued interest of 9.5% per year, payable semiannually in February and August of each year, beginning in February 2010.

Senior Notes Due in 2017

On January 26, 2007, the wholly-owned indirect controlled Cosan Finance Limited issued Senior Notes in the international market in accordance with “Regulation S” and “Rule 144A” amounting to US\$ 400,000 thousands, which accrued interest of 7% per annum, payable semiannually in February and August of each year.

BNDES

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

Perpetual Notes

On November 05, 2010 and July 13, 2011, the subsidiary Cosan Overseas Limited issued R\$ 500,000 in perpetual notes in the foreign market, in accordance with “Regulation S”. These notes bear interest at a rate of 8.25% per year, payable quarterly.

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

Bank Debt – working capital

On May 16, 2011, a bank debt of USD 450,000 thousands was issued in favor 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, interest is payable quarterly and is subject to interest at LIBOR + 1.81% per year.

Advances on Foreign Exchange Contracts (“ACC”), Pre payments and Credit Notes

ACC contracts, pre payments and credit notes have been signed with several financial institutions and will be cleared through exports made from 2012 to 2014. These transactions are subject to interest rates payable semiannually and on maturity.

FINAME

Refers to funding related to FINAME - Machinery and Equipment Financing, mediated by various financial institutions, and intended for investment in property, plant and equipment. These loans are subject to interest payable monthly and are secured by liens on the assets financed.

FINEP

In November 2012, was issued to the subsidiary Cosan Biomassa obtained a bank loan of R\$ 89,694, maturing in January 2021. The same agreement provides for 3 more installments of funding, totaling R\$ 254,890, with pre fixed interest of 5% per year. These funds will be used for the development, production and marketing plan of new industrial technologies for the processing of biomass derived from sugar cane or other sources.

Foreign loans

On June 29, 2012 Cosan Lubs Investments Limited, a subsidiary of Cosan S.A. obtained a loan of £ 54,000 in order to acquire control of Comma Oil and Chemicals Limited, which occurred in July 2012.

Loan Resolution 4131

Refers to funds raised abroad with several financial institutions, maturing until 2017, aiming to finance the cash flow of Comgás.

Loan EIB

Refers to loans from the European Investment Bank in U.S. Dollars plus interest based on the LIBOR rate, maturing until 2021. These loans are fully covered by derivative instruments that exchange the original indexers for the CDI rate in Brazilian reais. They correspond to the funds raised used to expand and support the natural gas distribution.

Non convertible debentures

On August 5, 2008, COMGÁS concluded the issue of a simple debenture, indivisible and not convertible into shares, at par value of R\$100,000.

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

In August 2012 the first repayment of the principal (33.33%), was made. The remaining amortization of the principal will occur in August 2013 and 2014 with payments of 33.33% and 33.34%, respectively. Interest payments will be made annually without renegotiation. In August 2012 the fourth interest payment of R\$11,840 was made.

Debentures

On October 22, 2012, the Company issued two series of debentures, the first series of R\$ 1,900,000 and the second series of R\$ 1,400,000. The first series has a term of six years from the date of issue, maturing on October 01, 2018, and the second series a term of eight years from the date of issue, maturing on October 01, 2020, except in the case of mandatory early redemption and / or prepayment of the debentures, pursuant to the Indenture.

Promissory Notes

On March 15, 2012, the subsidiary COMGÁS concluded the issue of 150 Promissory Notes at a par value of R\$ 1,000, totaling R\$ 150,000 with a maturity period of 360 days.

The amortization of the principal and interest will occur in the maturity of the promissory in notes.

Covenants

The Company, its subsidiaries and jointly-controlled entities are subject to certain restrictive financial covenants set forth in existing loans and financing agreements. As at December 31, 2012, Cosan, its subsidiaries and jointly-controlled entities were in compliance with all debt covenants.

The measurements are required on an annual basis, at the closing of the year (March 31, 2013).

18 Income and other taxes payable

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>December 31, 2012</u>	<u>March 31, 2012</u>	<u>December 31, 2012</u>	<u>March 31, 2012</u>
Income tax payable	<u>1,933</u>	-	<u>182,177</u>	11,973
	1,933	-	182,177	11,973
<i>Other taxes</i>				
ICMS – State VAT	-	-	108,216	66,601
IPI	-	-	1,779	4,631
INSS	33	47	13,574	13,029
PIS	1,083	219	10,039	5,003
COFINS	4,990	1,010	46,244	21,294
Recovery program – REFIS	713,569	731,414	1,005,659	1,287,941
Other	1,998	370	29,665	33,871
Total	<u>721,673</u>	<u>733,060</u>	<u>1,215,176</u>	<u>1,432,370</u>
Current	<u>67,390</u>	<u>62,597</u>	<u>423,218</u>	<u>241,719</u>
Non-current	<u>656,216</u>	<u>670,463</u>	<u>974,135</u>	<u>1,202,624</u>

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

Tax recovery program - Law no 11.941/09 e Provisional Measure no 470/09 (REFIS IV)

On May 27 and October 13, 2009, Law no 11.941 and MP no 470 were approved by the Brazilian government, creating a tax amnesty and refinancing program, permitting the taxpayer to settle its federal tax debts under previous refinancing programs, and other federal taxes subject to court disputes, with discounts on penalties and interest, and pay the balance in installments.

On June 29, 2011 the subsidiary Cosan Lubrificantes e Especialidades S.A., a successor entity of Esso Brasileira de Petróleo Ltda. ("Essobrás"), joined the tax amnesty and refinancing program upon request of ExxonMobil Brasil Holdings B.V. ("ExxonMobil"), the entity that is legally responsible for the tax contingencies existing up to the date of acquisition of Essobrás by the Company (Note 6).

The maturities of long-term taxes payable are as follows:

	Parent Company		Consolidated	
	December 31, 2012	March 31, 2012	December 31, 2012	March 31, 2012
13 to 24 months	61,765	56,018	62,653	99,083
25 to 36 months	61,598	55,650	62,231	97,707
37 to 48 months	61,598	55,611	61,639	97,254
49 to 60 months	61,182	55,611	61,223	96,909
61 to 72 months	59,953	54,972	59,994	96,270
73 to 84 months	59,750	53,931	59,791	95,229
85 to 96 months	59,750	53,931	59,791	95,229
Thereafter	230,620	284,739	546,813	524,943
	656,216	670,463	974,135	1,202,624

19 Income tax and social contributions

a) Reconciliation of income and social contribution tax expenses:

	Parent Company			
	Quarterly ended		Nine-month period ended	
	(Amended)		(Amended)	
Description	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Pretax income	207,338	59,261	382,690	2,201,342
Income tax and social contribution at nominal rate (34%)	(70,495)	(20,149)	(130,115)	(748,456)
Adjustments to determine the effective rate:				
Equity income	108,736	410	281,667	931,944
Permanent differences (donations, gifts, etc)	(1,035)	-	(3,654)	-
Stock options	(1,130)	-	(3,390)	-
Interest on capital	(21,573)	(17,000)	(36,873)	(17,000)
Non-taxable income (loss) from overseas companies	(18,870)	16,949	(18,870)	-
Exchange variation on the paid up capital	-	46,534	-	46,534
Other	1,874	(1,684)	(5,266)	(15,299)
Income tax and social contribution expense (current and deferred)	(2,493)	25,060	83,499	197,723
Effective rate - %	1.20%	-42.29%	-21.82%	-8.98%

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

Description	Consolidated			
	Quarterly ended		Nine-month period ended	
	(Amended)		(Amended)	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Pretax income	438,719	155,941	697,303	3,548,949
Income tax and social contribution at nominal rate (34%)	(149,022)	(53,011)	(297,339)	(1,206,643)
Adjustments to determine the effective rate:				
Equity income	1,085	4	22,088	217
Permanent differences (donations, gifts, etc)	(2,630)	-	(7,850)	-
Stock options	(1,130)	-	(3,390)	-
Interest on capital	9,879	-	10,982	-
Tax loss and negative basis	(4,172)	(4,835)	(7,068)	31,334
Non-taxable income (loss) from overseas companies	(18,553)	(91,895)	52,087	-
Different tax regime for entities taxed on presumed profits	24,634	-	24,634	-
Exchange variation on the paid up capital	3,513	101,004	42,346	101,004
Other	8,308	(9,913)	15,056	(36,070)
Income tax and social contribution expense (current and deferred)	(128,088)	(58,646)	(87,996)	(1,110,158)
Effective rate - %	29.20%	37.61%	12.62%	31.28%

b) Deferred income tax on assets and liabilities

	Parent Company				
	December 31, 2012				March 31, 2012
	Basis	IRPJ (25%)	(CSLL 9%)	Total	
Tax Losses:					
Tax Losses	393,092	98,273	-	98,273	94,416
Negative basis of social contribution	393,193	-	35,387	35,387	33,999
Temporary differences:					
Monetary exchange	133,570	33,393	12,021	45,414	(33,886)
Amortized goodwill	(2,498,688)	(624,672)	(224,882)	(849,554)	(17,224)
Business combination	(3,895,088)	(974,915)	(347,120)	(1,322,035)	(1,054,078)
Provisions for contingencies and other temporary differences	274,224	68,556	24,680	93,236	(99,733)
Total of deferred taxes		(1,399,365)	(499,914)	(1,899,279)	(1,076,506)
	Consolidated				
	December 31, 2012				March 31, 2012
	Basis	IRPJ (25%)	CSLL (9%)	Total	
Tax Losses:					
Tax Losses	2,013,349	503,337	-	503,337	551,326
Negative basis of social contribution	2,033,239	-	182,992	182,992	197,863
Temporary differences:					
Monetary exchange	274,179	68,545	24,676	93,221	(37,387)
Accelerated depreciation	(83,048)	(20,762)	-	(20,762)	(13,798)
Amortized goodwill	(1,049,999)	(262,500)	(94,500)	(357,000)	(230,523)
Business combination	(14,775,818)	(3,136,304)	(1,133,966)	(4,270,270)	(2,744,294)
Provisions for contingencies and other temporary differences	2,229,696	557,424	200,673	758,097	376,407
Total		(2,290,260)	(820,125)	(3,110,385)	(1,900,406)
Deferred income tax - asset				405,827	543,024
Deferred income tax - liabilities				(3,516,212)	(2,443,430)
Total of deferred taxes				(3,110,385)	(1,900,406)

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

In assessing the recoverability of deferred income tax assets, management considers annually the projections of future taxable income and temporary differences. This analysis is performed more frequently, if the facts and circumstances indicate that the recovery of assets is at risk.

20 Provision for Tax, Civil and Labor Contingencies

	Parent Company		Consolidated	
	December 31, 2012	March 31, 2012	December 31, 2012	March 31, 2012
Tax	159,849	148,097	651,304	620,835
Civil	40,277	38,650	230,857	168,952
Labor	149,216	169,512	251,787	261,890
	349,342	356,259	1,133,948	1,051,677

Judicial deposits as at December 31 and March 31, 2012 are presented as follow:

	Parent Company		Consolidated	
	December 31, 2012	March 31, 2012	December 31, 2012	March 31, 2012
Tax	177,342	171,052	427,734	411,619
Labor	26,837	27,380	69,465	65,142
Civil	9,551	8,201	44,931	32,474
	213,730	206,633	542,130	509,235

Changes in provision for judicial demands:

	Parent Company			
	Tax	Civil	Labor	Total
March 31, 2012	148,097	38,650	169,512	356,259
Provisions	5,995	7,522	83,238	96,755
Write-offs	(2,335)	(6,445)	(100,931)	(109,711)
Monetary Variation	8,092	550	(2,603)	6,039
December 31, 2012	159,849	40,277	149,216	349,342

	Consolidated			
	Tax	Civil	Labor	Total
March 31, 2012	620,835	168,952	261,890	1,051,677
Provisions	18,752	63,465	105,941	188,158
Write-offs	(11,507)	(54,273)	(130,007)	(195,787)
Business combination	3,659	39,071	11,671	54,401
Monetary Variation	19,565	13,642	2,292	35,499
December 31, 2012	651,304	230,857	251,787	1,133,948

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

Contingencies deemed to be probable losses - accrued

a) Tax

The major taxation-related legal proceeding as at December 31 and March 31, 2012 are described as follow:

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>December 31,</u>	<u>March 31,</u>	<u>December 31,</u>	<u>March 31,</u>
	<u>2012</u>	<u>2012</u>	<u>2012</u>	<u>2012</u>
IPC – 89 (i)	-	-	83,232	82,173
Compensation with				
Finsocial (ii)	-	-	201,569	195,421
CIDE (iii)	-	-	93,841	93,841
ICMS credits(iv)	79,907	71,343	104,102	97,552
PIS and COFINS	8,544	8,277	17,750	17,445
IPI	9,391	9,159	17,604	15,970
IRPJ e CPLL	1,028	1,012	2,167	2,110
Other	60,979	58,306	131,039	116,323
	<u>159,849</u>	<u>148,097</u>	<u>651,304</u>	<u>620,835</u>

- (i) In 1993, 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 that this index did not reflect the actual rate of inflation. The use of this index led the Company to overpay income and social contribution taxes. Cosan CLE obtained a favorable preliminary court ruling that allowed it to recalculate its financial position, using indices that better measured the inflation over the period. In doing so the Company adjusted the amounts of income and social contribution taxes payable and offset the overpayments for both taxes in subsequent years until 1997. Despite the favorable court rulings, the tax authorities issued a notice of infringement to the Company challenging all of the offset taxes whose values had been updated accrued. No judicial deposits were made for these processes.
- (ii) During the period from October 2003 to November 2006 the subsidiary Cosan CL offset FINSOCIAL against several other federal taxes, based on a final court decision in September 2003 following a decision that challenged the constitutionality of the FINSOCIAL. No judicial deposits were made for these processes.
- (iii) Prior to the formation of the JV, Raízen Combustíveis, formerly Shell Brasil Ltda, recorded CIDE on services provided from operations. This contingency will be reimbursed by Shell if any payment is required, and an equivalent amount is recorded as related parties. There are judicial deposits related to these processes, amounting to R\$ 170,835.
- (iv) The provision for ICMS credits is made up of: (a) the tax assessment received, in which, despite the defense filed at the administrative and judicial levels, the legal counsel of the Company understand it is more likely than not that a loss will occur, (b) the recovery of credits and financial charges relating to issues on which the Company's management has a differing view from the tax authorities. There are judicial deposits related to these processes, amounting to R\$ 8,392.

b) Civil and labor claims

The Company, its subsidiaries and jointly-controlled entities 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.

The Company, its subsidiaries and jointly-controlled entities 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 premiums and risk premiums, employment inclusion, and the reimbursement of discounts from payroll, such as social contributions and trade union charges, among others.

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

Judicial claims deemed as possible losses, and therefore accrued

a) Tax claims

The main tax claims for which an unfavorable outcome is deemed possible and for which, therefore, no provision for legal claims was recorded in the financial statements, are as follow:

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>December 31, 2012</u>	<u>March 31, 2012</u>	<u>December 31, 2012</u>	<u>March 31, 2012</u>
Withholding income taxes (i)	210,390	204,249	210,390	204,249
ICMS – State VAT (ii)	774,851	698,672	1,788,032	1,705,220
IPI Credit – NT (iii)	290,850	280,680	381,136	378,735
Income taxes (vii)	231,643	423,529	484,927	532,131
Compensation with IPI – IN 67/98 (iv)	192,391	188,479	192,391	188,479
INSS (v)	444,490	63,372	478,300	83,875
PIS and Cofins (vi)	265,199	216,684	594,995	529,257
Other	401,509	159,233	494,764	493,471
	<u>2,811,323</u>	<u>2,234,898</u>	<u>4,624,935</u>	<u>4,115,417</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.

(ii) ICMS

Refers mainly to (i) Tax Assessment filed for alleged lack of payment of ICMS and non-compliance with accessory obligations, 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, this product is classified as a semi-finished product and, in accordance with the ICMS regulations, would be subject to taxation, (iii) ICMS levied on possible differences in terms of sugar and alcohol inventory, arising from digital tax files and Inventory Registry Books; (iv) ICMS on rate differences due to ethanol sales to companies located in other states, which, thereafter, had their registrations revoked and (v) disallowance of tax credits resulting from the acquisition of diesel used in the production process.

(iii) IPI – Federal VAT

SRF Normative Instruction no 67/98 approved the procedures adopted by the industrial establishments which performed remittances without registration and payment of IPI, in relation to transfers of sugarcane carried out between July 6, 1995 and November 16, 1997 and of refined sugar between January 14, 1992 and November 16, 1997. This rule was considered in the proceedings filed by the Federal Revenue Secretariat against the Company, for which an unfavorable outcome is deemed possible, following the advice of the Company's legal counsel.

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

SRF Normative Instruction no 67/98 allowed the refunding of IPI tax payments for sales of refined sugar from January 14, 1992 through November 16, 1997. Consequently the Company applied for the offsetting of amounts paid during the periods against other tax liabilities. However, the tax authorities denied its application for both the reimbursement and offsetting of these amounts. The Company has 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 seeking to stay the enforceability of offset taxes, in an attempt to prevent the tax authorities from pursuing the relevant tax debts in court. The preliminary injunction was granted by the court.

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

- (v) INSS
Refers mainly to tax assessments received and defended by the legal counsel, concerning social security contribution on: (i) stock option plans (ii) export sales, and (iii) the resale of materials for companies under common control and suppliers.
- (vi) PIS and 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 tax authorities in relation to raw materials. These discussions are still at the administrative level.
- (vii) IR/CSLL – Assessment Notice
In December 2011, the Company received notices of violations amounting to R\$ 400,318, drawn up by the tax authorities in relation to the income tax and social calendar years 2006 to 2009, questioning: (i) the deductibility of expenses for the amortization of certain goodwill (ii) the offsetting of tax losses and negative social contribution calculations, and (iii) tax on revaluation differences of the property included in fixed assets. The Company filed its defense in January 2012 and, together with its legal advisors, and has classified the risk as possible, with a loss amount of R\$ 204,221. The remaining R\$ 327,710 refers to various other claims in connection with income taxes and social contributions in several legal entities pertaining the subsidiaries and jointly controlled entities.

b) Civil and labor

The main civil and labor claims for which unfavorable outcomes are deemed possible are as follow:

	Parent Company		Consolidated	
	December 31, 2012	March 31, 2012	December 31, 2012	March 31, 2012
Civil	394,500	309,234	1,202,108	869,954
	379,130	407,533	1,224,833	1,200,573
	<u>773,630</u>	<u>716,767</u>	<u>2,426,941</u>	<u>2,070,527</u>

21 Equity

(a) Common stock

The authorized common stock may be increased up to a limit of R\$ 5,000,000, an independent statutory amendment, by resolution of the Board of Directors, who have the power to fix the number of shares to be issued, the issue price and other conditions subscription and payment of shares within the authorized capital.

As of December 31, 2012 and March 31, 2012, the Company's capital is represented by 407,214,353 common shares, with no par value.

(b) Earnings per share

Earnings per share are computed by dividing net income by the weighted average number of common shares outstanding during the year. Diluted earnings per share are calculated by adjusting average outstanding shares for the impact of conversion of all potentially dilutive options.

The table below reflects the income and share data used in the basic and diluted earnings per share calculation for the periods ended December 31, 2012 and 2011 (in thousands of Reais, except values per share):

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

Basic

	December 31, 2012 (Amended)	December 31, 2011 (Amended)
Numerator		
Net income for the period from continuing operations	608,475	2,456,280
Net Income for the period from discontinued operations	142,286	57,215
Denominator		
Weighted average number of common shares	404,942,314	405,502,092
Denominator for diluted earnings per share	404,942,314	405,502,092
Income (loss) basic and diluted earnings per common share	R\$ 1.503	R\$ 6.057
Loss basic and diluted earnings per common share - discontinued operations	R\$ 0.351	R\$ 0.141

Diluted

	December 31, 2012 (Amended)	December 31, 2011 (Amended)
Numerator		
Net income for the period from continuing operations	608,475	2,456,280
Net Income for the period from discontinued operations	142,286	57,215
Denominator		
Weighted average number of common shares	404,942,314	405,502,092
Potential increase of common shares	5,044,411	4,823,182
Denominator for diluted earnings per share	409,986,725	410,325,274
Income (loss) basic and diluted earnings per common share	R\$ 1.484	R\$ 5.986
Loss basic and diluted earnings per common share - discontinued operations	R\$ 0.347	R\$ 0.139

(c) Share repurchase program

On November 22, 2010, the Board of Directors approved a stock repurchase plan for the purpose of maintenance in treasury, cancellation or disposal. The plan mentions that the Company may repurchase maximum of 6,640,091 of common shares, with no par value, in a specific period of 365 days. On November 03, 2011, repurchase of shares program was extended on 365 days.

During the period, there was the exercise of options related to the Share Plan, in which 635,000 shares were delivered to beneficiaries. With this, the Company has the volume of 2,272,039 treasury shares, whose market price on December 31, 2012 is R\$ 41.75 (R\$ 32.86 on March 31, 2012).

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

22 Gross sales

	Consolidated			
	Quarter ended		Nine-month period ended	
	12.31.2012	12.31.2011 (Amended)	12.31.2012	12.31.2011 (Amended)
Taxable gross revenue from sales of products and services	9,088,170	6,496,021	23,105,607	19,041,762
Indirect taxes and deductions	(691,074)	(425,367)	(1,550,640)	(1,246,010)
Net revenue	<u>8,397,096</u>	<u>6,070,654</u>	<u>21,554,967</u>	<u>17,795,752</u>

23 Financial results, net

	Parent Company			
	Quarter ended		Nine-month period ended	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
<u>Financial Expense</u>				
Interests	(104,152)	(77,261)	(229,425)	(236,791)
Banking changes	(10,302)	(6,854)	(33,946)	(14,589)
	<u>(114,454)</u>	<u>(84,115)</u>	<u>(263,371)</u>	<u>(251,380)</u>
<u>Financial Income</u>				
Interest	544	9,624	5,195	24,371
Monetary Variation	1,743	6,144	6,131	12,378
Banking charges	6,488			
		8,326	19,807	30,430
	<u>8,775</u>	<u>24,094</u>	<u>31,133</u>	<u>67,179</u>
Foreign Exchange variation, net ⁽ⁱ⁾	(13,639)	(25,213)	(234,692)	(395,889)
	<u>(13,639)</u>	<u>(25,213)</u>	<u>(234,692)</u>	<u>(395,889)</u>
<u>Derivatives, net</u> ⁽ⁱⁱ⁾				
Exchange rate and interest derivatives	43,863	(13,729)	58,650	(34,023)
	<u>43,863</u>	<u>(13,729)</u>	<u>58,650</u>	<u>(34,023)</u>
	<u>(75,455)</u>	<u>(98,963)</u>	<u>(408,280)</u>	<u>(614,113)</u>

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

	Consolidated			
	Quarter ended		Nine-month period ended	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
<u>Financial Expense</u>				
Interests	(177,902)	(117,134)	(398,829)	(458,855)
Monetary Variation	(11,633)	(3,711)	(33,585)	(15,076)
Banking charges	(29,296)	(3,355)	(57,534)	(8,213)
	(218,831)	(124,200)	(489,948)	(482,144)
<u>Financial Income</u>				
Interest	20,327	21,975	185,456	103,276
Monetary Variation	3,009	5,319	17,637	3,864
Banking charges	30,239	26,718	89,046	97,717
Other	12,924	79	13,181	760
	66,499	54,091	305,320	205,617
Foreign Exchange variation, net ⁽ⁱ⁾	(16,280)	7,291	(296,727)	(179,487)
	(16,280)	7,291	(296,727)	(179,487)
<u>Derivatives, net</u> ⁽ⁱⁱⁱ⁾				
Commodities derivatives	(870)	6,093	(2,770)	22,263
Exchange rate and interest derivatives	44,753	(13,043)	46,897	(19,992)
	43,883	(6,950)	44,127	2,271
	(124,729)	(69,768)	(437,228)	(453,743)

(i) Includes gains (losses) on foreign exchange rates relating to assets and liabilities denominated in foreign currency.

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

24 Other income (expense), net

	Parent Company			
	Quarter ended		Nine-month period ended	
	12.31.2012	12.31.2011	12.31.2012 (Amended)	12.31.2011
Provisions for judicial demands	1,418	(11,977)	(25,518)	(56,443)
Income on disposal of non-current assets	-	-	84,973	334
Revenue from the sale of scrap and waste	-	-	-	1,587
Rental and leasing income	6	86	125	774
Other income (expense), net	(5,559)	1,240	(9,465)	8,885
	(4,135)	(10,651)	50,115	(44,863)

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

	Consolidated			
	Quarter ended		Nine-month period ended	
	12.31.2012 (Amended)	12.31.2011	12.31.2012 (Amended)	12.31.2011
Revenue from port operations	70	1,903	2,366	10,685
Provisions for judicial demands	1,245	(14,252)	(33,278)	(69,428)
Income on disposal of non-current assets	20,220	27,630	61,851	45,834
Revenue from the sale of scrap and waste	943	772	2,770	3,551
Rental and leasing income	26,458	16,812	62,107	40,902
Change in fair value of investment properties	85,915	-	85,915	-
Revenue from royalties	5,702	6,115	15,616	13,442
Revenue services	1,261	-	1,261	-
Other income (expense), net	(1,893)	(9,437)	4,945	9,797
	<u>139,921</u>	<u>29,543</u>	<u>203,553</u>	<u>54,783</u>

25 Financial instruments

Financial risk management

(a) Overview

The Company is exposed to the following risk related to the use of financial instruments:

1. Price risk;
2. Foreign exchange rates;
3. Interest rates;
4. Credit risk;
5. Liquid risk

This note presents information about the exposure of the Company, its subsidiaries and jointly-controlled entities to the above risks, as well as the objectives of the Company's risk management policies, the policies and processes for the measurement and management of risk, and for capital management.

(b) Risk management structure

The risks inherent to each type of business market are managed and monitored by the Company and, where applicable, risk committees are convened to discuss and determine the hedging strategy of the company in accordance with its policies and guidelines. There is, in Raízen Energia, a Risk Committee that meets weekly to analyze the behavior of commodity markets (mainly sugar) and exchange rates and to decide on the coverage position and sugar pricing strategy for export, seeking to reduce the adverse effects of changes in prices and exchange rates, as well as monitoring liquidity risk and counterparty risk (credit risk).

The Company, its subsidiaries and jointly controlled entities are exposed to market risks, of which the most significant are: (i) the volatility of the prices of sugar and ethanol, (ii) the volatility of the exchange rate and (iii) volatility in interest rates. The usage of financial instruments in order to protect against these areas of volatility is determined through an analysis of the risk exposure that management intends to cover.

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

COMGÁS executed future exchange contracts and currency swap commitments at values equal to the cash flow exposure under trading. For all values above USD 500,000 the minimum hedge to be contracted must be 75% of the notional value, according to internal policy.

As at December 31, 2012 and March 31, 2012, the fair values relating to transactions involving derivative financial instruments for hedging or other purposes were measured at market value (fair value) using observables such as quoted prices in active markets or discounted cash flow based on market curves and are presented below:

	Notional		Fair Value		Equity and P&L (*)
	Dec 31, 2012	Mar 31, 2012	Dec 31, 2012	Mar 31, 2012	
<u>Raízen Energia S.A. Derivatives</u>					
Price risk					
Commodities derivatives					
Future agreements	990,432	1,194,225	108,096	24,378	108,096
Option agreements	-	8,954	-	782	-
			108,096	25,160	108,096
Exchange rate risk					
Exchange rate derivative					
Future agreements	325,715	490,949	(374)	1,682	(374)
Term agreements	419,170	258,690	10,467	1,773	10,467
Lock exchange	106,895	256,381	2,715	3,402	2,715
			12,808	6,857	12,808
Interest rate risk					
Interest derivatives					
Hedge interest	1,196,179	318,868	(5,636)	(1,495)	(5,636)
			(5,636)	(1,495)	(5,636)
Total Raízen Energia			115,268	30,522	115,268
Cosan consolidated (50% Raízen Energia)			57,634	15,261	57,634
<u>Derivatives in others subsidiaries</u>					
Exchange rate risk					
Exchange rate derivative					
Swap agreements	997,073	-	160,443	-	160,443
Term agreements	267,415	325,029	8,312	(5,282)	8,312
			168,755	(5,282)	168,755
Total Cosan (including 50% Raízen, if applicable)			226,389	9,979	226,389
Assets			240,858	19,590	
Liabilities			(14,469)	(9,611)	

(*)Values from the income statement calculated for the year ended December 31, 2012 only to outstanding derivative that date.

(c) Price risk

This arises from the potential for fluctuations in the market prices of products sold by the Raízen Energia, mainly raw material sugar - VHP (sugar NY#11) and white sugar (London#5 and White Sugar). These fluctuations in prices can cause substantial changes in revenue. To mitigate these risks, Raízen Energia constantly monitors the markets, seeking to anticipate changes in prices.

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

The consolidated derivative financial instrument positions taken to hedge the price risks of commodities are shown in the table below:

Derivatives	Purchased / Sold	Market	Agreement	Maturity date	Notional (unit)	Notional (R\$ thousand)	Fair Value (R\$ thousand)
Financial instruments contracted by Raízen Energia:							
Composition of balances of derivative financial instruments designated in hedge accounting							
Future	Sold	NYBOT	Sugar#11	Mar-13	488,922T	475,798	46,058
Future	Sold	NYBOT	Sugar#11	Jul-13	327,675T	316,455	25,049
Future	Sold	NYBOT	Sugar#11	Oct-13	398,088T	386,219	26,455
Future	Sold	NYBOT	Sugar#11	Mar-14	24,995T	24,753	1,579
Future	Sold	ICE	Sugar#5	Mar-13	4,750T	4,959	(124)
Sub-total future of sugar sold					1,244,430 T	1,208,184	99,017
Composition of balances of derivative financial instruments non-designated in hedge accounting							
Future	Purchased	NYBOT	Sugar#11	Mar-13	(303,494T)	(266,106)	651
Future	Purchased	NYBOT	Sugar#11	Mai-13	(3,709T)	(3,366)	(91)
Future	Purchased	NYBOT	Sugar#11	Jul-13	(1,676T)	(1,535)	(44)
Future	Purchased	NYBOT	Sugar#11	Oct-13	(762T)	(707)	(18)
Future	Purchased	ICE	Sugar#5	Mar-13	(4,700T)	(4,911)	119
Sub-total future of sugar purchased					(314,341 T)	(276,623)	617
Sub-total of sugar					930,090 T	931,561	99,634
Future	Sold	BMFBovespa	Hydrated ethanol	Jan-13	9,270m ³	11,036	(130)
Future	Sold	BMFBovespa	Hydrated ethanol	Feb-13	27,630m ³	32,763	(166)
Future	Sold	BMFBovespa	Hydrated ethanol	Mar-13	21,720m ³	25,854	(130)
Future	Sold	Platts Chicago Ethanol Asian Swap	Ethanol	Oct-13	-	-	1,406
Future	Sold	Platts Chicago Ethanol Asian Swap	Ethanol	Dec-12	-	-	296
Future	Sold	Platts Chicago Ethanol Asian Swap	Ethanol	Feb-13	-	-	860
Future	Sold	Platts Chicago Ethanol Asian Swap	Ethanol	Jan-13	-	-	913
Future	Sold	Platts Chicago Ethanol Asian Swap	Ethanol	Jul-13	-	-	711
Future	Sold	Platts Chicago Ethanol Asian Swap	Ethanol	Mar-13	-	-	1,200
							(96)
Future	Sold	Platts Chicago Ethanol Asian Swap	Ethanol	Jan-13	-	-	
Future	Sold	BMF Ethanol Euro Swap	Ethanol	Feb-13	-	-	
						-	(27)
Future	Sold	BMF Ethanol Euro Swap	Ethanol	Jan-13	-	-	(4)
Sub-total future of ethanol sold					58,620 m³	69,654	4,833
Future	Purchased	BMFBovespa	Hydrated ethanol	Jan-13	(4,950m ³)	(5,764)	69
Future	Purchased	BMFBovespa	Hydrated ethanol	Feb-13	(4,260m ³)	(5,018)	26
Future	Purchased	Platts Chicago Ethanol Asian Swap	Ethanol	Nov-12	-	-	94
Future	Purchased	Platts Chicago Ethanol Asian Swap	Ethanol	Dec-12	-	-	(981)
Future	Purchased	Platts Chicago Ethanol Asian Swap	Ethanol	Jan-13	-	-	(119)
Future	Purchased	Platts Chicago Ethanol Asian Swap	Ethanol	Nov-12	-	-	(16)
Future	Purchased	BMF Ethanol Euro Swap	Ethanol	Feb-13	-	-	(8)
Future	Purchased	BMF Ethanol Euro Swap	Ethanol	Jan-13	-	-	(2)
Sub-total future of ethanol purchased					(9,210 m³)	(10,782)	(937)
Physical Fixed	Sold		Ethanol	Feb-13	-	-	1,735
Physical Fixed	Sold		Ethanol	Apr-13	-	-	1,161
Physical Fixed	Sold		Ethanol	Mar-13	-	-	7,099
Physical Fixed	Sold		Ethanol	Dec-12	-	-	27
Physical Fixed	Sold		Ethanol	Jan-13	-	-	2,281
Physical Fixed	Sold		Ethanol	May-13	-	-	989
Physical Fixed	Sold		Ethanol	Jun-13	-	-	159
Physical Fixed	Sold		Ethanol	Feb-13	-	-	(437)
Physical Fixed	Sold		Ethanol	Aug-13	-	-	(1,197)
Physical Fixed	Sold		Ethanol	Dec-12	-	-	(6)
Physical Fixed	Sold		Ethanol	Jan-13	-	-	(2,697)
Physical Fixed	Purchased		Ethanol	Feb-13	-	-	4
Physical Fixed	Purchased		Ethanol	Mar-13	-	-	27
Physical Fixed	Purchased		Ethanol	Dec-12	-	-	413
Physical Fixed	Purchased		Ethanol	Jan-13	-	-	766
Physical Fixed	Purchased		Ethanol	Feb-13	-	-	(4,516)
Physical Fixed	Purchased		Ethanol	Apr-13	-	-	(206)
Physical Fixed	Purchased		Ethanol	Dec-12	-	-	(148)
Physical Fixed	Purchased		Ethanol	Jan-13	-	-	(591)
Physical Fixed	Purchased		Ethanol	Jun-13	-	-	(297)
Sub-total physical fixed of ethanol					-	-	4,566
Sub-total of ethanol					49,410 m³	58,871	8,462
Total goods						990,432	108,096

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

Price Risk : derivatives of commodities open as at March 31, 2012							
Derivatives	Purchased / Sold	Market	Contract	Maturity	Notional (units)	Notional (R\$ thousand)	Fair Value (R\$ thousand)
Contracted financial Instruments by Raízen Energia							
Composition of balances of derivative financial instruments designated in hedge accounting							
Future	Sold	NYBOT	Sugar#11	1-May-12	129,241 T	132,392	4,106
Future	Sold	NYBOT	Sugar#11	1-Jul-12	440,050 T	434,844	13,778
Future	Sold	NYBOT	Sugar#11	1-Oct-12	551,358 T	534,580	5,901
Future	Sold	NYBOT	Sugar#11	1-Mar-13	110,851 T	109,453	223
Future	Sold	NYBOT	Sugar#11	1-Jul-13	204 T	191	(5)
Sub-total of future sugar sold					1,231,704 T	1,211,460	24,003
Composition of balances of derivative financial instruments non- designated in hedge accounting							
Future	Purchased	NYBOT	Sugar#11	1- May-12	(25,808 T) (10,160 T)	(25,589)	28
Future	Purchased	NYBOT	Sugar#11	1-Jul-12		(9,562)	160
Future	Purchased	NYBOT	Sugar#11	1-Oct-12	(2,693 T)	(2,462)	120
Future	Purchased	NYBOT	Sugar#11	1-May-13	(1,422 T)	(1,338)	64
Future	Purchased	NYBOT	Sugar#11	1-May-13	(254 T)	(240)	8
Future	Purchased	NYBOT	Sugar#11	1-Jul-13	(203 T)	(187)	8
Sub-total of future sugar purchased					(40,540 T)	(39,378)	388
Sub-total of future sugar					1,191,164 T	1,172,082	24,391
Call	Purchased	NYBOT	Sugar#11	1-May-12	(5,080 T)	(57)	14
Call	Purchased	NYBOT	Sugar#11	1-Jul-12	(111,766 T)	(2,760)	269
Sub-total of call purchased					(116,846 T)	(2,817)	283
Call	Sold	NYBOT	Sugar#11	1-May-12	27,687 T	2,751	(11)
Call	Sold	NYBOT	Sugar#11	1-Jul-12	76,204 T	4,500	(184)
Call	Sold	NYBOT	Sugar#11	1-Jul-12	35,562 T	1,820	(86)
Sub-total of call sold					139,453 T	9,071	(281)
Put	Purchased	NYBOT	Sugar#11	1-May-12	27,687 T	2,699	779
Sub-total de put purchased					27,687 T	2,699	779
Sub-total of options of sugar						8,953	781
Future	Sold	BMFBovespa	ETH	30-Mar -12	16,560 m³	20,430	8
Future	Sold	BMFBovespa	ETH	30-Apr-12	18,210 m³	22,642	(18)
Sub-total of future ethanol sold					34,770 m³	43,072	(10)
Future	Purchased	BMFBovespa	ETH	30-Mar-12	(5,910 m³)	(7,473)	(3)
Future	Purchased	BMFBovespa	ETH	30-Mar -12	(10,650 m³)	(13,456)	-
Sub-total of future ethanol purchased					(16,560 m³)	(20,929)	(3)
Sub-total of future ethanol					18,210 m³	22,143	(13)
Total of commodities						1,203,178	25,159

The fair values of these derivatives were measured using observable factors, such as quoted prices in active markets and, in some cases, by means of models whose assumptions are observable in the market.

(d) Foreign exchange risk

Foreign exchange risk arises from the possibility of fluctuations in the exchange rates of the foreign currencies used by the Company its subsidiaries and jointly-controlled entities for receiving export revenue from products, imports, debt cash flow and other assets and liabilities denominated in a foreign currency. The subsidiaries and jointly-controlled entities use derivative transactions to manage the foreign exchange risk on cash flow coming from the export revenue denominated in US Dollars, net of any other cash flow denominated in foreign currency. In the COMGÁS, the treasury policy determines the hedging of the principal and interest until the final maturity of the loan transaction, for at least 75% of the total gross value (notional value), being the instrument of protection (hedge) only swaps and forwards. The table below shows the consolidated positions as at December 31, 2012 of derivatives used to hedge exchange rates:

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

Foreign Exchange risk: foreign exchange derivatives outstanding December 31, 2012						
Derivatives	Purchased / Sold	Market	Agreement	Notional (USD)	Notional (R\$ thousand)	Fair Value (R\$ thousand)
Financial instruments contracted by Raízen Energia:						
<u>Composition of balances of derivative financial instruments designated in hedge accounting</u>						
Term	Sold	OTC/Cetip	NDF	200,000	419,170	10,467
Sub-total Term sold				200,000	419,170	10,467
<u>Composition of balances of derivative financial instruments non-designated in hedge accounting</u>						
Future	Sold	BMFBovespa	Commercial USD	870,000	1,805,269	4,432
Future	Sold	BMFBovespa	Commercial USD	154,000	440,802	1,530
Sub-total Future sold				1,024,000	2,246,071	5,962
Future	Purchased	BMFBovespa	Commercial USD	(716,000)	(1,494,591)	(4,855)
Future	Purchased	BMFBovespa	Commercial USD	(154,000)	(320,019)	(1,054)
Future	Purchased	BMFBovespa	Commercial USD	(154,000)	(25,867)	(99)
Future	Purchased	BMFBovespa	Commercial USD	(13,000)	(26,228)	(100)
Future	Purchased	BMFBovespa	Commercial USD	(13,000)	(26,611)	(116)
Future	Purchased	BMFBovespa	Commercial USD	(13,000)	(27,040)	(113)
Sub-total Future purchased				(1,063,000)	(1,920,356)	(6,337)
Exchange lock	Sold	OTC	Exchange lock	50,000	106,895	3,927
Exchange lock	Sold	OTC	Exchange lock	1,727	3,530	(139)
Exchange lock	Sold	OTC	Exchange lock	7,809	15,958	(354)
Exchange lock	Sold	OTC	Exchange lock	368	752	(31)
Exchange lock	Sold	OTC	Exchange lock	8,302	16,964	(423)
Exchange lock	Sold	OTC	Exchange lock	3,364	6,874	(264)
Sub-total Exchange lock				71,570	150,973	2,716
Total of exchange rate				232,570	895,859	12,808

Price risk: foreign Exchange derivatives outstanding at December 31, 2012						
Derivatives	Purchased / Sold	Market	Agreement	Notional (USD)	Notional (R\$ thousand)	Fair Value (R\$ thousand)
<u>Financial instruments contracted by Comgás:</u>						
<u>Composition of balances of derivative financial instruments designated in hedge accounting</u>						
Swap/cashflow	Purchased	OTC/Cetip	Cross curr Swap	(84,000)	(172,433)	(31,443)
Swap/cashflow	Purchased	OTC/Cetip	Cross curr Swap	(40,000)	(81,581)	(14,427)
Swap/cashflow	Purchased	OTC/Cetip	Cross curr Swap	(71,000)	(145,906)	(28,827)
Swap/cashflow	Purchased	OTC/Cetip	Cross curr Swap	(72,000)	(148,021)	(29,528)
Swap/cashflow	Purchased	OTC/Cetip	Cross curr Swap	(19,000)	(37,878)	(6,423)
Swap/cashflow	Purchased	OTC/Cetip	Cross curr Swap	(31,000)	(63,859)	(14,158)
Swap/cashflow	Purchased	OTC/Cetip	Cross curr Swap	(45,000)	(91,958)	(19,667)
Swap/cashflow	Purchased	OTC/Cetip	Cross curr Swap	(50,000)	(102,175)	(15,174)
Swap/cashflow	Purchased	OTC/Cetip	Cross curr Swap	(75,000)	(153,263)	(796)
Sub-total Swap purchased				(487,000)	(997,074)	(160,443)
Total of exchange rate				(487,000)	(997,074)	(160,443)

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

Foreign exchange risk: foreign exchange derivatives outstanding at December 31, 2012							
Derivatives	Purchased / Sold	Market	Agreement	Maturity date	Notional (USD)	Notional (R\$ thousand)	Fair Value (R\$ thousand)
Financial instruments contracted by Company – except JV							
Composition of balances of derivative financial instruments non-designated in hedge accounting							
Term	Purchased	OTC	NDF	Feb-13	6,188	12,504	230
Term	Purchased	OTC	NDF	Feb-13	4,197	7,546	1,085
Term	Purchased	OTC	NDF	May-13	6,188	12,739	140
Term	Purchased	OTC	NDF	May-13	4,197	7,696	1,022
Term	Purchased	OTC	NDF	Aug-13	6,188	12,997	54
Term	Purchased	OTC	NDF	Aug-13	4,197	7,859	962
Term	Purchased	OTC	NDF	Nov-13	6,188	13,256	(15)
Term	Purchased	OTC	NDF	Nov-13	4,197	8,032	904
Term	Purchased	OTC	NDF	Feb-14	6,188	13,521	(91)
Term	Purchased	OTC	NDF	Feb-14	4,197	8,190	859
Term	Purchased	OTC	NDF	May-14	6,188	13,743	(127)
Term	Purchased	OTC	NDF	May-14	4,197	8,340	823
Term	Purchased	OTC	NDF	Aug-14	6,188	14,002	(182)
Term	Purchased	OTC	NDF	Aug-14	4,197	8,507	779
Term	Purchased	OTC	NDF	Nov-14	6,188	14,261	(239)
Term	Purchased	OTC	NDF	Nov-14	4,197	8,666	741
Term	Purchased	OTC	NDF	Feb-15	6,188	14,497	(274)
Term	Purchased	OTC	NDF	Feb-15	4,197	8,813	716
Term	Purchased	OTC	NDF	May-15	6,188	14,726	(309)
Term	Purchased	OTC	NDF	May-15	4,197	8,942	702
Term	Purchased	OTC	NDF	Aug-15	6,188	15,003	(378)
Term	Purchased	OTC	NDF	Aug-15	4,197	9,089	677
Term	Purchased	OTC	NDF	Nov-15	6,188	15,254	(423)
Term	Purchased	OTC	NDF	Nov-15	4,197	9,232	656
					124,620	267,415	8,312

Price Risk : derivatives of foreign currencies open at March 31, 2012							
Derivatives	Purchased / Sold	Market	Contract	Maturity	Notional (USD)	Notional (R\$ Thousand)	Fair Value (R\$ Thousand)
Financial instruments contracted by Raizen Energia							

Composition of balances of derivative financial instruments designated in hedge accounting

Term	Sold	OTC/Cetip	NDF	02-Apr-12	141,000	258,690	1,773
Sub-total of term sold					141,000	258,690	1,773

Composition of balances of derivative financial instruments non-designated in hedge accounting

Future	Sold	BMFBovespa	Commercial Dollar	02-Apr-12	898,000	1,563,367	6,954
Future	Sold	BMFBovespa	Commercial Dollar	02-May-12	330,500	608,037	1,614
Future	Sold	BMFBovespa	Commercial Dollar	02-May-12	3,250	5,967	(3)
Sub-total of future sold					1,231,750	2,177,371	8,565
Future	Purchased	BMFBovespa	Commercial Dollar	02-Apr-12	(922,000)	(1,685,044)	(6,882)
Future	Purchased	BMFBovespa	Commercial Dollar	02-May-12	(750)	(1,378)	(1)
Sub-total of future purchased					(922,750)	(1,686,422)	(6,883)

Exchange lock	Sold	OTC	Exchange lock	02-Jul-12	20,000	38,254	1,121
Exchange lock	Sold	OTC	Exchange lock	02-Jul-12	30,000	58,104	2,575
Exchange lock	Sold	OTC	Exchange lock	06-Sep-12	20,000	36,044	(1,445)
Exchange lock	Sold	OTC	Exchange lock	13-Sep-12	40,250	74,881	(768)
Exchange lock	Sold	OTC	Exchange lock	24-Sep-12	25,000	49,098	1,920
					135,250	256,381	3,403
Total of exchange					585,250	1,006,020	6,858

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

Derivatives	Purchased / Sold	Market	Contract	Maturity	Number of Contracts	Strike	Middle Price	Fair Price	Notional (USD)	Notional (R\$ mil)	Fair Value (R\$ thousand)
Term	Purchased	OTC	NDF	4-May-12	1	-	1.8944	1.8417	(6,188)	11,722	348
Term	Purchased	OTC	NDF	4-May-12	1	-	1.6789	1.8417	(4,197)	7,047	(660)
Term	Purchased	OTC	NDF	3-Aug-12	1	-	1.9358	1.8771	(4,197)	7,239	(597)
Term	Purchased	OTC	NDF	3-Aug-12	1	-	1.7247	1.8771	(6,188)	11,978	389
Term	Purchased	OTC	NDF	1-Nov-12	1	-	1.9780	1.9166	(4,197)	7,390	(563)
Term	Purchased	OTC	NDF	1-Nov-12	1	-	1.7607	1.9166	(6,188)	12,239	455
Term	Purchased	OTC	NDF	4-Feb-13	1	-	2.0209	1.9508	(4,197)	7,546	(524)
Term	Purchased	OTC	NDF	4-Feb-13	1	-	1.7978	1.9508	(6,188)	12,504	525
Term	Purchased	OTC	NDF	3-May-13	1	-	2.0589	1.9737	(4,197)	7,696	(472)
Term	Purchased	OTC	NDF	3-May-13	1	-	1.8336	1.9737	(6,188)	12,739	597
Term	Purchased	OTC	NDF	2-Aug-13	1	-	2.1005	2.0103	(4,197)	7,859	(430)
Term	Purchased	OTC	NDF	2-Aug-13	1	-	1.8724	2.0103	(6,188)	12,997	653
Term	Purchased	OTC	NDF	4-Nov-13	1	-	2.1424	2.0480	(4,197)	8,032	(386)
Term	Purchased	OTC	NDF	4-Nov-13	1	-	1.9137	2.0480	(6,188)	13,256	699
Term	Purchased	OTC	NDF	4-Feb-14	1	-	2.1852	2.0850	(4,197)	8,190	(358)
Term	Purchased	OTC	NDF	4-Feb-14	1	-	1.9513	2.0850	(6,188)	13,521	747
Term	Purchased	OTC	NDF	2-May-14	1	-	2.2211	2.1210	(4,197)	8,340	(329)
Term	Purchased	OTC	NDF	2-May-14	1	-	1.9870	2.1210	(6,188)	13,743	770
Term	Purchased	OTC	NDF	4-Aug-14	1	-	2.2630	2.1610	(4,197)	8,507	(288)
Term	Purchased	OTC	NDF	4-Aug-14	1	-	2.0268	2.1610	(6,188)	14,002	820
Term	Purchased	OTC	NDF	4-Nov-14	1	-	2.3048	2.2002	(4,197)	8,666	(250)
Term	Purchased	OTC	NDF	4-Nov-14	1	-	2.0648	2.2002	(6,188)	14,261	876
Term	Purchased	OTC	NDF	4-Feb-15	1	-	2.3429	2.2394	(4,197)	8,813	(221)
Term	Purchased	OTC	NDF	4-Feb-15	1	-	2.0997	2.2394	(6,188)	14,497	915
Term	Purchased	OTC	NDF	4-May-15	1	-	2.3800	2.2564	(4,197)	8,942	(201)
Term	Purchased	OTC	NDF	4-May-15	1	-	2.1305	2.2564	(6,188)	14,726	957
Term	Purchased	OTC	NDF	4-Aug-15	1	-	2.4247	2.2564	(4,197)	9,089	(169)
Term	Purchased	OTC	NDF	4-Aug-15	1	-	2.1656	2.2564	(6,188)	15,003	1,032
Term	Purchased	OTC	NDF	4-Nov-15	1	-	2.4653	2.2564	(4,197)	9,231	(140)
Term	Purchased	OTC	NDF	4-Nov-15	1	-	2.1994	2.2564	(6,188)	15,254	1,087
									(155,775)	325,029	5,282

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

As at December 31 and March 31, 2012, the Company, its subsidiaries and its jointly-controlled entities had the following net exposure to the exchange rate variations on assets and liabilities denominated in US Dollars:

	December 31, 2012		March 31, 2012	
	R\$	US\$	R\$	US\$
Cash and cash equivalents	133,995	65,571	24,426	13,406
Restricted cash	38,485	18,833	45,976	25,232
Accounts receivable	179,935	88,052	164,681	90,380
Related parties (Shell)	-	-	436,362	239,483
Loans and long term debt	2,881,175	1,409,922	(2,730,076)	(1,498,314)
Foreign Exchange exposure, net	3,233,590	1,582,378	(2,058,631)	(1,129,813)

(e) Hedge accounting effect

The jointly-controlled entity 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 reason for taking the hedge and the relevant risk management strategy, (iii) identification of the financial instrument, (iv) the transaction or item covered, (v) the nature of the risk being hedged against, (vi) a description of the hedging relationship (vii) a demonstration of the correlation between the hedge and the object of coverage, and (viii) the prospective analysis of the hedge's effectiveness. The derivative financial instruments of Sugar # 11 ("NYBOT" or "OTC") were designated to cover the price risk and the Non-Deliverable Forwards ("NDFs") to cover exchange rate risk, as demonstrated in items of this Note.

The Company records gains and losses deemed effective for the purposes of hedge accounting in a specific account in other comprehensive income, until the object of coverage (the hedged item) affects the profit and loss. As at December 31, 2012, the amounts recorded in other comprehensive income related to hedge accounting were as follow:

Derivative	Market	Risk	Period of realization		
			2012/13	2013/14	Total
Future	OTC / NYBOT	#11	19,546	65,558	85,104
NDF	OTC / CETIP	USD	2,700	-	2,700
			22,246	65,558	87,804
(-) Deferred income tax			(7,563)	(22,291)	(29,854)
Effect on Raízen equity			14,683	43,267	57,950

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

The effect of changes for the period to hedge accounting on the other comprehensive income of Cosan S.A. is shown below:

<i>Cash flow hedge</i>	2012
March 31, 2012	14,114
Gain/(losses) of cash flow hedges for the period:	
Commodities futures and swap contracts	144,497
Forward agreements (NDF) exchange	2,700
Reclassification adjustments for losses / gains included in income (sales revenue / financial result)	(80,779)
Total effect on equity adjustment resulting from hedge cash flow (before deferred income tax)	66,418
Effect of deferred income tax in equity adjustment	(22,582)
Net effect of the tax period	43,836
December 31, 2012	57,950

(f) Interest rate risk

The Company, its subsidiaries and jointly-controlled entities monitor the fluctuations in the variable interest rates in connection with certain debts, especially those related to of LIBOR, and make use of derivative instruments in order to minimize these risks. In July 2012, the Company held an intercompany swap operation, between Raízen Combustíveis and Raízen Energia, where Raízen Energia received a fixed rate in Dollars and paid 100% of CDI.

Price risk: derivatives of interests open in December 31, 2012						
Derivatives	Asset / Liability	Market	Maturity date	Notional (USD)	Notional (R\$ thousand)	Fair Value (R\$ thousand)
Interest rate Swap	Libor 3M / fixed	OTC	Jan-16	175,000	357,613	(5,636)
Interest rate Swap	USD fixed / CDI	BMFBovespa	Feb-13	16,994	34,728	318
Interest rate Swap	USD fixed / CDI	BMFBovespa	Aug-13	16,717	34,162	118
Interest rate Swap	USD fixed / CDI	BMFBovespa	Feb-14	16,994	34,728	(146)
Interest rate Swap	USD fixed / CDI	BMFBovespa	Apr-14	92,949	189,942	(1,147)
Interest rate Swap	USD fixed / CDI	BMFBovespa	May-14	89,578	183,053	(1,323)
Interest rate Swap	USD fixed / CDI	BMFBovespa	Jun-14	88,932	181,732	(1,536)
Interest rate Swap	USD fixed / CDI	BMFBovespa	Jul-14	88,193	180,222	(1,745)
Sub-total interest rate Swap				585,357	1,196,180	(11,097)
Interest rate Swap Intercompany	USD fixed / CDI	BMFBovespa	Feb-13	(16,994)	(34,728)	(318)
Interest rate Swap Intercompany	USD fixed / CDI	BMFBovespa	Aug-13	(16,717)	(34,162)	(118)
Interest rate Swap Intercompany	USD fixed / CDI	BMFBovespa	Feb-14	(16,994)	(34,728)	146
Interest rate Swap Intercompany	USD fixed / CDI	BMFBovespa	Apr-14	(92,949)	(189,942)	1,147
Interest rate Swap Intercompany	USD fixed / CDI	BMFBovespa	May-14	(89,578)	(183,053)	1,323
Interest rate Swap Intercompany	USD fixed / CDI	BMFBovespa	Jun-14	(88,932)	(181,732)	1,536
Interest rate Swap Intercompany	USD fixed / CDI	BMFBovespa	Jul-14	(88,193)	(180,222)	1,745
Sub-total interest rate Swap Intercompany				(410,357)	(838,567)	5,461
Total interest rate				175,000	357,613	(5,636)

Price Risk : derivatives of interests open at March 31, 2012						
Derivatives	Asset / Liabilities	Market	Maturity	Notional	Notional	Fair Value
				(US\$ Thousands)	(R\$ Thousand)	(R\$ Thousand)
Interests rate Swap	Libor 3M / fixed	OTC	Jan-16	175,000	318,868	(1,495)
Total of interests				175,000	318,868	(1,495)

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

(g) Credit risk

A significant portion of the sales made by the subsidiaries and jointly-controlled entities are to a select group of best-in-class counterparties (i.e. trading companies, fuel distribution companies and large supermarket chains). In the subsidiary COMGÁS, it is corroborated that there is no concentration of credit for major consumers with no one customer accounting for more than 10% of sales volume. Therefore, this risk is attenuated by selling to a large and diversified customer base.

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

The Company, buys and sells commodity derivatives on the futures and options markets on the New York Board of Trade (“NYBOT”) and the London International Financial Futures and Options Exchange (“LIFFE”), as well on the over-the-counter (“OTC”) market with selected counterparties. The Company and its jointly-controlled entities buy and sell foreign exchange derivatives on BM&FBOVESPA and OTC contracts registered with CETIP (an OTC clearing house) with the banks Espírito Santo Investimento do Brasil S.A., Deutsche Bank S.A. - Banco JP Morgan S.A. and Banco Santander S.A. The derivatives for interest rate swaps, which protect against fluctuations in Libor, was contracted with Goldman Sachs do Brasil Banco Multiplo S.A. and the intercompany derivatives between Raízen Energia and Raízen Combustível, were registered at BM&FBOVESPA with a broker as intermediary.

- *Guarantee margins*

The Company's derivatives operations on commodity exchanges (NYBOT, LIFFE and BM&FBOVESPA) require an initial guarantee margin, and the brokers with which the Company operates on these commodity exchanges offer credit limits for these margins, As at December 31, 2012, the total credit limit used as the initial margin required by the NYBOT was R\$ 35,948 (R\$ 62,247 as at March 31, 2012). As a requirement to trade on BMF&BOVESPA, the Company posted on December 31, 2012, the amount of R\$ 85,480 (R\$ 76,436 as at March 31, 2012) as a guarantee in the form of a settlement bond issued by a first-class banking institution.

(h) Liquid risk

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

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

(i) 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 the short-term maturities 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 using discounted future cash flow at the rates currently available for debt or similar deadlines and remaining.

The fair market values of Senior Notes due in 2014 and 2017, described in Note 17, at their market value are 113.9% and 111.51% respectively, of the face value of the Notes as at December 31, 2012.

The fair market value of the Perpetual bonds described in Note 17 at their market value is 110.45% of its face value as at December 31, 2012.

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

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

The Company, its subsidiaries and jointly-controlled entities enter into derivative financial instruments with various counterparties, primarily financial institutions with investment grade credit ratings. The derivatives valued using valuation techniques and 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 calculation. The models incorporate various data, including the credit quality of counterparties, the rates of currency spot and forward contracts, interest rate curves and forward rate curves of the underlying commodities.

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

Fair value hierarchy

The Company, its subsidiaries and jointly-controlled entities use the following hierarchy to determine and disclose the fair values of financial instruments determined using technical evaluations:

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

Assets and liabilities measured at fair value	Level 1	Level 2	Total
December 31, 2012			
Warrants Radar	-	199,470	199,470
Derivative financial assets	62,176	178,682	240,858
Derivative financial liabilities	(8,315)	(6,154)	(14,469)
Total	53,861	371,998	425,859
March 31, 2012			
Warrants Radar	-	140,821	140,821
Derivative financial assets	17,002	2,588	19,590
Derivative financial liabilities	(8,863)	(748)	(9,611)
Total	8,139	142,661	150,800

(j) Sensitivity analysis

The 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, its subsidiaries and jointly-controlled entities:

Assumptions for sensitivity analysis

For the analysis, the Company, adopted three scenarios, one probable and two that may have effects the from impairment of the fair value of the financial instruments. The probable scenario was defined based on the sugar futures and US Dollar market curves as at December 31, 2012, which determines the fair values of the derivatives at that date. Stressed scenarios were defined based on adverse impacts of 25% and 50% on the sugar and Dollar price curves you are over-explaining here.

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

Sensitivity analysis

The following is the sensitivity analysis of the change in the fair value of the Company's financial derivatives, its subsidiaries and jointly controlled entities in the probable scenarios on consolidated version:

			Impacts on P&L (*)	
	Risk factor	Probable scenario	Variation scenario (25%)	Variation scenario (50%)
Price risk				
Goods derivatives				
Future contracts:				
Selling agreements	Increase of the sugar price	49,508	(138,610)	(277,223)
Purchasing agreements	Decrease of the sugar price	309	(34,596)	(69,190)
Selling agreements	Increase of the Ethanol Hydrated	(213)	(8,627)	(17,319)
Purchasing agreements	Decrease of the Ethanol Hydrated	47	(1,361)	(2,723)
Selling agreements	Increase of the Ethanol Hydrated	4,398	21,956	16,628
Price Risk				
Exchange rate derivatives				
Future contracts:				
Selling agreements	Increase of Exchange rate R\$/US\$	2,981	(278,198)	(555,416)
Purchasing agreements	Decrease of Exchange rate R\$/US\$	(3,168)	(235,024)	(471,331)
Term contracts:				
Selling agreements	Increase of Exchange rate R\$/US\$	13,546	(61,837)	(115,063)
Lock exchange:				
Selling agreements	Increase of Exchange rate R\$/US\$	1,963	(12,725)	(25,449)
Selling agreements	Increase of Exchange rate R\$/US\$	(606)	(5,523)	(11,156)
Lock exchange:				
Swap contracts	Increase of Exchange rate R\$/US\$		(255,564)	(511,127)
Indebtedness	Increase of Exchange rate R\$/US\$		255,564	511,127
Net effect			-	-
Interest rate risk				
Income derivatives				
Swap contracts	Decrease in LIBOR Curve	(2,818)	(523)	(1,047)
Indebtedness CDI (Comgás)	Increase interest rate	(12,171)	(14,595)	(17,035)
Indebtedness TJLP (Comgás)	Increase interest rate	(91,220)	(104,198)	(116,938)
Derivative (Comgás)	Increase interest rate	(59,257)	(72,050)	(86,185)
Current account regulatory (Comgás) (*)		20.361	16,706	13,050

(*)The exposure to foreign currency fluctuations are absorbed by the asset (liabilities), which are passed on to customers periodically in rate reviews.

(k) Capital management

The Company's policy is to maintain a solid capital base to maintain the confidence of investors, creditors and the market and ensure the future development of the business. Management monitors the return on capital, which the Company defines as the result of operating activities divided by total net equity, as well as monitoring the level of dividends to shareholders.

In COMGÁS, capital management is monitored using financial leverage ratios, involving cash generation (EBITDA), short-term debt and total debt.

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

26 Pension and other post-employment benefits plan

	December 31, 2012	March 31, 2012
Futura	29,812	34,725
Futura II and benefit plan	2,815	2,587
Raiz Prev.	597	-
Comgás	291,040	-
Total	324,264	37,312

(a) Pension plan

Defined benefit

The Company's subsidiary Cosan Lubrificantes e Especialidades S.A. has a non-contributory defined benefit pension plan (Futura - formerly - Previd Exxon) covering certain employees upon retirement. This plan was altered to allow its settlement and was approved by the relevant authority on May 5, 2011. 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 under the plan up until March 31, 2011.

Defined contribution

Since June 1, 2011, the Company and its subsidiaries have sponsored a variable contribution plan, for all employees (Futura II). The Company does not have a legal or constructive obligation to pay further contributions if the fund does not have sufficient assets to pay all of the benefits owed. During the period ended December 31, 2012 the amount of contributions totaled R\$ 3,444.

Since June 1, 2011, the jointly-controlled entities have sponsored a defined contribution plan, for all employees (Raiz Prev). The jointly-controlled entities do not have a legal or constructive obligation to pay further contributions if the fund does not have sufficient assets to pay all of the benefits owed. During the period ended December 31, 2012 the amount of contributions totaled R\$ 4,207.

The subsidiary COMGÁS offers a supplementary retirement plan, granted by a defined contribution program, through a Free Benefits Generator Plan ("PGBL"). During the period ended December 31, 2012, the amount of sponsors' contributions to the plan totaled R\$ 4,437.

Cosan S.A. Indústria e Comércio

Notes to consolidated quarterly financial information

December 31, 2012

In thousands of reais

(b) Healthcare

Healthcare benefits were, granted to former employees of the subsidiary Comgás retirees and their dependents until May 31, 2000. After this date only employees with 20 years of contributions to the INSS and 15 years of uninterrupted work with COMGÁS up to May 31, 2000 are entitled to this benefit, provided that on the date of grant of retirement they are still working at COMGÁS.

27 Share-based payments

At the shareholders' meeting held on July 29, 2011, the guidelines for the stock option compensation plans for Cosan S.A.'s officers and employees were approved, authorizing the issue of up to 5% of shares of Cosan S.A.'s total capital. This stock option plan was designed to attract and retain officers and key employees, offering them the opportunity to become Cosan S.A. shareholders.

On August 18, 2011, Cosan S.A.'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.A., corresponding to 2.41% of the share capital at that time.

During the period ended December 31, 2012, R\$ 9,971 had been recognized as expenses related to the stock option plan. The remaining contractual term of the weighted average for stock options remaining as at December 31, 2012 was 2 years.

The changes in the plan during the period were as follow:

	Share	Weighted average exercise price
September 30, 2012	9,825,000	22.80
Stock Options exercised	(635,000)	(23.11)
December 31, 2012	9,190,000	23.29

Report of independent auditors on the financial statements

The Board of Directors and Shareholders of
Cosan S.A. Indústria e Comércio
São Paulo - SP

We have audited the accompanying individual and consolidated financial statements of Cosan S.A. Indústria e Comércio, identified as Parent Company and Consolidated, which comprise the financial position as at March 31, 2012, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with the accounting practices adopted in Brazil, and of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and in accordance and with the accounting practices adopted in Brazil, as well as for the internal controls management determined as necessary to enable the preparation of these financial statements free from material misstatement, regardless of whether due to fraud or error.

Independent auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the individual financial statements

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cosan S.A. Indústria e Comércio as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with the accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cosan S.A. Indústria e Comércio as at March 31, 2012, and the consolidated results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the accounting practices adopted in Brazil.

Emphasis of matter

As described in Note 2, the individual financial statements were prepared in accordance with the accounting practices adopted in Brazil. In the case of Cosan S.A. Indústria e Comércio these practices differ from IFRS, applicable to separate financial statements, only in relation to the valuation of investments in subsidiaries, associates and joint ventures under the equity method, while for IFRS purposes it would be cost or fair value. Our opinion is not modified due to this matter.

Other matters

Statements of valued added

We have also audited the individual and consolidated statements of value added for the year ended March 31, 2012, prepared under the responsibility of the Company's management, and which presentation is required by the Brazilian Corporate Law for public companies, and as supplemental information by IFRS, which do not require the presentation of the statement of value added. These statements have been subject to the same audit procedures previously described and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements as a whole.

São Paulo, Brazil, May 30, 2012

ERNST & YOUNG TERCO
Auditores Independentes S.S.
CRC-2SP015199/O-6

Luiz Carlos Nannini
Accountant CRC-1SP171638/O-7

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

Cosan S.A. Indústria e Comércio

Statements of financial position
March 31, 2012 and 2011
(In thousands of Reais)

	Note	Parent Company		Consolidated	
		2012	2011	2012	2011
Asset					
Current					
Cash and cash equivalents	3	316,539	372,318	1,616,169	1,254,070
Restricted cash	4	18,233	2,719	94,268	187,944
Accounts receivable	6	-	44,782	963,586	594,857
Derivatives	26	-	-	19,590	55,682
Inventories	7	-	92,571	748,150	670,331
Related parties	9	26,627	73,939	678,374	14,669
Recoverable taxes	8	33,777	105,134	325,096	374,991
Other financial assets	5	-	-	40,080	-
Dividends		243,790	-	861	-
Other credits		25,795	74,001	228,961	309,710
		664,761	765,464	4,715,135	3,462,254
Non-current					
Deferred Income tax and social contribution	17	-	-	543,024	116,986
Advances to suppliers		-	7,045	21,865	46,037
Related parties	9	712,276	71,233	753,153	91,954
Recoverable Taxes	8	-	4,622	111,856	55,066
Judicial deposits	18	206,633	17,574	509,235	218,371
Other financial assets	5	140,820	201,773	790,402	420,417
Other non-current assets		362,630	1,401	493,195	443,752
Equity method investments	11	11,660,289	8,290,188	419,029	304,142
Biological Assets	12	-	532,140	968,023	1,561,132
Property, plant and equipment	13	21,554	1,177,298	7,866,963	7,980,524
Intangible	14	83,667	366,471	4,932,255	3,445,674
		13,187,869	10,669,745	17,409,000	14,684,055
Total Assets		13,852,630	11,435,209	22,124,135	18,146,309

	Note	Parent Company		Consolidated	
		2012	2011	2012	2011
Current					
Current portion of long-term debt	15	-	110,526	537,135	916,400
Derivatives	26	-	-	9,611	132,289
Trade accounts payable		1,798	99,630	606,029	558,766
Salaries Payable		11,579	54,199	183,660	183,560
Taxes Payable	16	62,597	33,758	241,719	245,284
Dividends Payable		14,376	190,285	16,760	190,285
Related parties	9	113,783	29,001	175,030	41,163
Other current liabilities		62,727	44,183	307,994	189,629
		266,860	561,582	2,077,938	2,457,376
Non-current					
Long-term debt	15	337,733	1,551,236	4,476,942	6,274,895
Taxes payable	16	670,463	88,717	1,202,624	639,071
Provision for judicial demands	18	356,259	78,142	1,051,677	666,282
Related Parties	9	1,906,539	2,401,518	389,718	4,444
Pension	27	-	-	37,312	24,380
Deferred Income taxes	17	1,076,506	247,351	2,443,430	912,618
Other non-current liabilities		86,477	47,802	828,120	382,897
		4,433,977	4,414,766	10,429,823	8,904,587
Equity	20				
Common Stock		4,691,822	4,691,822	4,691,822	4,691,822
Treasury shares		(67,663)	(19,405)	(67,663)	(19,405)
Capital reserves		690,530	537,468	690,530	537,468
Profit reserves		3,837,104	1,248,976	3,837,104	1,248,976
Equity attributable to owners of the Company		9,151,793	6,458,861	9,151,793	6,458,861
Equity attributable to non-controlling interests		-	-	464,581	325,485
Total Equity		9,151,793	6,458,861	9,616,374	6,784,346
Total Liabilities and Equity		13,852,630	11,435,209	22,124,135	18,146,309

See accompanying notes to consolidated financial statements.

Cosan S.A. Indústria e Comércio

Income statement
Years ended March 31, 2012 and 2011
(In thousands of Reais)

	Note	Parent Company		Consolidated	
		2012	2011	2012	2011
Net sales	22	1,296	2,104,078	24,096,881	18,063,480
Cost of goods sold	23	(2,410)	(1,499,465)	(21,465,009)	(15,150,079)
Gross Profit		(1,114)	604,613	2,631,872	2,913,401
Operational income /(expenses)					
Selling	23	-	(159,075)	(1,136,286)	(1,026,000)
General and administrative	23	(99,560)	(263,486)	(641,894)	(541,002)
Other, net	25	(62,614)	(47,943)	145,550	(33,828)
Gain on the de-recognition of subsidiaries to form the JVs	21	22,661	-	3,196,632	-
		(139,513)	(470,504)	1,564,002	(1,600,830)
Income before financial results, equity income of associates and income taxes		(140,627)	134,109	4,195,874	1,312,571
Equity income of associates	11	3,154,846	500,422	33,268	25,187
Financial results, net	24	(619,378)	279,827	(474,140)	(146,688)
		2,535,468	780,249	(440,872)	(121,501)
Income before income tax		2,394,841	914,358	3,755,002	1,191,070
Income Taxes					
Current	17	2,429	(2,429)	(147,454)	(85,437)
Deferred	17	208,564	(140,364)	(962,758)	(329,071)
Net income for the year		2,605,834	771,565	2,644,790	776,562
Net income attributable to non-controlling interests		-	-	(38,956)	(4,997)
Net income attributable to Cosan		2,605,834	771,565	2,605,834	771,565
Earnings per share	20				
Basic		6,43	1,90	6,43	1,90
Diluted		6,34	1,90	6,34	1,90

See accompanying notes to consolidated financial statements.

Cosan S.A. Indústria e Comércio

Statement of comprehensive income
Years ended March 31, 2012 and 2011
(In thousands of Reais)

	2012	2011
Net Income	2,644,790	776,562
Other comprehensive income (loss)		
Exchange differences on translation of foreign operations - CTA	7,415	346
Net movement on cash flow hedge	238,503	(217,118)
Actuarial gains and losses defined benefit plans	(35,893)	(29,447)
Income tax effects	(68,887)	83,832
	141,138	(162,387)
Other comprehensive income for the year, net of tax		
Total Comprehensive Income for the year, net of tax	2,785,928	614,175
Attributed to:		
Owners of the Company	2,746,972	609,178
Non-controlling interests	38,956	4,997

See accompanying notes to consolidated financial statements.

Cosan S.A. Indústria e Comércio

Statement of changes in equity Years ended March 31, 2012 and 2011 (In Thousands of Reais)

			Capital Reserve		Profit Reserve			Accumulated earnings (losses)
	Common Stock	Treasury share	Capital reserves and Share based compensation	Other components of equity	Legal	Profit reserve	Unrealized Earnings	
March 31, 2011	4,691,822	(19,405)	660,743	(123,275)	63,119	1,185,857	-	-
Hedge accounting	-	-	-	53,140	-	-	-	-
Hedge accounting - reversal of OCI upon deconsolidation of subsidiaries and formation of the JVs	-	-	-	104,272	-	-	-	-
Current translation adjustment - CTA	-	-	-	7,415	-	-	-	-
Pension	-	-	-	(23,689)	-	-	-	-
Other	-	-	4,323	-	-	-	-	-
Share based compensation	-	-	10,800	-	-	-	-	-
Non-controlling shareholder contribution to Raizen Combustíveis JV	-	-	-	-	-	-	-	-
Treasury Shares	-	(48,258)	-	-	-	-	-	-
Net Income	-	-	-	-	-	-	-	2,605,834
Capital contribution to Rumo by noncontrolling shareholders	-	-	(3,199)	-	-	-	-	-
Effect of dividends capitalization in subsidiaries	-	-	-	-	-	(958)	-	-
Dividends	-	-	-	-	-	(16,748)	-	-
Legal Reserve	-	-	-	-	130,292	-	-	(130,292)
Profit Reserves	-	-	-	-	-	-	2,475,542	(2,475,542)
March 31, 2012	4,691,822	(67,663)	672,667	17,863	193,411	1,168,151	2,475,542	-

Cosan S.A. Indústria e Comércio

Statement of changes in equity (Continued)
Years ended March 31, 2012 and 2011
(In Thousands of Reais)

			Capital Reserve		Profit Reserve		Accumulated earnings (losses)	
	Common Stock	Treasury share	Capital reserves and Share based compensation	Other components of equity	Legal	Retained Earnings		
March 31, 2010	4,687,826	(4,186)	452,217	39,112	24,541	719,548	-	5,919,910
Hedge accounting	-	-	-	(143,298)	-	-	-	(143,298)
Current translation adjustment - CTA	-	-	-	346	-	-	-	346
Pension	-	-	-	(19,435)	-	-	-	(19,435)
Other	1	-	-	-	-	-	-	1
Exercise of stock option	3,995	-	-	-	-	-	-	3,995
Capital contribution to Rumo by noncontrolling shareholders	-	-	206,404	-	-	-	-	206,404
Logisport acquisition	-	-	-	-	-	-	-	-
Treasury Shares	-	(15,219)	-	-	-	-	-	(15,219)
Other	-	-	(839)	-	-	-	-	(839)
Share based compensation	-	-	2,961	-	-	-	-	2,961
Net Income	-	-	-	-	-	-	771,565	771,565
Additional Dividends	-	-	-	-	-	(83,431)	-	(83,431)
Dividends	-	-	-	-	-	-	(183,247)	(183,247)
Legal Reserve	-	-	-	-	38,578	-	(38,578)	38,578
Profit Reserves	-	-	-	-	-	549,740	(549,740)	-
March 31, 2011	4,691,822	(19,405)	660,743	(123,275)	63,119	1,185,857	-	6,463,861

See accompanying notes to consolidated financial statements.

Cosan S.A. Indústria e Comércio

Statements of cash flows Years ended March 31, 2012 and 2011 (In thousands of Reais)

	Parent Company		Consolidated	
	2012	2011	2012	2011
Operating activities				
Net income	2,605,834	771,565	2,605,834	771,565
Non-cash adjustment to reconcile profit before tax to net cash flows from operating activities				
Depreciation and Amortization	3,082	79,190	1,142,780	1,359,000
Biological asset	-	92,497	(60,093)	(381,894)
Equity income of associates	(3,154,846)	(500,422)	(33,268)	(25,187)
Gain on disposal of property, plant and equipment	48	(1,069)	(93,892)	(35,295)
Share based compensation expenses	10,800	2,961	10,800	2,961
Deferred income taxes	(208,564)	140,364	962,758	329,071
Non-controlling interests	-	-	38,956	4,997
Gain on the de-recognition of subsidiaries operations to form the JVs	69,476	-	(3,098,494)	-
Interest, monetary and exchange variations, net	104,586	(2,568)	635,133	238,482
Others	(14,658)	(20,855)	(5,709)	4,584
	(584,242)	561,663	2,104,805	2,268,284
Changes in Assets / Liabilities				
Accounts receivable	(4,058)	175,889	(361,147)	164,693
Restricted cash	(21,440)	42,253	79,452	(142,972)
Inventories	628	(35,138)	(186,775)	84,581
Taxes recoverable	75,979	6,027	(17,126)	(50,068)
Advances to Suppliers	(18,245)	24,634	(103,294)	16,779
Accounts payable	14,442	(16,733)	220,213	(32,361)
Tax Payable	94,880	(7,803)	886,283	75,639
Provision for judicial demands Legal proceedings	311,093	1,079	143,960	26,859
Salaries payable	8,938	5,440	108,177	36,224
related parties	658,825	(74,224)	(751,679)	(39,778)
Derivatives	(274,364)	18,060	(112,281)	13,347
Other Assets and Liabilities, net	(9,681)	(1,663)	(49,132)	(84,129)
	836,997	137,821	(143,349)	68,814
Net Cash Flow from Operating Activities	252,755	699,484	1,961,456	2,337,098
Investing Activities				
Acquisitions , net of cash acquired	(85,861)	(75,985)	(72,930)	(157,345)
Acquisition of additional interest in subsidiary	(40,313)	-	-	-
Cash contributed upon the formation of Raizen	-	-	(173,116)	-
Cash from the merger of subsidiary	21,198	-	-	-
Dividends received	64,845	113,532	-	-
Additions to investments	(21,946)	-	(42,328)	-
Purchase of property, plant and equipment, software and other intangible assets	(5,538)	(430,233)	(1,584,542)	(2,291,647)
Sugar-cane planting and growing costs	-	(253,535)	(551,974)	(745,572)
Proceeds from sale of property, plant and equipment	-	27,209	182,115	48,832
Net Cash Flow used Investing Activities	(67,615)	(619,012)	(2,242,775)	(3,145,732)
Financing Activities				
Proceeds from long-term debt	-	744,860	2,166,743	2,719,522
Repayment of long-term debt	-	(1,333,722)	(1,843,352)	(1,967,938)
Capital increase	-	3,996	-	3,996
Cash proceeds from non-controlling interests	-	-	560,946	400,000
Treasury shares	(48,258)	(15,219)	(48,258)	(15,219)
Dividends paid	(192,661)	(193,095)	(192,661)	(193,095)
Related Parties	-	799,101	-	37,072
Net cash flows (used in) from financing activities	(240,919)	5,921	643,418	984,338
Net increase in Cash or Equivalent Cash	(55,779)	86,393	362,099	175,704
Cash and equivalent cash in the beginning of the year	372,318	285,925	1,254,070	1,078,366
Cash and equivalent cash in the end of the year	316,539	372,318	1,616,169	1,254,070
Supplemental disclosure of cash flow information				
Income taxes paid	-	-	179,655	38,844
Financial interest expenses paid	-	153,536	304,611	450,051

See accompanying notes to consolidated financial statements.

Cosan S.A. Indústria e Comércio

Statements of value added
Years ended March 31, 2012 and 2011
(In thousands of Reais)

	Parent Company		Consolidated	
	2012	2011	2012	2011
Revenues				
Sales of services and products, net	1,341	2,245,101	25,351,658	19,783,250
Others operational revenues, net	8,436	6,093	305,929	61,473
Gain of formation of joint venture	22,661	-	3,196,632	-
Reversal (additions) of allowance for doubtful accounts	-	(202)	(357)	7,795
	32,438	2,250,992	28,853,862	19,852,518
Raw materials acquired from third parties				
Cost of goods sold and services rendered	(2,410)	(1,074,071)	(20,155,600)	(13,578,664)
Materials, energy, third parties services, others	(118,422)	(460,470)	(1,264,302)	(1,380,614)
	(120,832)	(1,534,541)	(21,419,902)	(14,959,278)
Gross value added	(88,394)	716,451	7,433,960	4,893,240
Retention				
Depreciation and amortization	(1,897)	(79,190)	(1,142,780)	(742,307)
Net value added	(90,291)	637,261	6,291,180	4,150,933
Value added received in transfer				
Income from equity investments	3,154,846	500,422	33,268	25,187
Financial revenue	184,949	574,416	1,053,017	542,501
	3,339,795	1,074,838	1,086,285	567,688
Value added to be distributed	3,249,504	1,712,099	7,377,465	4,718,621
Distribution of value added				
Salaries	41,478	263,081	846,278	901,062
Taxes and contributions	(198,773)	283,816	2,208,137	2,134,280
Financial expenses	800,578	294,589	1,523,362	689,189

See accompanying notes to consolidated financial statements.

Cosan S.A. Indústria e Comércio

Notes to the financial statements

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

1. Operations

Cosan S.A. Indústria e Comércio ("Cosan" or "the Company") is a Brazilian Company with its shares traded on the São Paulo Stock Exchange (BM&F Bovespa – CSAN 3). Its registered office is located in the city of São Paulo, Brazil. Cosan Limited is the controlling shareholder of Cosan, holding a 62.07% interest therein as of March 31, 2012.

Cosan S.A.'s, through its subsidiaries and jointly controlled entities, 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, through its subsidiary Novo Rumo Logística S.A. (Rumo); (iv) Production and distribution of lubricants licensed by Mobil trademark and, (v) since July 1, 2011, the activity of purchasing and selling of sugar in the retail segment, which was performed by Raízen Energia was acquired by the Company and assigned to a new segment named "Cosan Alimentos".

On June 1 2011, the Company completed, jointly with Royal Dutch Shell ("Shell"), the formation of two entities under joint control ("joint ventures" or "JVs"): (i) Raízen Combustíveis, in the fuel distribution segment, and (ii) Raízen Energia, in the segment of production and trade of sugar, ethanol and energy cogeneration. Cosan S.A. and Shell share control of the two entities, with each company holding 50% of the economic and voting control. Cosan recorded its investments in the joint ventures through proportionate consolidation.

Cosan contributed with its sugar, ethanol, cogeneration and fuel distribution business in the formation of the joint ventures. Shell contributed its fuel distribution business in Brazil and interests in two entities involved in activities related to research and development of second generation ethanol (logen and Codexis), the license to use the Shell brand in the amount of R\$ 533 million and a cash contribution of approximately R\$ 1.8 billion over a period of two years. The accounting effects arising from the formation of Raízen Combustíveis and Raízen Energia are presented in Note 21, which included the recording of the underlying net assets of the joint ventures' net assets at their estimated fair value, and recording a large gain on the deconsolidation of the previous subsidiaries. Accordingly, the Company's consolidated financial position and results of operations for periods subsequent to the joint venture formation are not necessarily comparable to pre-formation amounts.

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

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

2. Summary of significant accounting policies

2.1. Basis of preparation

The consolidated financial statements were prepared and presented in accordance with the accounting policies adopted in Brazil, which include the rules of the Securities Commission (CVM) and the pronouncements of the Accounting Pronouncements Committee (CPC), which are in accordance with the international accounting standards issued by the IASB.

The financial statements have been prepared in accordance with accounting practices adopted in Brazil. These practices differ from IFRS, apply to separate financial statements, only in relation to the valuation of investments in subsidiaries, associates and jointly controlled by the equity method, whereas under IFRS would cost or fair value.

These consolidated financial statements were authorized for issue by Management on May 30, 2012.

In accordance with the presentation adopted in the current year, the comparative balance of deferred income taxes and social contribution as of March 31, 2011, totaling R\$598,348, before presented separately in the consolidated financial statement, was reclassified to offset the balance of deferred income taxes and social contribution.

a) Basis of preparation

These individual and consolidated financial statements were prepared on a historical cost basis, except for derivative financial instruments and biological assets that have been measured at fair value.

b) Functional and presentation currency

There financial statements, consolidated and individual, are presented in Real, which is the Company's functional currency. The financial statements of each subsidiary included in the consolidation of the Company and the ones used as the basis for valuation of investments by the equity method are prepared based pm the functional currency of each company. For subsidiaries located abroad, their assets and liabilities were converted to Real exchange rate by year-end and the results were calculated by the average monthly rate during exercise. The effects of conversion are recorded in shareholders' equity of these subsidiaries.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

2. Summary of significant accounting policies (Continued)

2.1. Basis of preparation (Continued)

b) Functional and presentation currency (Continued)

The financial statements of each subsidiary included in the consolidation and equity method investments are prepared based on the functional currency of each company. Cosan, certain subsidiaries and equity method investments with a functional currency other than Brazilian reais, had their assets and liabilities converted into Brazilian reais at the exchange rate as of year end and their revenues and expenses were converted by applying the average monthly rates.

c) Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated and individual financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the end of the reporting period. Such estimates and assumptions are reviewed on a continuous basis and changes are recognized in the period in which the estimates are revised and in any future periods affected.

A significant change in the facts and circumstances on which judgments, estimates and assumptions are based, may cause a material impact on the results and financial condition of the Company, jointly-controlled entities and subsidiaries. The significant judgments, estimates and assumptions are as follows:

Deferred income taxes and social contribution

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. For further detail on deferred income taxes see Note 17.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

2. Summary of significant accounting policies (Continued)

2.1. Basis of preparation (Continued)

c) Significant accounting judgments, estimates and assumptions (Continued)

Biological assets

Biological assets are measured at fair value at each reporting date and the effects of changes in fair value between the periods are allocated directly to cost of goods sold. For further detail on the assumptions used see Note 12.

Intangible assets and property, plant and equipment ("P, P&E")

The calculation of depreciation and amortization of intangible assets and P,P&E includes the estimation of the useful lives. Also, the determination of the acquisition date fair value of intangible assets and P,P&E acquired in business combinations or rising from the formation of a JV is a significant estimate.

The Company annually performs a review of impairment indicators for intangible assets and P,P&E. Also, an impairment test is undertaken for goodwill. An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The key assumptions used to determine the recoverable amount for the different cash generating units for which goodwill is allocated are further explained in Note 14.

Share based payments

Cosan S.A. measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The estimation of fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the assumption of the expected life of the share option, volatility and dividend yield. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 28.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

2. Summary of significant accounting policies (Continued)

2.1. Basis of preparation (Continued)

c) Significant accounting judgments, estimates and assumptions (Continued)

Pension benefits

The cost of defined benefit pension plans and other post employment medical benefits and the present value of the pension obligation is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual results in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. A defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details about the assumptions used are included in Note 27.

Fair value measurement of contingent consideration

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date.

Fair value of financial instruments

When the fair value of financial assets and liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. For further details on financial instruments refer to Note 26.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

2. Summary of significant accounting policies (Continued)

2.2. Basis of consolidation

The consolidated financial statements include from the accounts of Cosan, its subsidiaries and jointly controlled entities. The Subsidiaries and jointly controlled subsidiaries are listed below:

	2012			2011		
	Direct	Indirect	Total	Direct	Indirect	Total
Subsidiaries						
Administração de Participações Aguassanta Ltda.	91.50%	-	91.50%	91.50%	-	91.50%
Bioinvestments Negócios e Participações S.A.	-	100.00%	100.00%	-	91.50%	91.50%
Vale da Ponte Alta S.A.	-	100.00%	100.00%	-	91.50%	91.50%
Águas da Ponte Alta S.A.	-	100.00%	100.00%	-	91.50%	91.50%
Proud Participações S.A.	100.00%	-	100.00%	99.90%	-	99.90%
Cosan Distribuidora de Combustíveis Ltda.	-	-	-	99.90%	-	99.90%
Cosan Overseas Limited	100.00%	-	100.00%	100.00%	-	100.00%
Pasadena Empreendimentos e Participações S.A.	100.00%	-	100.00%	100.00%	-	100.00%
Cosan Cayman Finance Limited	100.00%	-	100.00%	100.00%	-	100.00%
Cosan Cayman II Limited	100.00%	-	100.00%	-	-	-
Cosan Lubrificantes e Especialidades S.A. (former Cosan Combustíveis e Lubrificantes S.A.)	100.00%	-	100.00%	100.00%	-	100.00%
CCL Cayman Finance Limited	-	100.00%	100.00%	-	100.00%	100.00%
Copsapar Participações S.A.	90.00%	-	90.00%	90.00%	-	90.00%
Novo Rumo Logística S.A.	28.80%	64.10%	92.90%	28.80%	64.10%	92.90%
Rumo Logística S.A.	-	-	-	-	69.70%	69.70%
Handson Participações S.A.	100.00%	-	100.00%	-	-	-
Docelar Alimentos e Bebidas S.A.	33.00%	66.90%	99.90%	99.90%	-	99.90%
Cosan Operadora Portuária S.A.	-	69.70%	69.70%	-	69.70%	69.70%
Teaçu Armazéns Gerais S.A.	-	-	-	-	69.70%	69.70%
Logisport Armazéns Gerais S.A.	-	35.50%	35.50%	-	35.50%	35.50%
Stallion S.A.	-	100.00%	100.00%	-	-	-
Jointly-controlled entities						
Raízen S.A. (1)	50.00%	-	50.00%	-	-	-
Raízen Energia Participações S.A. (1)	50.00%	-	50.00%	-	-	-
Raízen Combustíveis S.A. (1)	50.00%	-	50.00%	-	-	-
IPUTI Empreendimentos e Participações S.A. (1)	50.00%	-	50.00%	-	-	-

(1) Jointly-controlled with Shell

(2) Represents voting and economic interest. Cosan S.A. holds 51% of the outstanding shares of Raízen Energia, and 49% of the outstanding shares of Raízen Combustíveis.

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 entities are consolidated proportionally from the date of acquisition of joint control until the date that joint control ceases to exist.

The financial statements of subsidiaries and jointly controlled entities 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 entities, income and expenses and unrealized gains and losses derived from intercompany transactions are eliminated.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

2. Summary of significant accounting policies (Continued)

2.2. Basis of consolidation (Continued)

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

The Company holds an interest in jointly controlled, in which entrepreneurs maintain contractual arrangement establishes joint control. The Company recognizes its interest in jointly controlled using the proportional consolidation in its consolidated financial statement.

The financial statements of jointly controlled are prepared for the same period the company's disclosure.

Adjustments are made where necessary to align with the accounting policies adopted by the Company.

2.3. Summary of significant accounting practices

The accounting policies listed below have been consistently applied to all years presented in these consolidated financial statements and have been applied consistently by the subsidiaries and jointly-controlled entities.

a) Revenue recognition

Revenues from the sale of products or goods are recognized when the entity transfers to the buyer the significant risks and rewards incidental to ownership of the goods and merchandise, and when it is probable that the economic benefits associated with the transaction will flow to the Company. The sales prices are fixed based on purchase orders or contracts. Goods or services for which payment is made in advance are recorded as deferred revenue under the caption other liabilities and recorded as revenue upon delivery of the goods or performance of services.

b) Foreign currency transactions

Transactions in foreign currencies are initially recorded at the functional currency rates, prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

2. Summary of significant accounting policies (Continued)

2.3. Summary of significant accounting practices (Continued)

c) Financial instruments - Recognition initial and subsequent measurement

(i) *Financial assets*

Initial recognition and measurement

Financial assets are classified into the following categories: at fair value through profit or loss, held-to-maturity, available for sale and loans and receivables. The Company determines the classification of its financial assets upon initial recognition.

Financial assets are initially recognized at fair value, plus, in the case of investments not designated at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of financial assets.

Financial assets include cash and cash equivalents, restricted cash, accounts receivable, other receivables and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification, which can be as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and assets designated upon initial recognition at fair value through profit and loss. They are classified as held for trading if they were acquired with the purpose of selling or repurchasing in the short term. Derivatives are also measured at fair value through profit or loss, except those designated as hedging instruments. Interest, monetary and exchange variations and changes arising from the valuation at fair value are recognized in the income statement when incurred in the line of revenue or expense.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

2. Summary of significant accounting policies (Continued)

2.3. Summary of significant accounting practices (Continued)

c) Financial instruments - Recognition initial and subsequent measurement (Continued)

(i) *Financial assets* (Continued)

Subsequent measurement (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs. Amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity when the Company has the positive intention and ability to hold them to maturity. Interest, monetary, exchange rate, less impairment losses, if any, are recognized in income when incurred in the line of financial income/expense.

Available for sale financial assets

Financial assets available for sale are those non-derivative financial assets that are not classified as (a) loans and receivables, (b) investments held to maturity or (c) financial assets at fair value through profit and loss.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

2. Summary of significant accounting policies (Continued)

2.3. Summary of significant accounting practices (Continued)

c) Financial instruments - Recognition initial and subsequent measurement (Continued)

(i) *Financial assets* (Continued)

Subsequent measurement (Continued)

Derecognition

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired; and
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the cash flows received without material delay to a third party under a pass-through arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither has transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

2. Summary of significant accounting policies (Continued)

2.3. Summary of significant accounting practices (Continued)

c) Financial instruments - Recognition initial and subsequent measurement (Continued)

(ii) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, carried at amortized cost.

The Company's financial liabilities include payables to suppliers and other payables, loans and borrowings and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss and derivatives, except those designated as hedging instruments. Interest, monetary and exchange variations and changes arising from the valuation at fair value, where applicable, are recognized in the income statement when incurred.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

2. Summary of significant accounting policies (Continued)

2.3. Summary of significant accounting practices (Continued)

c) Financial instruments - Recognition initial and subsequent measurement (Continued)

(ii) *Financial liabilities* (Continued)

Subsequent measurement (Continued)

Loans and borrowings

After initial recognition, interest bearing loans and borrowings subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are amortized and derecognized.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

(iii) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(iv) *Fair value of financial instruments*

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

The fair value of financial instruments for which there is no active market is determined using valuation techniques. These techniques can include using recent market transactions (interest free) reference to the current fair value of other similar instruments, analysis of discounted cash flows or other valuation models.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

2. Summary of significant accounting policies (Continued)

2.3. Summary of significant accounting practices (Continued)

c) Financial instruments - Recognition initial and subsequent measurement (Continued)

(iv) *Fair value of financial instruments* (Continued)

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 26.

(v) *Derivative financial instruments and hedge accounting*

Initial recognition and subsequent measurement

The Company uses derivative financial instruments such as forward currency contracts, interest rate swaps and forward commodity contracts to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Derivatives designated in hedge transactions are initially recognized at fair value on the date on which the derivative is acquired, and subsequently also revalued to fair value. Derivatives are presented as financial assets when the instrument's fair value is positive and as liabilities when fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment;
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; and
- Hedges of a net investment in a foreign operation.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

2. Summary of significant accounting policies (Continued)

2.3. Summary of significant accounting practices (Continued)

c) Financial instruments - Recognition initial and subsequent measurement (Continued)

(v) *Derivative financial instruments and hedge accounting* (Continued)

Initial recognition and subsequent measurement (Continued)

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges are expected to be highly effective in offsetting changes in fair value or cash flows, being continually assessed to determine whether they were actually highly effective over all the base periods for which they were intended.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the income statement in other operating expenses.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

2. Summary of significant accounting policies (Continued)

2.3. Summary of significant accounting practices (Continued)

c) Financial instruments - Recognition initial and subsequent measurement (Continued)

(v) *Derivative financial instruments and hedge accounting* (Continued)

Initial recognition and subsequent measurement (Continued)

Cash flow hedges (Continued)

Amounts recognized as other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as other comprehensive income are transferred to the initial carrying amount of the nonfinancial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

The Company uses forward currency contracts as hedges of its exposure to foreign currency risk in forecasted transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. Refer to Note 26 for more details.

Fair value hedge and hedges of a net investment

The Company does not hold derivative financial instruments designated in these types of operations.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

2. Summary of significant accounting policies (Continued)

2.3. Summary of significant accounting practices (Continued)

d) Cash and cash equivalents and restricted cash

Cash and cash equivalents include cash, bank deposits and other short-term investments of immediate liquidity, redeemable within 90 days from the date of issue, readily convertible into a known amount as cash and cash with insignificant risk of change in their value.

The restricted cash relates mainly to deposits of margin requirements made with brokers who trade commodity derivative instruments linked to Company's derivatives instruments and financial transactions.

e) Accounts receivable

Accounts receivables are receivables from customers and are reduced to their probable realizable value by a provision.

f) Inventories

Inventories are recorded at average cost of acquisition or production, not to exceed the net realizable value. Provisions for slow-moving or obsolete inventories are recorded when deemed necessary by management.

g) Equity method investments

Entities over which the Company exercises significant influence are accounted for by the equity method. Based on the equity method, investments are recorded on the balance sheet at cost, plus the changes following the acquisition of shares and the Company's share of equity income or loss of the associate.

The income statement reflects the share of operating results of associates associate based on the equity method. When a change is recognized directly in equity of the associate, the Company recognizes its share of the variations, where applicable, statement of changes in equity.

The financial statements of associates are prepared for the same period of presentation of the Company even if the fiscal year is not coincidental. Where necessary, adjustments are made to conform to the accounting practices of the Company.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

2. Summary of significant accounting policies (Continued)

2.3. Summary of significant accounting practices (Continued)

g) Equity method investments (Continued)

After applying the equity method, the Company determines whether it is necessary to recognize additional loss of recoverable value on the Company's investment in its associate. The Company determines, at each year end, if there is objective evidence that investment in associate loss suffered by the impairment. If so, the Company calculates the amount of loss on the impairment as the difference between the recoverable value of the associate and the book value and the amount recognized in the income statement.

When there is loss of significant influence over the associate, the Company evaluates and recognizes the investment at fair value at that moment.

The unrealized gains and losses resulting from transactions between the Company and associates are eliminated in accordance with the participation held in the associate.

h) Interest in joint ventures

The Company has an interest in joint ventures, which are a jointly controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions among the venturers. The Company recognizes its interest in the joint ventures using the proportionate consolidation method. The Company combines its proportionate share of each of the assets, liabilities, income and expenses of the joint ventures with similar items, line by line, in its consolidated financial statements. The financial statements of the joint ventures are prepared for the same reporting period as the Company.

Adjustments are made in the Company's consolidated financial statements to eliminate the Company's share of intercompany balances, transactions and unrealized gains and losses on such transactions between the Company and its joint ventures. Losses on transactions are recognized immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Company ceases to have joint control over the joint venture.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

2. Summary of significant accounting policies (Continued)

2.3. Summary of significant accounting practices (Continued)

h) Interest in joint ventures (Continued)

As discussed in Note 2.4, effective in the Company's fiscal year ending March 31, 2014, the IFRS accounting for these proportionately consolidated entities will change and the Company will then be required to account for them retrospectively using the equity method of accounting.

i) Biological assets

Biological assets refer to the sugarcane plantations and are recognized at fair value at each balance sheet date and the effects of changes in fair values between the periods are allocated to cost of goods sold. The sugarcane plantation is measured at fair value in accordance with the discounted cash flow method. The harvest of the Company begins generally in April each year and ends in the months of November and December.

The Company's own land on which the biological asset is produced is accounted for in accordance with IAS 16 - Property, Plant and Equipment.

j) Property, plant and equipment ("P, P&E")

Items of P, P&E are measured at historical cost of acquisition or construction, less accumulated depreciation and impairment when applicable.

Cost includes expenditures that are directly attributable to the acquisition of an asset. The cost of assets constructed by the entity includes the cost of materials and direct labor, other costs to put the asset in location and condition necessary for them to be able to operate in the manner intended by management, and borrowing costs on qualifying assets. Borrowing costs relating to funds raised for work in progress are capitalized until these projects are completed.

The Company carries out the planned major maintenance and inspection activities at its plants on an annual basis in order to inspect and replace components. This occurs between January and March. The principal costs include maintenance costs for labor, material third party services and overhead allocated during the inter harvest period.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

2. Summary of significant accounting policies (Continued)

2.3. Summary of significant accounting practices (Continued)

j) Property, plant and equipment ("P, P&E") (Continued)

The estimated cost of a component of a piece of equipment that must be replaced each year is recorded as a component of cost of the equipment and depreciated over the following season. Costs of normal periodic maintenance are recorded as expenses when incurred since the components will not improve the production capacity or introduce improvements to equipment.

Depreciation is calculated on a straight line method based on useful life of each asset, following the annual depreciation rates shown below:

Buildings and improvements	4%
Machinery and equipment	3% to 10%
Agricultural machinery	10%
Industrial equipment and facilities	10%
Furniture and fixtures	10%
Computer equipment	20%
Vehicles	10% to 20%
Locomotives	3.3%
Rail cars	2.9%
Boats	20%
Aircrafts	10%

k) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date.

Finance leases which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the income statement. A leased asset is depreciated over the useful life of the asset.

Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the lease term.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

2. Summary of significant accounting policies (Continued)

2.3. Summary of significant accounting practices (Continued)

l) Intangibles

(i) *Goodwill*

Goodwill is maintained at its cost, less any impairment losses. Goodwill is tested annually for impairment. In order to perform impairment tests goodwill is compared to the recoverable amount of the related cash generating unit to which it was originally allocated.

(ii) *Intangible assets with finite lives*

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

m) Impairment

The Company assesses annually whether there are indications of impairment in its long lived assets. If these indicators are identified, the Company estimates the recoverable amount of the assets. The recoverable amount of an asset or a group of assets is the greater of: (a) the fair value less estimated costs to sell it, and (b) its value in use. Value in use is the discounted cash flow (before taxes) from the continued use of the assets until the end of its useful life.

Regardless of the existence of indicators of loss of value, goodwill and intangible assets with indefinite useful lives are tested for impairment at least once a year.

When the book value of an asset exceeds its recoverable amount, the impairment loss is recognized as an operating expense in the income statement.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

2. Summary of significant accounting policies (Continued)

2.3. Summary of significant accounting practices (Continued)

n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

o) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

p) Pension and other employment benefits

(i) *Defined benefit pension plan*

The Company, through its indirect subsidiary Cosan Lubrificantes Especialidades S.A. ("CLE") is the sponsor of a defined benefit pension plan for part of its employees. The cost of providing benefits under the defined benefit plan is determined annually by independent actuaries using the projected unit credit method.

Actuarial gains and losses for the defined benefit plan are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent periods.

(ii) *Defined contribution pension plan*

The Company, its subsidiaries and jointly-controlled entities sponsor a defined contribution plan, for all employees. The Company does not have a legal or constructive obligation to pay further contributions if the fund does not have sufficient assets to pay all benefits owed.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

2. Summary of significant accounting policies (Continued)

2.3. Summary of significant accounting practices (Continued)

p) Pension and other employment benefits

(iii) *Share-based payments*

Employees (including senior executives) of Cosan S.A. receive regular compensation in the form of equity investments for services rendered (equity-settled transactions). The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. A companhia uses the binomial model to estimate the fair value of the options at the date of the grant.

q) Treasury shares

The Company's equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Represented by the shares acquired on the market and held in treasury, in accordance with the Repurchase Plan previously approved.

Equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the income statement in the purchase, sale, issue or cancel of equity instruments of the Company. Any difference between book value and the consideration is recognized in capital reserve.

r) Taxes

(i) *Income taxes*

Income taxes are comprised of income tax and social contribution at a combined rate of 34%.

Deferred income tax assets are recognized for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and unused tax losses can be utilized.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

2. Summary of significant accounting policies (Continued)

2.3. Summary of significant accounting practices (Continued)

r) Taxes (Continued)

(i) *Income taxes* (Continued)

Deferred income tax assets and liabilities are presented as non-current assets or liabilities and measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates that have been enacted at the reporting date

(ii) *Indirect taxes*

Net revenues is recognized net of discounts and sales taxes (IPI, ICMS, PIS and COFINS).

s) Business combinations

Business combinations are accounted for using the acquisition method and the assets and liabilities assumed are measured at fair value for purposes of goodwill calculation. Goodwill represents the excess of the acquisition cost in comparison the fair value of the acquired assets and liabilities. If there is an excess of the acquirer's interest in the fair value of assets and liabilities acquired over the cost, the difference is recognized immediately in the income statement.

t) Asset retirement obligations

The retirement obligations of its jointly-controlled entities relate to the required obligation to remove underground fuel tanks upon retirement, the initial measurement of which is recognized as a liability discounted to present values and subsequently accreted through earnings. An asset retirement cost equal to the initial estimated liability is capitalized as part of the related asset's carrying value and depreciated over the asset's useful life.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

2. Summary of significant accounting policies (Continued)

2.3. Summary of significant accounting practices (Continued)

u) Environmental matters

The Company, its subsidiaries and its jointly-controlled entities production facilities and their plantation activities are both subject to environmental regulations. The Company diminishes the risks associated with environmental matters, through operating procedures and controls and investments in pollution control equipment and systems.

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

New accounting pronouncements of the IASB and IFRIC interpretations have been published and / or reviewed as presented below:

IFRS 9 Financial Instruments: Classification and Measurement

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. 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 application is permitted. Management is still evaluating the impact on its financial position or performance from the adoption of IFRS 10.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

2. Summary of significant accounting policies (Continued)

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

IFRS 11 Joint Arrangements

IFRS 11 will significantly change the accounting for the Company's joint arrangements. The new standard eliminates inconsistencies in the reporting of joint arrangements in current practice, by requiring a single method (the equity method of accounting) to account for interests in jointly controlled entities.

It eliminates the option to proportionate consolidate these jointly controlled entities. It is effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted.

With the adoption of IFRS 11, currently expected for the year ended March 31, 2014, the Company's joint ventures (Raízen Energia and Raízen Combustíveis) currently presented via proportionate consolidation, will be presented using the equity method of accounting in accordance with IAS 28R – Investment in Associates and Joint Ventures. These two joint ventures currently comprise a substantial component of the Company's assets and operations. Thus, while the Company is currently estimating the impacts of the adoption of IFRS 11, it is anticipated that it will be significant.

The total assets of these joint ventures represented approximately 71% of consolidated totals at March 31, 2012. The revenues, operating income and cash flow from operating activities of these joint ventures accounted for approximately 80%, 67% and 93% of consolidated totals for the year ended March 31, 2012, respectively. A change from proportionate consolidation to equity method accounting would have no impact on the total equity or net income derived from these joint ventures, except that when using a proportional consolidation model net income would be lower in the year of joint venture formation as the transaction costs would be expensed as incurred. When applying the equity method of accounting those expenses would be considered a component of the equity method investment.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

2. Summary of significant accounting policies (Continued)

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

IFRS 12 Disclosure of Involvement with 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 January 1, 2013. Earlier application 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 January 1, 2013. Earlier application is permitted. Management is still evaluating the impact on its financial position or performance from the adoption of IFRS 13.

IAS 28 Investments in Associates and Joint Ventures (revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

There are no other pronouncements issued and yet to be adopted that may have a significant impact in the Company's operations and financial position

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

3. Cash and equivalent cash

	Parent Company		Consolidated	
	2012	2011	2012	2011
Cash	177	146	3,027	289
Bank accounts	13	11,971	124,804	64,437
Cash equivalents	316,349	360,201	1,488,338	1,189,344
	316,539	372,318	1,616,169	1,254,070

On March 31, 2012, the Company had unused lines of credit with BNDES, in the amount of R\$ 420,414 (R\$1,064,930 in March 31, 2011). The use of these lines of credit depends upon fulfillment of certain contractual conditions.

4. Restricted cash

	Parent Company		Consolidated	
	2012	2011	2012	2011
Restricted financial investments	18,233	-	48,292	61,072
Deposits in connection with derivative transactions	-	2,719	45,976	126,872
	18,233	2,719	94,268	187,944

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

5. Other financial assets

	Parent Company		Consolidated	
	2012	2011	2012	2011
Fair value of Radar option (1)	140,820	162,961	140,820	162,961
Brazilian Treasury certificates – CTN (2)	-	38,812	149,438	257,456
ExxonMobil financial asset - reimbursement (3)	-	-	540,224	-
	140,820	201,773	830,482	420,417
Current		-	40,080	-
Non current	140,820	201,773	790,402	420,417

(1) Cosan S.A. holds warrants on Radar, exercisable at any time up to maturity (August 2018). Such warrants will allow Cosan S.A. to purchase additional shares at R\$41.67 per share adjusted for inflation (IPCA), 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.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

5. Other financial assets (Continued)

- (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 15). 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
- (3) On June 28, 2011, the subsidiary Cosan Lubrificantes e Especialidades S.A., successor entity of Esso Brasileira de Petróleo Ltda. ("Essobrás"), joined the Brazilian Government's tax recovery program upon request of ExxonMobil Brasil Holdings B.V. ("ExxonMobil"). ExxonMobil is the entity that is legally responsible for the tax contingencies existing on the acquisition date of Essobrás by the Company. The liability amounts to R\$540,224 and is being refunded to the Company by ExxonMobil upon payment. As a result, the Company recorded a tax payable obligation and a corresponding accounts receivable from ExxonMobil, of which R\$40,080 is short term and the remaining balance is long term.

6. Accounts receivable

The balances of accounts receivables as of March 31, 2012 and 2011 are composed as follows:

	Parent Company		Consolidated	
	2012	2011	2012	2011
Domestic	-	45,790	902,407	678,498
Foreign	-	-	164,681	7,556
Allowance for doubtful accounts	-	(1,008)	(103,502)	(91,197)
	-	44,782	963,586	594,857

The analysis of the maturity of the accounts receivable is as follows:

	Parent Company		Consolidated	
	2012	2011	2012	2011
Current	-	44,048	764,826	555,826
Over Due:				
Up to 30 days	-	48	100,339	21,097
From 31 to 60 days	-	1	16,535	4,317
From 61 to 90 days	-	229	8,476	553
More than 180 days	-	456	73,410	13,064
	-	44,782	963,586	594,857

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

6. Accounts receivable (Continued)

Changes in the allowance for doubtful accounts are as follows:

	Parent Company	Consolidated
March 31, 2010	(806)	(97,721)
Provision	(308)	(16,573)
Reversal	106	18,238
Write-offs	-	6,130
Addition from business combination	-	(1,271)
March 31, 2011	(1,008)	(91,197)
Provision	-	(28,003)
Reversal	-	26,711
Write-offs	-	935
Net addition from de-consolidation of subsidiaries and formation of the JVs (a)	1,008	(11,135)
Addition from business combination	-	(813)
March 31, 2012	-	(103,502)

(a) The Company has reflected this roll-forward activity as a "net" adjustment. This net adjustment would actually represent the de-consolidation of 100% of the allowance for doubtful accounts of subsidiaries de-recognized, and the addition of 50% of the fair value of the allowance for doubtful accounts of the JV's then proportionally consolidated.

7. Inventories

	Parent Company		Consolidated	
	2012	2011	2012	2011
Finished Goods:				
Sugar	-	9,559	87,110	77,673
Ethanol	-	18,080	101,994	42,840
Fuel	-	-	276,867	231,891
Lubricants	-	-	112,492	94,743
Raw material	-	17,546	52,586	51,598
Goods in process	-	1,121	-	5,121
Spare parts and others	-	51,993	121,643	186,032
Provision for inventory realization and obsolescence	-	(5,728)	(4,542)	(19,567)
	-	92,571	748,150	670,331

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

7. Inventories (Continued)

Change in the provision for inventory realization and obsolescence is as follows:

	Parent Company	Consolidated
March 31, 2010	(6,783)	(25,260)
Addition	(2,681)	(13,483)
Reversal	3,736	19,176
March 31, 2011	(5,728)	(19,567)
Provision	-	(1,697)
Write off	-	5,173
Reversal	-	4,815
Net effect from de-consolidation of subsidiaries and formation of the JVs (a)	5,728	6,734
March 31, 2012	-	(4,542)

(a) The Company has reflected this roll-forward activity as a "net" adjustment. This net adjustment would actually represent the de-consolidation of 100% of the inventory provision of subsidiaries de-recognized, and the addition of 50% of the fair value of the inventory provision of the JV's then proportionally consolidated.

8. Recoverable taxes

	Parent Company		Consolidated	
	2012	2011	2012	2011
Income tax	31,968	25,953	107,561	66,274
COFINS	-	61,478	63,727	121,474
PIS	-	13,426	18,614	27,338
ICMS - State VAT	-	7,713	194,818	151,161
IPI	-	976	43,039	47,741
Other	1,809	210	9,193	16,069
	33,777	109,756	436,952	430,057
Current	33,777	105,134	325,096	374,991
Non-current	-	4,622	111,856	55,066

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

9. Related parties

a) Summarized balances and transactions with related parties:

	Consolidated	
	2012	2011
Current Asset		
Shell (i)	626,783	-
Raízen Energia (ii)	20,731	-
Group Rezende Barbosa (iii)	9,469	7,298
Vertical UK LLP (iv)	540	6,430
Vertical UK LLP (iv)	14,242	-
Others	6,609	941
Total Current asset	678,374	14,669
Non Current Asset		
Shell (i)	335,317	-
Raízen Energia (ii)	214,885	-
Raízen Combustíveis (ii)	87,811	-
Group Rezende Barbosa (iii)	105,751	91,954
Others	9,389	-
Total Non-current asset	753,153	91,954
Total assets	1,431,527	106,623
Current Liabilities		
Raízen Energia (ii)	76,257	-
Group Rezende Barbosa (iii)	12,577	37,664
Shell (i)	83,064	-
Raízen Combustíveis (ii)	321	-
Others	2,811	3,499
Total current liabilities	175,030	41,163
Non current liabilities		
Shell (i)	379,626	-
Raízen Energia (ii)	6,387	-
Others	3,705	4,444
Total Non-current liabilities	389,718	4,444
Total liabilities	564,748	45,607
Sales of products/services		
Vertical UK LLP	75,338	160,202
Other	441	39,963
	75,779	200,165
Purchase of goods/inputs		
Group Rezende Barbosa	263,859	352,195
Vertical UK LLP	113,518	-
Other	7,032	-
	384,409	352,195
Land lease		
Aguassanta	17,577	26,459
Radar	22,532	28,446
	40,109	54,905
Financial income / (expense)		
Grupo Rezende Barbosa	2,502	233
Shell Brasil Holding B.V.	148,733	-
Other	242	512
	151,477	745

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

9. Related parties (Continued)

a) Summarized balances and transactions with related parties: (Continued)

(i) *Shell*

Shell Holdings B.V. and its subsidiaries ("Shell") are related parties of Raízen Energia and Raízen Combustíveis, therefore, the transactions between Shell and these entities were treated by the Company as related party transactions and all balances disclosed are 50% proportionally consolidated.

The short-term receivable is mainly comprised of (i) capital contribution receivable from Raízen Energia in the amount of R\$ 489,856, (ii) and other receivables in the amount of R\$ 136,927, represented by other reimbursements resulting from the formation of JVs.

The long-term receivables are represented mainly by (i) reimbursement of provisions existing at the legal entity contributed by Shell related to the contingencies in the amount of R\$ 244,046, and (ii) a financial asset equivalent to the investment that Shell has in Iogen, valued at fair value, and that will be contributed to Raízen Energia in the amount of R\$ 86,535.

The short term payable comprises mainly reimbursement tax credits of the legal entity contributed by Shell in the amount of R\$ 77,631.

The long term payable refers to (i) reimbursement of judicial deposits in the legal entity contributed by Shell, which will be refunded when redeemed, in the amount of R\$ 130,883, and (ii) reimbursement of tax credits of the legal entity contributed by Shell in the amount of R\$ 248,743.

(ii) *Raízen Energia and Raízen Combustível*

The balances with Raízen Energia and Raízen Combustível are consolidated proportionally at 50% considering the elimination of the portion related to the Company.

The balances in current assets in the amount of R\$ 20,731 and R\$ 14,242 in Raízen Energia and Raízen Combustíveis, respectively, represent receivables of (i) transportation and sugar elevation services provided by Rumo, (ii) sale of land by CLE and (iii) leased land.

Non-current assets receivable from Raízen Energia and Raízen Combustíveis represent, basically, tax credits which will be reimbursed to the Company when effectively realized by the JVs.

The balance of R\$ 76,257 recorded as current liabilities in Raízen Energia represents, mainly, payables related sugar purchased by the Cosan Alimentos segment and other reimbursable obligations due to the formation of JVs.

(iii) *Rezende Barbosa*

The Company has receivables from Rezende Barbosa which are guaranteed by shares issued by Cosan.

The jointly-controlled entity "Raízen Energia" has long-term agreement with Group Rezende Barbosa to supply sugar-cane. The prices paid are based on the ATR prices published by CONSECANA.

(iv) *Vertical UK LLP*

The Company sells and buys ethanol from Vertical UK LLP ("Vertical") in the normal course of business. Vertical is a trading company headquartered in Switzerland for which the Company has indirectly a 50% non-controlling interests.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

9. Related parties (Continued)

a) Summarized balances and transactions with related parties: (Continued)

(v) *Aguassanta*

The jointly-controlled entity Raízen Energia has land leased from entities controlled by Group Aguassanta ("Aguassanta"), a group of entities under common control, being Mr. Rubens Ometto de Silveira de Mello the ultimate controlling shareholder. The lease costs are paid considering the ATR price published by CONSECANA and contracts having terms expiring between 2026 and 2027.

(vi) *Radar*

The jointly-controlled entity Raízen Energia has leased land from Radar Propriedades Agrícolas S.A. ("Radar"), an associate. These rental costs are paid considering the price published by the ATR CONSECANA and most contracts have terms that expire in 2027.

b) Officers and directors compensation

Fixed and variable compensation of key people, including directors and board members are recorded, as follows:

	2012	2011
Regular compensation	23,009	7,894
Stock option expense	10,800	2,961
Bonuses and other variable compensation	32,563	23,791
Total compensation recorded as expense	66,372	34,646

At Cosan S.A.'s shareholder' meeting held on July 29, 2011, a new stock compensation plan was approved, which until March 31, 2012 had granted 9,825,000 options (Note 28).

10. Business combinations

a) Sugar Retail Business

The Company contributed its retail sugar business to Raízen Energia upon JV formation. On July 1, 2011, the Company re-acquired this business in exchange for R\$145,860 in cash consideration, and R\$22,568 in contingent consideration. The net assets of the retail sugar business approximate their carrying value prior to the formation of the JV.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)
Years ended March 31, 2012 and 2011
(In thousands of Reais, except otherwise stated)

10. Business combinations (Continued)

b) Logisport Armazéns Gerais S.A. ('Logisport')

On March 14, 2011, Cosan, through its indirect subsidiary Rumo Logística S.A., purchased 874,226 common shares of Logisport, in exchange for a R\$ 48,888 cash payment which increased its participation in the common shares of Logisport from 14.28% to 51.00%. Logisport is located in the city of Sumaré and is an important link between plants in the state of São Paulo and Santos Port. The terminal is accessed by all railroads that cross the state of São Paulo and is beside the Anhanguera, Bandeirantes and Dom Pedro highways.

The fair value at the acquisition date of the consideration transferred totaled R\$ 68,880, which consisted of the following:

Cash	48,888
Fair value of 14.28% of Cosan in Logisport immediately before the Business combination	19,992
Total	<u>68,880</u>

The estimated fair value of assets acquired and liabilities assumed at the date of acquisition of Logisport were as follows:

Description	
Trade accounts receivable	1,297
Others assets	677
Property, plant and equipment	114,184
Loans and financing	(13,391)
Deferred income and social contribution taxes	(28,879)
Others liabilities	(13,551)
Non-controlling interest (1)	(30,120)
Net assets acquired	<u>30,217</u>
Consideration transferred, net of cash acquired	<u>67,745</u>
Goodwill	<u>37,528</u>

(1) Measured at their proportionate share of the value of net identifiable assets acquired

The purchase price allocation was completed by Management, and based on the fair value of assets acquired and liabilities assumed and goodwill of the operation was allocated the segment Rumo.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

10. Business combinations (Continued)

b) Logisport Armazéns Gerais S.A. ('Logisport') (Continued)

The Company obtained an independent evaluation of its property, plant and equipment, intangible assets and interests of noncontrolling shareholders. The allocation of the initial purchase price was adjusted primarily as a result of refinement in the Company's assumptions related to fixed assets and intangibles. As a result of these changes, the goodwill, as described above, was modified as follows:

Provisional goodwill	2,370
Adjustments on the fair value of the P,P&E	104,454
Deferred income taxes	(35,515)
Interests of non-controlling shareholders	(33,781)
Goodwill	37,528

c) Cosan Araraquara Açúcar e Alcool Ltda. ("Usina Zanin")

On February 18, 2011, Cosan acquired 100% of the share capital of Usina Zanin, for R\$90,000 cash. Usina Zanin is located in the city of Araraquara.

The estimated fair value of assets acquired and liabilities assumed at date of acquisition of Usina Zanin, was as follows:

<u>Description</u>	
Inventories	3,813
Biological assets	83,890
Property, plant and equipment	223,893
Intangible assets	10
Loans and Long-term debt	(278,511)
Provision for judicial demands	(23,008)
Deferred income and social contribution taxes	29,921
Others liabilities	(49,081)
Net assets acquired	(9,073)
Consideration transferred, net of cash acquired	88,927
Goodwill	98,000

The purchase price allocation was completed by the Management, and based on the fair value of assets acquired and liabilities assumed. Zanin was later contributed to Raizen Energia in the formation of JV.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

10. Business combinations (Continued)

c) Cosan Araraquara Açúcar e Álcool Ltda. ("Usina Zanin")

The Company obtained an independent evaluation of its property, plant and equipment, and intangible assets. The allocation of the initial purchase price was adjusted primarily as a result of refinement in the Company's assumptions related to fixed assets and intangibles. As a result of these changes, the goodwill, as described above, was modified as follows:

Provisional goodwill	69,402
Adjustments on the fair value of the P,P&E and biological assets	36,805
Other FV adjustments	6,524
Deferred income tax	(14,731)
Goodwill	98,000

Usina Zanin was contributed to Raízen Energia in the formation of JV.

d) Pro forma information

If the entities acquired during 2012 had been included in the income statement since the beginning of the year the change to historical revenue and income would not be significantly different from the historical results presented.

11. Equity method investments

a) Parent company

Subsidiaries and jointly-controlled entities	Number of shares of the invested	Number of shares/shares the investor	Percentage of interest	Investments		Equity income of associates	
				2012	2011	2012	2011
Administração de Participações Aguassanta S.A.	4	3	91.50%	158,685	138,193	8,026	7,475
Copsapar Participações S.A.	190,797,424	171,717,680	90.00%	540,044	498,102	52,684	57,430
Cosan Cayman Limited	-	-	-	-	376,311	(18,159)	(398)
Cosan Cayman Finance Limited	1	1	100.00%	735,147	651,480	121,425	(690)
Cosan Cayman II Limited	451	232	51.44%	1,081	-	86,896	-
Cosan Distribuidora de Combustíveis S.A.	-	-	-	-	-	2,247,978	-
Cosan Finance Limited	1	1	100.00%	-	17,489	-	(4,171)
Cosan International Universal Corporation	2	2	100.00%	-	1,304	-	761
Cosan Lubrificantes e Especialidades S.A.	431,480	431,474	100.00%	1,103,810	1,933,302	76,202	114,240
Handson Participações S.A.	85,860,500	85,860,500	100.00%	150,108	-	64,247	-
Novo Rumo Logística S.A.	278,336,920	198,120,217	28.82%	242,670	223,006	24,494	25,836
Proud Participações S.A.	53,236,531	53,236,528	100.00%	210,683	53,236	8,600	-
Raízen Combustíveis S.A.	3,009,400,941	1,504,700,471	50.00%	4,666,904	-	141,653	-
Raízen Energia Participações S.A.	1,068,073,826	534,036,913	50.00%	3,522,684	-	59,266	-
Raízen Energia S.A.	-	-	-	-	2,946,111	235,058	203,197
Raízen S.A. Bioenergia	-	-	-	-	152,929	-	13,873
Raízen Tarumã S.A.	-	-	-	-	959,665	-	77,091
TEAS - Terminal Exportador de Álcool de Santos S.A.	-	-	-	-	40,088	-	967
Others	-	-	-	24,271	8,872	14,345	8,872
Associated							
Radar Propriedades Agrícolas S.A.	21,148,989	4,001,167	18.92%	283,259	260,757	22,514	28,658
Other investments	-	-	-	20,943	29,343	9,617	(32,719)
				11,660,289	8,290,188	3,154,846	500,422

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

11. Equity method investments (Continued)

a) Parent company

Change on investments in direct and indirect subsidiaries

Changes on investments

March 31, 2011	8,290,188
Equity	3,154,846
Addition to investments	43,147
Addition from JVs formation	463,296
Dividends declared and interest on capital in subsidiary and jointly controlled entity (*)	(281,195)
Others	(9,993)
March 31, 2012	11,660,289

(*) There was a payment of R\$64,845 million in this period.

b) Consolidated

	Number of shares of the invested	Number of shares/shares the investor	Percentage of interest	Investments		Equity	
				2012	2011	2012	2011
Radar Propriedades Agrícolas S.A.	21,148,989	4,001,167	18.92%	283,259	260,756	22,514	28,658
Codexis Inc	35,965,000	5,573,000	15.50%	49,866	-	(1,086)	-
Logum Logística S.A. ("Logum")	430,556,443	86,111,288	20.00%	25,731	18,300	(4,796)	-
Other Investments				60,173	25,086	16,636	(3,471)
				419,029	304,142	33,268	25,187

Changes on Investments

March 31, 2010	260,814
Equity income (loss)	25,187
Additions to investments	37,929
Change from associate to subsidiary	(20,015)
Others	227
March 31, 2011	304,142
Equity income (loss)	33,268
Addition to investments	38,114
Net addition from de-consolidation of subsidiaries and formation of the JVs (a)	42,328
Others	1,177
March 31, 2012	419,029

(a) The Company has reflected this roll-forward activity as a "net" adjustment. This net adjustment would actually represent the de-consolidation of 100% of the equity method investments of subsidiaries de-recognized, and the addition of 50% of the fair value of the equity method investments then proportionally consolidated.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

11. Equity method investments (Continued)

b) Consolidated (Continued)

March 31, 2012

	Asset	Liabilities	Equity	Result
Radar Propriedades Agrícolas S.A.	1,685,618	188,392	1,497,226	162,544
Codexis	247,663	60,552	187,111	(2,138)
Logum	741,782	484,471	257,311	(28,670)

March 31, 2011

	Asset	Liabilities	Equity	Result
Radar Propriedades Agrícolas S.A.	1,804,609	426,355	1,378,254	151,421
Logum	101,982	8,343	93,639	(4,829)

12. Biological assets

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

	Parent Company	Consolidated
Balances at March 31, 2010	371,102	963,244
Change in fair value	145,428	381,894
Increase due to planting and growing costs	253,535	745,572
Harvested cane transferred to inventory	237,925	(616,693)
Increase resulting from business combination	-	87,115
March 31, 2011	532,140	1,561,132
Asset contribution to subsidiaries	(523,140)	-
Changes in fair value less estimated cost to sell	-	60,093
Increase due to planting and growing costs	-	551,974
Harvested cane transferred to inventory (a)	-	(401,592)
Proportional consolidation impact due to the formation of JVs		
(50%) (b)	-	(803,584)
March 31, 2012	-	968,023

(a) R\$19,047 of this amount was allocated in sugar and ethanol inventory as of march, 31 2012.

(b) The Company has reflected this rollforward activity as "net" adjustment. This net adjustment would actually represent the de-consolidation of 100% of the biological assets of subsidiaries de-recognized, and the addition of 50% of the fair value of the biological assets of the JV's then proportionally consolidated.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

12. Biological assets (Continued)

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:

	2012	2011
Crop area (hectares)	382,798	340,386
Expect productivity (tons of cane per hectare)	78.20	84.74
Total amount of recoverable sugar - ATR (kg)	137.27	138.54
Price kg ATR projected average (R\$/kg)	0.4881	0.4228

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 and fluctuate.

Historically, weather conditions have caused volatility in ethanol and sugar production, and consequently in 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, the Company's 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 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 crop (i.e. from December to April) and a degree of seasonality in gross profit from sales of ethanol and sugar 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.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)
Years ended March 31, 2012 and 2011
(In thousands of Reais, except otherwise stated)

13. Property, plant and equipment

Costs:	Parent Company				Contributions from subsidiaries
	March 31, 2011	Additions	Write-offs	Transfers	
Land and Rural Properties	240,330	-	-	-	(23)
Buildings and Improvements	181,081	-	-	898	(17)
Machinery, Equipment and Facilities	653,655	2	-	16,397	(66)
Airplanes	13,395	-	-	-	-
Vessels and Vehicles	110,966	-	(206)	-	(13)
Furniture and Fixtures and Computer Equipment	40,008	15	-	2,478	(3)
Construction in progress	200,830	5,520	-	(19,856)	(18)
Other	234,356	-	-	-	(23)
Total	1,674,621	5,537	(206)	(83)	(1,64)
Depreciation:					
Land and Rural Properties	(36,000)	(328)	-	-	3
Buildings and Improvements	(315,771)	(285)	-	-	31
Machinery, Equipment and Facilities	(13,395)	-	-	-	4
Airplanes	(46,639)	(7)	159	-	1
Vessels and Vehicles	(19,235)	(49)	-	-	6
Other	(66,283)	-	-	-	48
Total	(497,323)	(669)	159	-	(1,10)
	1,177,298	4,868	(47)	(83)	(1,10)

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

13. Property, plant and equipment--Continued

Costs	Consolidated				
	March 31, 2011	Additions	Write-offs	Transfers	De-consolidation and JVs formation, net (a)
Land and Rural Properties	1,263,240	-	(40,011)	15,965	384,561
Buildings and Improvements	1,122,256	4,764	(24,559)	89,661	(153,107)
Machinery, Equipment and Facilities	4,980,432	49,056	(30,209)	330,325	(69,256)
Airplanes	30,903	4,839	(4,691)	-	-
Wagons and locomotives	341,647	-	-	50,000	-
Vessels and Vehicles	323,042	3,046	(6,758)	10,312	(26,703)
Furniture and Fixtures and Computer Equipment	137,206	520	(21,012)	16,114	(8,869)
Construction in progress	1,367,712	980,855	(6,022)	(782,761)	(888,103)
Repair and maintenance in machine and equipment	1,043,342	362,511	(747,891)	-	(394,513)
Others	4,782	13,077	(17,715)	796	156,568
Total	10,614,562	1,418,668	(898,868)	(269,588)	(999,422)
Depreciation:					
Buildings and Improvements	(287,620)	(43,716)	11,539	-	59,344
Machinery, Equipment and Facilities	(1,472,512)	(288,990)	19,506	14,968	346,824
Airplanes	(15,195)	(1,839)	860	-	-
Wagons and locomotives	(6,128)	(12,269)	-	-	-
Vessels and Vehicles	(150,146)	(24,667)	4,750	-	47,416
Furniture and Fixtures and Computer Equipment	(87,460)	(11,297)	18,750	-	(559)
Repair and maintenance in machine and equipment	(611,859)	(303,082)	747,891	-	167,050
Others	(3,118)	(6,942)	9,297	-	(103,994)
Total	(2,634,038)	(692,802)	812,593	14,968	516,081
	7,980,524	725,866	(86,275)	(254,620)	(483,341)

(a) The Company has reflected this rollforward activity as "net" adjustment. This net adjustment would actually represent the de-consolidation of 100% of the P,P&E of subsidiaries de- the P,P&E of the JV's then proportionally consolidated.

Capitalization of borrowing costs

During the year ended March 31, 2012, borrowing costs capitalized amounted to R\$ 71,661 (R\$ 70,5 ended March 31, 2011). The weighted average interest rate, used for capitalization of interest on the construction in progress, was 8.60% per year at 2012 (9.13% per year during the year ended March

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

14. Intangible assets

Parent Company							
Costs	March 31, 2011	Additions	Write-off	Transfers	Contribution to Subsidiaries	March 31, 2012	
Software	50,182	-	-	83	(50,182)	83	
Trademarks	-	-	-	-	85,354	85,354	
Goodwill	332,239	-	(193,633)	-	(138,606)	-	
Others	17,603	-	-	-	(17,603)	-	
Total	400,024	-	(193,633)	83	(121,037)	85,437	
Amortization							
Software	(32,809)	(2)	-	-	32,809	(2)	
Trademarks	-	(1,768)	-	-	-	(1,768)	
Others	(744)	(643)	-	-	1,387	-	
Total	(33,553)	(2,413)	-	-	34,196	(1,770)	
	366,471	(2,413)	(193,633)	83	(86,841)	83,667	
Consolidated							
Costs	March 31, 2011	Additions	Write-off	Transfers	De-consolidated and JV's formation, net (a)	Business Combination	March 31, 2012
Software license	98,063	849	(20)	14,954	(6,992)	116	106,970
Trademarks	429,671	-	(11,286)	-	190,026	-	608,411
Goodwill	2,253,320	-	(193,633)	-	836,601	35,967	2,932,255
Customer base	583,420	23,437	-	8,857	269,666	-	885,380
Leases	155,505	-	(232)	-	(75,354)	-	79,919
Distribution rights (g)	170,291	129,340	-	9,381	142,359	-	451,371
Improvement made in public concessions	-	-	-	236,396	-	-	236,396
Others	43,263	12,249	(8,649)	-	75,208	-	122,071
Total	3,733,533	165,875	(213,820)	269,588	1,431,514	36,083	5,422,773
Amortization							
Software license	(66,111)	(8,508)	20	-	(10,357)	(99)	(85,055)
Trademarks	(98,710)	(44,579)	-	-	32,858	-	(110,431)
Customer base	(41,038)	(46,904)	-	-	21,796	-	(66,146)
Leases	(15,118)	(3,792)	232	-	6,026	-	(12,652)
Distribution rights (g)	(62,387)	(36,627)	-	-	(34,641)	-	(133,655)
Improvement made in public concessions	-	-	-	(14,968)	-	-	(14,968)
Others	(4,495)	(13,945)	(222)	-	(48,949)	-	(67,611)
Total	(287,859)	(154,355)	30	(14,968)	(33,267)	(99)	(490,518)
	3,445,674	11,520	(213,790)	254,620	1,398,247	35,984	4,932,255

(a) The Company has reflected this rollforward activity as "net" adjustment. This net adjustment would actually represent the de-consolidation of 100% of the intangibles assets of subsidiaries de-recognized, and the addition of 50% of the intangibles assets of the JV's then proportionally consolidated.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

14. Intangible assets (Continued)

Intangible asset (except goodwill)	Annual Amortization rate %	2012	2011
Software	20.00%	21,915	31,952
Trademarks Fuel Distributors (a)	20.00%	260,313	68,696
Trademark Mobil (b)	10.00%	154,082	176,911
Trademark União (c)	2.00%	83,585	85,354
Customer base (d)	3.00%	535,405	247,907
Operation license and customer base (e)	4.00%	283,829	294,475
Favorable operating leases (f)	6.00%	67,267	140,387
Distribution rights (g)	Straight line over contract term	317,716	107,904
Railroad access rights (h)	Over the life of the agreement	221,439	-
Others		54,460	38,768
Total		2,000,000	1,192,354

(a) Refers to the right to use the trademark of fuel distribution through its joint venture Raízen 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 Raízen Combustíveis and the gas station that maintain its flags and customer base acquired through business combination.

(e) Refers to the customer base of Teaçu acquired in its business combination

(f) Refers to favorable lease contracts arising from the acquisition of Curupay

(g) Intangible assets arising from exclusivity rights for fuel distribution.

(h) Refers to railroad access rights in connection with cash contributed for improvements made on railroads operated by ALL (America Latina Logística) based on a transportation agreement with Rumo entered into on December 24, 2009, expiring December 31, 2028.

Impairment testing of goodwill

For the purpose of impairment testing, goodwill is allocated to the operating segments of the Company, at which goodwill is monitored for purposes of internal administration, not above the Company's operating segments. Goodwill acquired through business combinations and those arising from the formation of the Joint Venture were allocated to four cash-generating units, which are also operating segments that provide information, as shown below:

Carrying amount of goodwill	Consolidated	
	2012	2011
Cash-generating unit Raízen Energia	1,405,407	1,433,982
Cash-generating unit Raízen Combustíveis	855,907	184,415
Cash-generating unit Rumo	98,972	63,814
Cash-generating unit Cosan - Other Business	571,969	571,109
Total Goodwill	2,932,255	2,253,320

As defined in the accounting policy described in note 2.3, the Company tests annually the recoverable amount of goodwill.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

14. Intangible assets (Continued)

Impairment testing of goodwill (Continued)

Nonfinancial long term assets, not subject to amortization, are reviewed whenever there are indications that the carrying value is not recoverable.

The Company uses the value in use method to determine the recoverable amount of the asset. The value in use method is based on the projection of the expected cash flows of cash-generating units. In connection with the application of the value in use method, the key assumptions are sales prices of all commodities, operating costs, capital investment and discount rates.

Management determines its cash flows based on its annual budgets taking into account for each cash generating unit: (i) Raízen Energia: the expected long-term sales price of commodities, productivity of agricultural areas, the performance of total recoverable sugar ("ATR"), and related costs; (ii) Raízen Combustíveis: the expected growth in operations based on gross domestic product and other macroeconomic aspects; (iii) Rumo: expectations of the Brazilian sugar production destined designated mainly for export; (iv) Cosan other businesses, mainly in the expected growth in operations based on gross domestic product and other macroeconomic aspects, as well as expected sales price of commodities. All these cash flows are discounted at rates that reflect specific risks relating to assets relevant to each cash generating unit.

Management has not identified any impairments for its cash generating units. The determination of the recoverable amount depends on certain key assumptions as described above which are influenced by market conditions, technological and economic forces present at the time that the impairment test is undertaken and thus management cannot determine if impairment losses will occur in the future.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

15. Loans and long term debts

Description (1)	Index	Financial Charges(1)	Parent Company		Consolidated		Maturity date
		Average annual interest rate (2)	03.31.2012	03.31.2011	03.31.2012	03.31.2011	
Senior Notes Due 2014	Dollar (US)	9.5%	-	-	322,654	576,814	jul/14
Senior Notes Due 2017	Dollar (US)	7.0%	-	-	368,601	658,954	feb/17
BNDDES	URTJLP	2.54%	-	-	683,586	1,308,034	oct/25
	Pre-fixed	4.5%	-	-	185,568	242,508	jul/20
	UMBND	6.59%	-	-	18,365	38,947	jul/19
	Dollar (US)	6.94%	-	-	11	-	nov/12
Bank Credit Notes	CDCA	0.55%+CDI	-	-	-	31,378	dec/11
ACC	Dollar (US)	1.73%	-	65,215	138,369	228,229	aug/12
Perpetual Notes	Dollar (US)	8.25%	-	741,553	930,094	1,236,209	-
Resolution 2471 (PESA)	IGP-M	3.95%	-	110,361	316,108	674,392	apr/23
	Pre-fixed	3.0%	-	114	53	114	oct/25
Rural Credits	Pre-fixed	6.75%	-	31,168	20,460	92,352	oct/12
Working capital	Dollar (US)						
	+ Libor	2.42%	-	-	410,002	-	apr/13
	IGP-M	11%	-	-	88	-	dec/12
	Pre-fixed	13.78%	-	-	5,332	-	mar/15
Pre Payments	Dollar (US)						
	+ Libor	4.27%	-	244,493	507,454	736,472	feb/16
Credit Notes	110% CDI	-	341,227	303,028	341,226	303,719	feb/14
	Dollar (US)	2.35%	-	167,196	52,891	314,105	feb/13
	Pre-fixed	6.25%	-	-	-	10,142	oct/12
Finame	Pre-fixed	4.83%	-	-	397,515	517,842	jul/20
	URTJLP	2.21%	-	-	337,091	187,336	mar/21
	UMBND	8.44%	-	-	16	-	oct/12
Others	Divers	Various	-	-	-	62,294	Various
Expenses with issuance of shares			(3,494)	(1,366)	(21,407)	(28,546)	
Current			337,733	1,661,762	5,014,077	7,191,295	
Non-Current			-	(110,526)	(537,135)	(916,400)	
			337,733	1,551,236	4,476,942	6,274,895	

(1) 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 (BNDDES); ii) CTN and land mortgages; and iii) underlying assets being financed (Finame).

(2) Financial charges on March 31, 2012;

Long-term debt has the following scheduled maturities:

	Parent Company		Consolidated	
	2012	2011	2012	2011
13 to 24 months	337,733	223,578	1,046,326	745,454
25 to 36 months	-	363,953	702,633	762,649
37 to 48 months	-	60,926	1,249,602	1,010,797
49 to 60 months	-	60,992	545,982	777,963
61 to 72 months	-	8	179,137	878,092
73 to 84 months	-	8	300,921	222,289
85 to 96 months	-	19,443	220,893	453,711
Thereafter	-	822,328	231,448	1,423,940
	337,733	1,551,236	4,476,942	6,274,895

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

15. Loans and long term debts (Continued)

PESA - Resolution 2471- Special Agricultural Financing Program (Programa Especial de Saneamento de Ativos), or PESA

From 1998 to 2000, the Company and current 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 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 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.

Perpetual Notes

On January 24 and February 10, 2006, Cosan S.A. issued perpetual notes which are listed on the Luxembourg Stock Exchange - EURO MTF. These notes bear interest at a rate of 8.25% per year, payable quarterly on May 15, August 15, November 15 and February 15 of each year, beginning May 15, 2006. Those notes were repaid in May 2011 in connection with the internal restructuring to form the JVs.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)
Years ended March 31, 2012 and 2011
(In thousands of Reais, except otherwise stated)

15. Loans and long term debts (Continued)

Perpetual Notes (Continued)

On November 5, 2010 and July 13, 2011 the subsidiary Cosan Overseas Limited issued \$500,000 of perpetual notes in the foreign market, in accordance with "Regulation S". These notes bear interest at a rate of 8.25% per year, payable quarterly

Working capital

On May 16, 2011, a bank debt of US\$ 450 million was issued in favor 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"), Pre payments and Credit Notes

ACC contracts, pre payments and credit notes have been signed with several financial institutions and will be cleared through exports made from 2011 to 2014. These transactions are subject to interest rates ranging from 1.0% to 6.25% per annum 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.

Covenants

The Company, its subsidiaries and jointly-controlled entities are subject to certain restrictive financial covenants set forth in existing loans and financing agreements. At March 31, 2012, Cosan, its subsidiaries and jointly-controlled entities were in compliance with its debt covenants.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

16. Tax payable

	Parent Company		Consolidated	
	2012	2011	2012	2011
ICMS – State VAT	-	7,268	66,601	72,265
IPI	-	843	4,631	30,661
INSS	47	5,828	13,029	25,309
PIS	219	-	5,003	7,229
COFINS	1,010	-	21,294	33,721
Recovery program - REFIS IV	731,414	100,768	1,287,941	670,645
Income Tax	-	-	11,973	20,928
Others	370	7,768	33,871	23,597
	733,060	122,475	1,444,343	884,355
Current	(62,597)	(33,758)	(241,719)	(245,284)
Non – current	670,463	88,717	1,202,624	639,071

Tax recovery program - Law 11.941/09 e Provisional Measure 470/09 ("Refis IV")

On May 27, 2009 and October 13, 2009, Law 11.941 and MP 470 were approved by the Brazilian government creating a tax recovery program, permitting the taxpayer to settle its federal tax debts, previous recovery programs, and other federal taxes under court discussions with discounts on previously charged penalties and interest and in installments. Such discounts generated a gain of R\$270,333, recorded in the 2009 income statement.

Additionally, it was permitted for the taxpayer to offset a portion of the penalties and interest due with its balance of income tax loss carry forwards. MP470 also allowed taxpayers to use tax losses to offset the principal balance related to IPI taxes.

On July 29, 2011 the subsidiary Cosan Lubrificantes e Especialidades S.A., successor entity of Esso Brasileira de Petróleo Ltda. ("Essobrás"), joined the tax recovery program upon request of ExxonMobil Brasil Holdings B.V. ("ExxonMobil")(See Note 5).

Maturities of long-term taxes payable are as follows:

	Parent Company		Consolidated	
	2012	2011	2012	2011
13 to 24 months	56,018	11,080	99,083	67,848
25 to 36 months	55,650	7,335	97,707	61,205
37 to 48 months	55,611	7,199	97,254	60,396
49 to 60 months	55,611	6,870	96,909	60,008
61 to 72 months	54,972	6,489	96,270	52,243
73 to 84 months	53,931	6,489	95,229	46,707
85 to 96 months	53,931	6,489	95,229	45,799
Thereafter	284,739	36,766	524,943	244,865
	670,463	88,717	1,202,624	639,071

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

17. Income taxes and social contribution

Cosan is incorporated in Bermuda which has no income taxes. The following relates to Brazilian income taxes of Cosan S.A., its subsidiaries and jointly controlled entities.

a) Reconciliation of income and social contribution tax expenses:

	Parent Company		Consolidated	
	2012	2011	2012	2011
Pretax Income	2,394,841	914,358	3,755,002	1,191,070
Income tax and social contribution at nominal rate (34%)	(814,246)	(310,882)	(1,276,701)	(404,964)
Adjustments to determine the effective rate:				
Equity pick up	1,072,648	170,143	11,311	8,593
Non deductible donations	(194)	(5,513)	(3,817)	(9,130)
Interest on capital	(17,000)	-	-	-
Non-taxable income(loss) from overseas companies	-	-	103,781	-
Non-taxable income(loss)	-	-	48,708	-
Others	(30,215)	3,457	6,506	(8,978)
Income Tax and Social contribution Expense (current and deferred)	210,993	(142,795)	(1,110,212)	(414,479)
Effective Rate	8.81%	15.62%	29.57%	34.80%

b) Deferred income tax on assets and liabilities

	Parent Company			
	2012			2011
	Basis	IRPJ 25%	CSLL 9%	Total
Tax Losses:				
Tax Losses	377,664	94,416	-	94,416
Negative basis of social contribution	377,767	-	33,999	33,999
Temporary Differences:				
Monetary exchange	(99,662)	(24,916)	(8,970)	(33,886)
Amortized Goodwill	(50,661)	(12,665)	(4,559)	(17,224)
Effect of the formation of JVs	(3,100,229)	(775,057)	(279,021)	(1,054,078)
Other effects	(293,334)	(73,333)	(26,400)	(99,733)
Total Deferred taxes		(791,555)	(284,951)	(1,076,506)
				(247,351)

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

17. Income taxes and social contribution (Continued)

b) Deferred income tax on assets and liabilities (Continued)

	Consolidated				2011 Total
	2012			Total	
	Basis	IRPJ 25%	CSLL 9%	Total	
Tax Losses:					
Tax Losses	2,205,303	551,326	-	551,326	273,555
Negative basis of social contribution	2,198,476	-	197,863	197,863	99,609
Temporary Differences:					
Monetary exchange	(109,962)	(27,490)	(9,897)	(37,387)	(274,189)
Accelerated depreciation	(55,192)	(13,798)		(13,798)	(4,596)
Goodwill	(678,008)	(169,502)	(61,021)	(230,523)	(252,323)
Business combination	(1,585,714)	(396,428)	(142,714)	(539,142)	(626,913)
Gain on the de-recognition of subsidiaries operations to form the JVs	(3,501,590)	(875,398)	(315,143)	(1,190,541)	-
FMV of PP&E and intangible assets on JVs	(2,618,000)	(654,500)	(235,620)	(890,120)	-
Deemed cost	(366,151)	(91,538)	(32,953)	(124,491)	(124,491)
Provisions for contingencies and other temporary differences	1,107,081	276,770	99,637	376,407	113,716
Total of deferred taxes		(1,400,558)	(499,848)	(1,900,406)	(795,632)
Deferred Income Tax - Asset				543,024	116,986
Deferred Income Tax - Liabilities				(2,443,430)	(912,618)
				(1,900,406)	(795,632)

In assessing the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment. There is no expiration term for the net operating loss carry forwards. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that Cosan S.A. will realize the benefits of these deductible differences at March 31, 2012, as well as the net operating loss carry forwards. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced. Income tax losses carry forward and social contribution tax losses may be offset against a maximum of 30% of annual taxable income earned, with no statutory limitation period.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

18. Provision for judicial demands

	Parent Company		Consolidated	
	2012	2011	2012	2011
Tax	148,097	39,774	620,835	418,744
Civil	38,650	10,485	168,952	82,599
Labor	169,512	27,883	261,890	164,939
	356,259	78,142	1,051,677	666,282

Judicial deposits on March 31, 2012 and 2011 are presented as follows:

	Parent Company		Consolidated	
	2.012	2.011	2.012	2.011
Tax	171,052	11,521	411,619	167,547
Civil	8,201	3,243	32,474	18,937
Labor	27,380	2,810	65,142	31,887
	206,633	17,574	509,235	218,371

Changes in provision for judicial demands:

	Parent Company			
	Tax	Civil	Labor	Total
March 31, 2011	39,774	10,485	27,883	78,142
Provisions	46,188	7,981	51,575	105,744
Settlements	(2,069)	(2,672)	(6,016)	(10,756)
Write-offs	(15,548)	(3,137)	(22,530)	(41,216)
Additions from the formation of JVs	70,071	24,109	108,069	202,249
Monetary variation	9,681	1,884	10,531	22,096
March 31, 2012	148,097	38,650	169,512	356,259

	Consolidated			
	Tax	Civil	Labor	Total
March 31, 2011	418,744	82,599	164,939	666,282
Provisions	79,510	67,685	73,379	220,574
Settlements	(3,566)	(23,444)	(8,873)	(35,883)
Write-offs	(22,836)	(65,774)	(7,927)	(96,537)
Net addition from de-consolidation of subsidiaries and formation of the JVs (a)	118,824	91,020	22,768	232,612
Monetary variation	30,159	16,866	17,604	64,629
March 31, 2012	620,835	168,952	261,890	1,051,677

(a) The Company has reflected this roll-forward activity as a "net" adjustment. This net adjustment would actually represent the de-consolidation of 100% of the provisions of de-recognized, and the addition of 50% of the fair value of provisions of the JV's then proportionally consolidated.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

18. Provision for judicial demands (Continued)

Judicial demands deemed as probable loss (Continued)

a) Tax

The major tax legal proceeding as of March 31, 2012 and 2011 are described as follows:

Description	Parent Company		Consolidated	
	2012	2011	2012	2011
IPC – 89 (i)	-	-	82,173	80,273
Compensation with Finsocial (ii)	-	-	195,421	183,706
CIDE (iii)	-	-	93,841	-
ICMS credits (iv)	71,343	7,205	97,552	56,880
PIS and COFINS	8,277	2,718	17,445	8,220
IPI	9,159	6,537	15,970	20,759
IRPJ and CSLL	1,012	824	2,110	2,093
Other	58,306	22,490	116,323	66,813
	148,097	39,774	620,835	418,744

- (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, which led the Company to record a provision in relation to those court rulings. There are no judicial deposits in connection with this provision.
- (ii) During the period from October 2003 to November 2006 the subsidiary Cosan CL compensated FINSOCIAL with several other federal taxes, based on a final court decision in Set/2003 in the context of an action that was discussed the constitutionality of the FINSOCIAL. No judicial deposits related to these processes.
- (iii) Prior the formation of the JV, Raízen Combustíveis, former Shell Brasil Ltda, recorded CIDE on services provided by operations. This contingency will be reimbursed by Shell if any payment is required, an equivalent amount is recorded as a receivable. Judicial deposits in connection with this provision amount to R\$170,835.
- (iv) The provision for ICMS credits is comprised of: (a) tax assessment received, in which, despite the defense filed at the administrative and judicial levels, the legal counsel of the Company understand it is more likely than not that a loss will occur, (b) recovery of credits and financial charges on issues in which Company's management has a differing view from the tax authorities. Judicial deposits in connection with this provision amount to R\$8,392.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

18. Provision for judicial demands (Continued)

Judicial demands deemed as probable loss (Continued)

b) *Civil and Labor claims*

The Company, its subsidiaries and jointly-controlled entities 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.

The Company, its subsidiaries and jointly-controlled entities 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.

Judicial demands deemed as possible loss

a) *Tax claims*

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

	Parent Company		Consolidated	
	2012	2011	2012	2011
Withholding income taxes assessment(i)	204,249	192,903	204,249	194,498
ICMS – State VAT (ii)	698,672	116,865	1,705,220	490,896
IPI – Federal VAT (iii)	280,680	10,944	378,735	270,817
Compensation with IPI - IN 67/98 (iv)	188,479	-	188,479	181,292
INSS - social security and other (v)	63,372	58,606	83,875	72,616
PIS and COFINS (vi)	216,684	20,425	529,257	163,129
IR/CSLL (vii)	423,529	-	532,131	-
Others	159,233	59,991	493,471	197,884
	2,234,898	459,734	4,115,417	1,571,132

(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.

(ii) ICMS

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.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

18. Provision for judicial demands (Continued)

Judicial demands deemed as possible loss (Continued)

a) *Tax claims* (Continued)

(iii) IPI – Federal VAT

SRF Normative Instruction n° 67/98 approved industrial establishments to transfer certain products without payment of IPI tax. Sugarcane was for the period between July 6, 1995 and November 16, 1997 and refined sugar between January 14, 1992 and November 16, 1997. Such rule was challenged by the Federal Revenue Secretariat against the Company.

(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.

(v) INSS

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.

(vii) IR/CSLL – Assessment Notice

In December 2011, the Company received notices of violation in the amount of R\$ 400,318, drawn up by the Federal Revenue of Brazil charging of income tax and social calendar years 2006 to 2009, questioning: (i) deductibility of expenses for amortization of certain goodwill (ii) compensation for tax losses and negative social contribution calculation and (iii) tax on revaluation differences of the property included in fixed assets. The Company filed its defense in January 2012 and, together with its legal advisors, classified as remote loss amounted to R \$ 207,078 as a possible loss and the amount of R\$ 204,221. The remaining R\$ 327,710 refers to various other claims in connection with income taxes and social contribution in several legal entities pertaining the subsidiaries and jointly controlled entities.

b) *Civil and labor*

The main civil and labor claims for which the unfavorable outcome is deemed possible are as follow:

	Parent Company		Consolidated	
	2012	2011	2012	2011
Civil	309,234	59,036	869,954	377,608
Labor	407,533	60,770	1,200,573	302,289
	716,767	119,806	2,070,527	679,897

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)
Years ended March 31, 2012 and 2011
(In thousands of Reais, except otherwise stated)

19. Commitments

Sales

The jointly-controlled entity "Raízen Energia" is mainly engaged in the commodities market and sales are substantially performed at the price on the date of sale. However, Raízen Energia has several agreements in the sugar market, which undertake to sell volumes of those products in future harvests.

The commitments for the sale of sugar, in tons, as of March 31, 2012 are as follows (unaudited):

Fiscal Year	2012 (*)
2012	2,518,640
2013	1,714,101
Total	4,232,741

(*) Represents 100% of the commitments of Raízen Energia, of which the Company proportionately consolidates only 50%.

Purchases

Raízen Energia has several commitments for the purchase of sugarcane from third parties in order to secure part of its production in subsequent years. The amount of sugarcane to be acquired has been calculated based on an estimate of the quantity to be ground by area. The amount to be paid by the jointly-controlled is determined at the end of each harvest, according to prices published by CONSECANA.

Purchase commitments by harvest, in thousands of tons on March 31, 2012 are as follows:

Fiscal Year	2012 (*)
2012-2013 harvest	24,747
2013-2014 harvest	22,096
2014-2015 harvest	19,624
2015-2016 harvest	129,601
Total	196,068

(*) Represents 100% of the commitments of Raízen Energia, of which the Company proportionately consolidates only 50%.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

19. Commitments (Continued)

Purchases (Continued)

The jointly-controlled entity Raízen Energia has contracts to purchase industrial equipment intended for maintenance and expansion of the mills, as well as to meet the demand of the electric energy co-generation project, in the total amount of R\$80,076 on March 31, 2012.

The Company through its subsidiary Rumo entered into a commitment to invest in rail track improvements aimed at the expansion of the logistics business, as follows:

Fiscal Year	2012
2012	489,794
2013	44,000
2014	2,000
Total	535,794

Lease Agreements

Operating Leases

Raízen Energia has operating lease contracts on land used for planting sugarcane which will end within 20 years.

The minimum payments related to these obligations are calculated on a straight-line basis over the term of the lease. The costs for these contracts during the year ended March 31, 2012 and 2011 consisted of the following:

	2012 (*)	2011
Minimum Installment	214,949	155,800
Variable Installment	280,930	186,484
Total	495,879	342,284

(*) Represents 100% of the commitments of Raízen Energia, of which the Company proportionately consolidates only 50%.

Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) as of March 31, 2012 and 2011 are:

	Raízen Energia (*)	Rumo
Within 1 year	553,815	37,303
Over 1 year, less than 5 years	1,673,249	241,741
More than 5 years	1,676,005	-
Total	3,903,069	279,044

(*) Represents 100% of the commitments of Raízen Energia. (Raízen Energia is 50% proportionally consolidated).

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

20. Equity

a) Common Stock

The authorized common stock may be increased up to the limit of R\$5,000,000, with no need of an amendment to the Company's Bylaws, upon a decision of the Board of Directors. As of March 31, 2012, the Company's capital is represented by 407,214,353 common shares.

As of March 31, 2012 and 2011, the Company's capital is represented by 407,214,353 common shares, with no par value.

b) Realizable Profits Reserve:

Realizable Profits Reserve will be the allocation of net income for what is contained therein: (i) incorporated with revenue arising from equity investment of the Joint Venture in subsidiary and / or other non-recurring event, (ii) performed by the amortization of fair value of net assets of the Joint Venture, limited by the existence of balance in retained earnings.

Calculation of the realized portion of net income

Net income	2,605,834
Equity income of associates	(3,154,846)
Realized portion loss of the year	(549,012)
Constitution of reserve for unrealized profits	
Net income	2,605,834
Legal reserve - 5% (art. 193)	(130,292)
Reserve for unrealized profits	<u>2,475,542</u>

(*) Contained in equity income of subsidiary

c) Dividends

By the meeting of May 22, 2012, the Board of Directors approved a proposal to be submitted to the General Shareholder's Meeting to pay dividends accounted in Retained Earnings in the amount of R\$ 250,000.

d) Repurchase of shares

On November 22, 2010, the Board of Directors approved a stock repurchase plan for the purpose of maintenance in treasury, cancellation or disposal. The plan mentions that the Company may repurchase maximum of 6,640,091 of common shares, with no par value, in a specific period of 365 days. On November 03, 2011, repurchase of shares program was extended on 365 days.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)
Years ended March 31, 2012 and 2011
(In thousands of Reais, except otherwise stated)

20. Equity (Continued)

d) Repurchase of shares (Continued)

During the exercise ended March 31, 2012, the Company acquired 1,972,500 shares for R\$48,258 including expenses. The average unit stock value acquired during the period was R\$ 24.46 being the minimum and maximum value R\$ 23.02 and R\$ 25.57, respectively, per share.

On March 31, 2012, the Company has 2,907,039 treasury shares (934,539 treasury shares as of March 31, 2011), which market value, that date, was R\$ 32.86 (R\$25.40 as of March 31, 2011).

e) Earnings per share

Earnings per share are computed by dividing net income by the weighted average number of common shares outstanding during the year. Diluted earnings per share are calculated by adjusting average outstanding shares for the impact of conversion of all potentially dilutive options

The table below reflects the income and share data used in the basic and diluted earnings per share calculation for the six-month periods ended December 31, 2011 and 2010 (in thousands of Reais, except values per share):

Basic:

	2012	2011
Numerator		
Net Income for Cosan	2,605,834	771,565
Denominator:		
Weighted average shares outstanding	405,205,015	406,430,612
Denominator for basic earnings per share	405,205,015	406,430,612
Basic earnings per share	R\$ 6.43	R\$ 1.90

Diluted:

	2012	2011
Numerator		
Net income for Cosan	2,605,834	771,565
Denominator		
Weighted average shares outstanding	405,205,015	406,430,612
Potential increase of common stock	6,083,425	294,718
Denominator for diluted earnings per share	411,288,440	406,725,330
Diluted earnings per share	R\$ 6.34	R\$ 1.90

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

21. Gain on the de-recognition of subsidiaries operations to form the Joint Ventures (Raízen Energia e Raízen Combustíveis)

As mentioned in note 1, on June 1, 2011, the Company concluded, together with 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 through its subsidiary Cosan S.A. 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 from 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, deconsolidating the related assets and liabilities and recording the remaining interest at fair value.

The process of deconsolidating the contributed business, on June 1, 2011, and the recognition of the new interest at fair value produced a gain of R\$3,196,632 recorded during the year and shown below:

Fair value of the remaining interest in the joint ventures (a)	8,105,546
Book value of business (assets and liabilities) contributed	(4,257,640)
Gain on derecognition of subsidiaries upon formation of JV	3,847,906
Other amounts directly attributable to de-recognition of subsidiaries:	
Write-off of recoverable taxes not realizable upon de-consolidation (b)	(83,465)
Write-off of goodwill previously recorded by Cosan S.A. related to the contributed subsidiaries	(193,633)
Write-off of unrealized losses in relation to hedge accounting entered into by Cosan S.A. in relation to the operations of the de-consolidated subsidiaries	(157,988)
Pre-existing commitments of the de-consolidated subsidiaries	(78,995)
Other amounts (c)	(137,193)
Gain de-recognition of subsidiaries upon formation of joint ventures	<u>3,196,632</u>

(a) Based on appraisal report prepared by independent appraisers.

(b) Recoverable taxes recorded by Cosan S.A., considered not realizable, and if received will be reimbursed to Raízen Energia.

(c) Other amounts include transactional costs that were directly linked to the de-recognition of the subsidiary operations

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

21. Gain on the de-recognition of subsidiaries operations to form the Joint Ventures (Raízen Energia e Raízen Combustíveis) (Continued)

Considering that Cosan chose to consolidate 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:

	Raízen Energia	Raízen Combustíveis	Total
Fair value of assets and liabilities (a):			
Cash and cash equivalents	358,457	273,359	631,816
Restricted cash	61,655	-	61,655
Account Receivable	385,651	1,026,274	1,411,925
Derivatives	114,204	-	114,204
Inventories	746,561	831,258	1,577,819
Receivable from Shell	1,853,269	-	1,853,269
Other assets	1,691,561	1,527,766	3,219,327
Investments	120,764	-	120,764
Biological Assets	1,607,170	-	1,607,170
Property, plant and equipment	9,313,801	2,719,498	12,033,299
Intangible Assets	253,152	1,826,224	2,079,376
Loan and financing	(5,579,218)	(926,268)	(6,505,486)
Suppliers	(471,495)	(557,912)	(1,029,407)
Taxes payable	(255,939)	35,550	(220,389)
Other Liabilities	(2,918,758)	(2,296,137)	(5,214,895)
Non-controlling interests	(16,457)	(35,527)	(51,984)
Net assets at fair value (a):	7,264,378	4,424,085	11,688,463
Cosan's interest - 50%	3,632,190	2,212,042	5,844,232
Goodwill allocated (a)	1,405,407	855,907	2,261,314
Fair value of the remaining interest in joint ventures	5,037,597	3,067,949	8,105,546

The goodwill of the transaction (R\$2,261,314) was allocated to the segments Raízen Energia and Raízen Combustíveis in the proportion of net assets at fair value of each of these investments.

Additional Pro Forma Information

If the JVs formed during 2012 had been included in the income statement since the beginning of the year the revenue would be R\$ 26,394,754 and net income would be R\$2,264,333.

The Company's share of the assets and liabilities as at March 31, 2012 and income and expenses of the jointly controlled entity for the year then ended, which is proportionally consolidated in the consolidated financial statements, are as presented in Note 29 – Segment Information. The contingent liabilities and capital commitments of the JVs are disclosed in Notes 18 and 19.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

22. Gross sales

	Parent Company		Consolidated	
	2012	2011	2012	2011
Gross revenue from sales of products and services	1,341	2,248,382	25,917,922	19,783,250
Indirect taxes and deductions	(45)	(144,304)	(1,821,041)	(1,719,770)
Net revenue	1,296	2,104,078	24,096,881	18,063,480

23. Expenses by nature

Reconciliation of expenses by nature

The expenses are presented in the consolidated results by function. The reconciliation of income by nature/purpose for the years ended March 31, 2012, 2011 and 2010 is detailed as follows:

a) *Expenses by nature:*

	Parent Company		Consolidated	
	2012	2011	2012	2011
Raw-material	(628)	(1,236,418)	(4,612,407)	(3,657,462)
Resale fuels	-	-	(15,060,815)	(10,084,103)
Payroll	(49,582)	(263,081)	(568,061)	(901,062)
Commercial expenses	(1,365)	(24,089)	(535,439)	(179,283)
Transportation and loading	-	-	(401,339)	(545,212)
Depreciation and amortization	(1,897)	(79,190)	(1,142,780)	(742,307)
Other expenses	(48,498)	(319,248)	(922,348)	(607,652)
	(101,970)	(1,922,026)	(23,243,189)	(16,717,081)

b) *Segregated as:*

	Parent Company		Consolidated	
	2012	2011	2012	2011
Cost of goods sold	(2,410)	(1,499,465)	(21,465,009)	(15,150,079)
Selling	-	(159,075)	(1,136,286)	(1,026,000)
General and administrative	(99,560)	(263,486)	(641,894)	(541,002)
	(101,970)	(1,922,026)	(23,243,189)	(16,717,081)

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

24. Financial results, net

	Parent Company		Consolidated	
	2012	2011	2012	2011
Financial Expense				
Interests	(311,776)	(283,169)	(542,322)	(586,887)
Monetary Variation	-	(10,765)	(10,961)	(81,341)
Others	(19,344)	(655)	(28,952)	(4,678)
	(331,120)	(294,589)	(582,235)	(672,906)
Financial Income				
Interests	26,218	39,524	48,562	63,791
Monetary Variation	9,453	3,609	26,312	34,018
Investments	35,212	10,217	131,117	90,345
Others		114	371	603
	70,883	53,464	206,362	188,757
Foreign exchange variation, net (1)	(337,079)	235,467	(93,887)	282,705
Derivatives, net (2)				
Commodities derivatives		277,734	18,472	6,524
Exchange rate and interest derivatives	79	(5,497)	(711)	34,984
Warranties in associates	(22,141)	13,248	(22,141)	13,248
	(22,062)	285,485	(4,380)	54,756
	(619,378)	279,827	(474,140)	(146,688)

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

(2) Includes 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.

25. Other Income (expense), net

	Parent Company		Consolidated	
	2012	2011	2012	2011
Other income				
Gain on disposal of property, plant and equipment	(48)	1,038	93,892	43,708
Revenue from the sale of scrap and waste	-	2,310	2,862	6,950
Rental and leasing income	800	2,745	57,197	4,111
Reversal of allowance for doubtful accounts with related party	25,794	-	28,804	-
Revenue from royalties	-	-	19,739	-
Revenue from customer base	-	-	14,827	-
Other Income	2,899	-	44,071	8,908
	29,445	6,093	261,392	63,677
Other expense				
Provision for judicial demands	(70,661)	(1,079)	(80,835)	(23,828)
Internal costs on Rumo transaction	-	(18,758)	(1,971)	(20,319)
Donations	-	(9,105)	-	(12,335)
Expenses of subsidiaries acquisition and start up	-	(6,517)	(9,497)	(6,517)
Other expense	(21,398)	(18,577)	(23,539)	(34,506)
	(92,059)	(54,036)	(115,842)	(97,505)
	(62,614)	(47,943)	145,550	(33,828)

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)
Years ended March 31, 2012 and 2011
(In thousands of Reais, except otherwise stated)

26. Financial Instruments

Financial risk management

a) Overview

The Company is 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 entities exposure for which risk above, the object of the Company's risk management policies, the policies and processes for measurement, risk management and capital management.

b) Risk management structure

The risks of each type of business markets are managed and monitored by the company and, where applicable, has risk committees to discuss and determine the hedge strategy of the company in accordance with its policies and guidelines.

There is, in Raízen Energia, a Risk Committee that meets weekly to analyze the behavior of commodity markets (mainly sugar), exchange rate and decide about coverage position and sugar pricing strategy to export, seeking to reduce the adverse effects of changes in prices and exchange rates, as well as monitor the liquidity risk and counterparty risk (credit).

The Company, its subsidiaries and its jointly-controlled entities are exposed to market risks, mainly related to the volatility of sugar prices and foreign exchange rates. Management analyzes these risks and uses financial instruments to hedge a portion of the risk exposure.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)
 Years ended March 31, 2012 and 2011
 (In thousands of Reais, except otherwise stated)

26. Financial Instruments (Continued)

Financial risk management (Continued)

b) *Risk management structure* (Continued)

On March 31, 2012 and 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:

	Notional		Fair Value		Result (*)
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	
Raízen Energia					
Price risk					
Commodity derivatives					
Future agreements	1,194,225	-	24,377	-	24,377
Option agreements	8,954	-	782	-	38
			25,159	-	24,415
Price risk					
Commodity derivatives					
Future agreements	490,949	-	1,682	-	1,431
Option agreements	258,690	-	1,773	-	1,773
Price risk	256,381	-	3,403	-	3,403
			6,858	-	6,607
Interest rate risk					
Derivative interest	318,868	-	(1,495)	-	(1,495)
			(1,495)	-	(1,495)
TOTAL Raízen Energia			30,522	-	29,527
Consolidated Cosan (50% Raízen Energia)			15,261	-	14,764
Derivatives in the Company and subsidiaries					
Price risk					
Commodity derivatives					
Future agreements	-	1,308,033	-	(68,906)	-
Option agreements	-	10,364	-	(17,484)	-
			-	(86,390)	-
Price risk					
Exchange rate derivatives					
Future agreements	-	(114,204)	-	(117)	-
Option agreements	325,029	694,599	(5,282)	9,900	(5,282)
			(5,282)	9,783	(5,282)
Total Cosan (including 50% Raízen Energia)			9,979	(76,607)	9,482
Total of Assets			19,590	55,682	
Total of Liabilities			(9,611)	(132,289)	

(*) Values from the income statement calculated for the year ended March 31, 2012.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)
Years ended March 31, 2012 and 2011
(In thousands of Reais, except otherwise stated)

26. Financial Instruments (Continued)

Financial risk management (Continued)

c) *Price Risk*

This arises from the potential for fluctuations in the market prices of products sold by the Raizen Energia, mainly raw material sugar - VHP (sugar #11) and white sugar (LIFFE sugar #5). These fluctuations in prices can cause substantial changes in the revenues. To mitigate these risks, the Raizen Energia 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:

Price Risk : derivatives of commodities open in March 31, 2012							
Derivatives	Purchased / Sold	Market	Contract	Maturity	Notional (units)	Notional (R\$ thousand)	Fair Value (R\$ thousand)
Contracted financial Instruments by Raizen Energia							
Composition of balances of derivative financial instruments designated in hedge accounting							
Future	Sold	NYBOT	Sugar#11	1-May-12	129,241 T	132,392	4.106
Future	Sold	NYBOT	Sugar#11	1-Jul-12	440,050 T	434,844	13,778
Future	Sold	NYBOT	Sugar#11	1-Oct-12	551,358 T	534,580	5,901
Future	Sold	NYBOT	Sugar#11	1-Mar-13	110,851 T	109,453	223
Future	Sold	NYBOT	Sugar#11	1-Jul-13	204 T	191	(5)
Sub-total of future sugar sold					1,231,704 T	1,211,460	24,003
Composition of balances of derivative financial instruments not- designated in hedge accounting							
Future	Purchased	NYBOT	Sugar#11	1- May-12	(25,808 T)	(25,589)	28
Future	Purchased	NYBOT	Sugar#11	1-Jul-12	(10,160 T)	(9,562)	160
Future	Purchased	NYBOT	Sugar#11	1-Oct-12	(2,693 T)	(2,462)	120
Future	Purchased	NYBOT	Sugar#11	1-May-13	(1,422 T)	(1,338)	64
Future	Purchased	NYBOT	Sugar#11	1-May-13	(254 T)	(240)	8
Future	Purchased	NYBOT	Sugar#11	1-Jul-13	(203 T)	(187)	8
Sub-total of future sugar purchased					(40,540 T)	(39,378)	388
Sub-total of future sugar					1,191,164 T	1,172,082	24,391
Call	Purchased	NYBOT	Sugar#11	1-May-12	(5,080 T)	(57)	14
Call	Purchased	NYBOT	Sugar#11	1-Jul-12	(111,766 T)	(2,760)	269
Sub-total of call purchased					(116,846 T)	(2,817)	283
Call	Sold	NYBOT	Sugar#11	1-May-12	27,687 T	2,751	(11)
Call	Sold	NYBOT	Sugar#11	1-Jul-12	76,204 T	4,500	(184)
Call	Sold	NYBOT	Sugar#11	1-Jul-12	35,562 T	1,820	(86)
Sub-total of call sold					139,453 T	9,071	(281)
Put	Purchased	NYBOT	Sugar#11	1-May-12	27,687 T	2,699	779
Sub-total de put purchased					27,687 T	2,699	779
Sub-total of options of sugar						8,953	781
Future	Sold	BMFBovespa	ETH	30-Mar -12	16,560 m³	20,430	8
Future	Sold	BMFBovespa	ETH	30-Apr-12	18,210 m³	22,642	(18)
Sub-total of future ethanol sold					34,770 m³	43,072	(10)
Future	Purchased	BMFBovespa	ETH	30-Mar-12	(5,910 m³)	(7,473)	(3)
Future	Purchased	BMFBovespa	ETH	30-Mar -12	(10,650 m³)	(13,456)	-
Sub-total of future ethanol purchased					(16,560 m³)	(20,929)	(3)
Sub-total of future ethanol					18,210 m³	22,143	(13)
Total of commodities						1,203,178	25,159

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)
Years ended March 31, 2012 and 2011
(In thousands of Reais, except otherwise stated)

26. Financial Instruments (Continued)

Financial risk management (Continued)

c) *Price Risk* (Continued)

Price risk: commodity derivatives outstanding on March 31, 2011							
Derivatives	Long/Short	Market	Agreement	Maturity	Notional	Notional	Fair value
Composition of derivatives financial instruments designated in hedge accounting							
Future	Short	NYBOT	#11	1-May-11	23,150 T	26,442	(392)
Future	Short	NYBOT	#11	1-May-11	208,239 T	200,552	(2,154)
Future	Short	NYBOT	#11	1-Jul-11	520,877 T	424,617	(43,705)
Future	Short	NYBOT	#11	1-Oct-11	513,460 T	388,694	(56,734)
Future	Short	NYBOT	#11	1-Mar-12	139,656 T	121,973	2,827
Sub-total of futures of Sugar Sold					1,405,382 T	1,162,278	(100,159)
Composition of derivatives financial instruments not designated in hedge accounting							
Future	Long	NYBOT	#11	1-Jul-11	(7,620 T)	(6,786)	66
Future	Long	NYBOT	#11	1-Oct-11	(50,802 T)	(40,314)	3,758
Future	Long	NYBOT	#11	1-Mar-12	(84,027 T)	(49,064)	22,623
Sub-total of futures of Sugar Purchased					(198,333 T)	(145,755)	31,253
Call	Short	NYBOT/OTC	#11	1-Oct-11	43,182 T	985	(6,559)
Call	Short	NYBOT	#11	1-Oct-11	55,883 T	3,651	(7,826)
Call	Short	NYBOT	#11	1-Jul-12	101,605 T	1,177	(4,597)
Sub-total of Call Sold					200,669 T	5,813	(18,981)
Put	Long	NYBOT/OTC	#11	1-Oct-11	43,182 T	985	574
Put	Long	NYBOT/OTC	#11	1-Oct-11	55,883 T	3,566	923
Sub-total de Put Purchased					99,065 T	4,551	1,497
Total de Commodities						1,026,888	(86,390)

The fair value of these derivatives was measured by observable factors, such as quoted prices in active markets and, in some cases, by means of models whose assumptions are observable in the market.

d) *Foreign Exchange risk*

This arises from the possibility of fluctuations in the exchange rates of the foreign currencies used by its subsidiaries and jointly-controlled entities for the export revenues of products, imports, debt cash flow and other assets and liabilities denominated in a foreign currency. Its subsidiaries and jointly-controlled entities 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 March 31, 2012 of derivatives used to hedge exchange rates:

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)
Years ended March 31, 2012 and 2011
(In thousands of Reais, except otherwise stated)

26. Financial Instruments (Continued)

Financial risk management (Continued)

d) Foreign Exchange risk (Continued)

Price Risk : derivatives of foreign currencies open in March 31, 2012							
Derivatives	Purchased / Sold	Market	Contract	Maturity	Notional (USD)	Notional (R\$ Thousand)	Fair Value (R\$ Thousand)
Financial instruments contracted by Raizen Energia							
Composition of balances of derivative financial instruments designated in hedge accounting							
Term	Sold	OTC/Cetip	NDF	02-Apr-12	141,000	258,690	1,773
Sub-total of term sold					141,000	258,690	1,773
Composition of balances of derivative financial instruments non-designated in hedge accounting							
Future	Sold	BMFBovespa	Commercial Dollar	02-Apr-12	898,000	1,563,367	6,954
Future	Sold	BMFBovespa	Commercial Dollar	02-May-12	330,500	608,037	1,614
Future	Sold	BMFBovespa	Commercial Dollar	02-May-12	3,250	5,967	(3)
Sub-total of future sold					1,231,750	2,177,371	8,565
Future	Purchased	BMFBovespa	Commercial Dollar	02-Apr-12	(922,000)	(1,685,044)	(6,882)
Future	Purchased	BMFBovespa	Commercial Dollar	02-May-12	(750)	(1,378)	(1)
Sub-total of future purchased					(922,750)	(1,686,422)	(6,883)
Exchange lock	Sold	OTC	Exchange lock	02-Jul-12	20,000	38,254	1,121
Exchange lock	Sold	OTC	Exchange lock	02-Jul-12	30,000	58,104	2,575
Exchange lock	Sold	OTC	Exchange lock	06-Sep-12	20,000	36,044	(1,445)
Exchange lock	Sold	OTC	Exchange lock	13-Sep-12	40,250	74,881	(768)
Exchange lock	Sold	OTC	Exchange lock	24-Sep-12	25,000	49,098	1,920
					135,250	256,381	3,403
Total of exchange					585,250	1,006,020	6,858

Derivatives	Purchased /Sold	Market	Contract	Maturity	Number of Contracts	Strike	Middle Price	Fair Price	Notional (USD)	Notional (R\$ mil)	Fair Value (R\$ thousand)
Term	Purchased	OTC	NDF	4-May-12	1	-	1.8944	1.8417	(6,188)	11,722	348
Term	Purchased	OTC	NDF	4-May-12	1	-	1.6789	1.8417	(4,197)	7,047	(660)
Term	Purchased	OTC	NDF	3-Aug-12	1	-	1.9358	1.8771	(4,197)	7,239	(597)
Term	Purchased	OTC	NDF	3-Aug-12	1	-	1.7247	1.8771	(6,188)	11,978	389
Term	Purchased	OTC	NDF	1-Nov-12	1	-	1.9780	1.9166	(4,197)	7,390	(563)
Term	Purchased	OTC	NDF	1-Nov-12	1	-	1.7607	1.9166	(6,188)	12,239	455
Term	Purchased	OTC	NDF	4-Feb-13	1	-	2.0209	1.9508	(4,197)	7,546	(524)
Term	Purchased	OTC	NDF	4-Feb-13	1	-	1.7978	1.9508	(6,188)	12,504	525
Term	Purchased	OTC	NDF	3-May-13	1	-	2.0589	1.9737	(4,197)	7,696	(472)
Term	Purchased	OTC	NDF	3-May-13	1	-	1.8336	1.9737	(6,188)	12,739	597
Term	Purchased	OTC	NDF	2-Aug-13	1	-	2.1005	2.0103	(4,197)	7,859	(430)
Term	Purchased	OTC	NDF	2-Aug-13	1	-	1.8724	2.0103	(6,188)	12,997	653
Term	Purchased	OTC	NDF	4-Nov-13	1	-	2.1424	2.0480	(4,197)	8,032	(386)
Term	Purchased	OTC	NDF	4-Nov-13	1	-	1.9137	2.0480	(6,188)	13,256	699
Term	Purchased	OTC	NDF	4-Feb-14	1	-	2.1852	2.0850	(4,197)	8,190	(358)
Term	Purchased	OTC	NDF	4-Feb-14	1	-	1.9513	2.0850	(6,188)	13,521	747
Term	Purchased	OTC	NDF	2-May-14	1	-	2.2211	2.1210	(4,197)	8,340	(329)
Term	Purchased	OTC	NDF	2-May-14	1	-	1.9870	2.1210	(6,188)	13,743	770
Term	Purchased	OTC	NDF	4-Aug-14	1	-	2.2630	2.1610	(4,197)	8,507	(288)
Term	Purchased	OTC	NDF	4-Aug-14	1	-	2.0268	2.1610	(6,188)	14,002	820
Term	Purchased	OTC	NDF	4-Nov-14	1	-	2.3048	2.2002	(4,197)	8,666	(250)
Term	Purchased	OTC	NDF	4-Nov-14	1	-	2.0648	2.2002	(6,188)	14,261	876
Term	Purchased	OTC	NDF	4-Feb-15	1	-	2.3429	2.2394	(4,197)	8,813	(221)
Term	Purchased	OTC	NDF	4-Feb-15	1	-	2.0997	2.2394	(6,188)	14,497	915
Term	Purchased	OTC	NDF	4-May-15	1	-	2.3800	2.2564	(4,197)	8,942	(201)
Term	Purchased	OTC	NDF	4-May-15	1	-	2.1305	2.2564	(6,188)	14,726	957
Term	Purchased	OTC	NDF	4-Aug-15	1	-	2.4247	2.2564	(4,197)	9,089	(169)
Term	Purchased	OTC	NDF	4-Aug-15	1	-	2.1656	2.2564	(6,188)	15,003	1,032
Term	Purchased	OTC	NDF	4-Nov-15	1	-	2.4653	2.2564	(4,197)	9,231	(140)
Term	Purchased	OTC	NDF	4-Nov-15	1	-	2.1994	2.2564	(6,188)	15,254	1,087
									(155,775)	325,029	5,282

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

26. Financial Instruments (Continued)

Financial risk management (Continued)

d) Foreign Exchange risk (Continued)

Exchange risk : exchange derivatives outstanding on March 31, 2011						
Derivatives	Long/Short	Market	Agreement	Maturity	Notional	Fair value
Composition of derivatives financial instruments designated in hedge accounting						
Forward	Short	OTC/Cetip	NDF	1-Apr-11	166,150	3,279
Forward	Short	OTC/Cetip	NDF	31-May-11	117,782	2,094
Forward	Short	OTC/Cetip	NDF	1-Jul-11	84,645	1,349
Forward	Short	OTC/Cetip	NDF	1-Aug-11	85,300	1,422
Forward	Short	OTC/Cetip	NDF	3-Oct-11	396,618	11,046
Forward	Short	OTC/Cetip	NDF	2-Jan-12	91,075	3,744
Sub-total of Forward Sold					941,570	22,932
Composition of derivatives financial instruments not designated in hedge accounting						
Future	Long	BMFBovespa	Commerc. U.S. dollar	2-May-11	(114,204)	(117)
Sub-total of Future Purchased					(114,204)	(117)
Forward	Long	OTC	NDF (Offshore)	4-May-11	(10,780)	(625)
Forward	Long	OTC	NDF (Offshore)	4-Aug-11	(11,014)	(619)
Forward	Long	OTC	NDF (Offshore)	4-Nov-11	(11,246)	(613)
Forward	Long	OTC	NDF (Offshore)	3-Feb-12	(11,489)	(604)
Forward	Long	OTC	NDF (Offshore)	4-May-12	(11,722)	(584)
Forward	Long	OTC	NDF (Offshore)	3-Aug-12	(11,978)	(586)
Forward	Long	OTC	NDF (Offshore)	1-Nov-12	(12,239)	(595)
Forward	Long	OTC	NDF (Offshore)	4-Feb-13	(12,504)	(595)
Forward	Long	OTC	NDF (Offshore)	3-May-13	(12,739)	(571)
Forward	Long	OTC	NDF (Offshore)	2-Aug-13	(12,997)	(534)
Forward	Long	OTC	NDF (Offshore)	4-Nov-13	(13,256)	(493)
Forward	Long	OTC	NDF (Offshore)	4-Feb-14	(13,521)	(462)
Forward	Long	OTC	NDF (Offshore)	2-May-14	(13,743)	(476)
Forward	Long	OTC	NDF (Offshore)	4-Aug-14	(14,002)	(617)
Forward	Long	OTC	NDF (Offshore)	4-Nov-14	(14,261)	(754)
Forward	Long	OTC	NDF (Offshore)	4-Feb-15	(14,497)	(872)
Forward	Long	OTC	NDF (Offshore)	4-May-15	(14,726)	(991)
Forward	Long	OTC	NDF (Offshore)	4-Aug-15	(15,003)	(1,152)
Forward	Long	OTC	NDF (Offshore)	4-Nov-15	(15,254)	(1,291)
Sub-total of Forward Purchased					(246,970)	(13,033)
Total of exchange rate derivatives					580,395	9,783

On March 31, 2012 and 2011, the Company, its subsidiaries and its jointly-controlled entities had the following net exposure to the variation of U.S. dollar assets and liabilities denominated in U.S. dollars:

	Consolidated			
	2012		2011	
	R\$	US\$ (in thousands)	R\$	US\$ (in thousands)
Cash and Cash equivalent	24,426	13,406	191,098	117,332
Restrict Cash	45,976	25,232	126,872	77,898
Accounts receivable	164,681	90,380	7,556	4,639
Related Parties (Shell)	436,362	239,483	-	-
Loans	(2,730,076)	(1,498,314)	(3,750,783)	(2,302,927)
Net foreign exchange exposure	(2,058,631)	(1,129,813)	(3,425,257)	(2,103,058)

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)
 Years ended March 31, 2012 and 2011
 (In thousands of Reais, except otherwise stated)

26. Financial Instruments (Continued)

Financial risk management (Continued)

e) *Effect of Hedge Accounting*

The jointly-controlled entity 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 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 derivative financial instruments of Sugar # 11 (NYBOT or OTC) were designated 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.

Raizen Energia 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 March 31, 2012, the amounts recorded in other comprehensive income related to hedge accounting are as follows:

Derivative	Market	Risk	Expected period to affect P&L		
			2012/2013	2013/2014	Total
Future	OTC/NYBOT	#11	40,543	564	41,107
NDF	OTC/CETIP	USD	1,663	-	1,663
			42,206	564	42,770
(-) Deferred income tax			(14,350)	(192)	(14,542)
Effect on the Raizen Equity			27,856	372	28,228
Effect on equity of Cosan (50%)					14,114

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)
 Years ended March 31, 2012 and 2011
 (In thousands of Reais, except otherwise stated)

26. Financial Instruments (Continued)

Financial risk management (Continued)

e) *Effect of Hedge Accounting* (Continued)

The changes for the period of the effect of hedge accounting on other comprehensive income of Cosan S.A. is shown below:

Cash flow hedge	2012
Balance at March 31, 2011	(143,298)
Gain/(losses) of cash flow hedges for the period:	
Commodities futures and swap contracts	5,414
Currency forward contracts	38,286
Reclassification adjustments for losses / gains included in the income statement	36,815
Write off of OCI due to the formation of JV	157,988
Total before tax effect	238,503
Tax effect on gain/(losses) of cash flow hedges for the period – 34%	(81,091)
Balance at March 31, 2012	14,114

f) *Interest rate risk*

The Company, its subsidiaries and jointly-controlled entities monitors the fluctuations in variable interest rates in connection with certain debts, especially those related to the risk of Libor, and makes use of derivative instruments in order to minimize these risks. The table below shown the consolidated positions open on March 31, 2012 of derivatives used for interest rate (none in 2011):

Price Risk : derivatives of interests open in March 31, 2012						
Derivatives	Asset / Liabilities	Market	Maturity	Notional (US\$ Thousands)	Notional (R\$ Thousand)	Fail Value (R\$ Thousand)
Interest rate Swap	Libor 3M / pré	OTC	Jan-16	175,000	318,868	(1,495)
Total of interests				175,000	318,868	(1,495)

g) *Credit risk*

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

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

26. Financial Instruments (Continued)

Financial risk management (Continued)

g) *Credit risk* (Continued)

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, its subsidiaries and jointly-controlled entities buy and sell 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 entities buy and sell foreign exchange derivatives on BM&FBovespa and OTC contracts registered with CETIP (OTC clearing house) with banks 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. As of March 31, 2011, the total credit limit used as initial margin required by the NYBOT was R\$62,247 (R\$136,420 as of March 31, 2011). As a requirement to trade in BM&FBovespa, the Company posted on March 31, 2012, the amount of R\$76,436 (R\$50,000 as of March 31, 2011) as guarantee in the form of a settlement bond issued by a first-class banking institution.

h) *Liquidity risk*

Liquidity risk is the risk that the Company, its subsidiaries and jointly-controlled entities will encounter difficulties in meeting the obligations associated with its derivative financial liabilities that are settled with cash payments or other financial assets. The approach of the Company, its subsidiaries and jointly-controlled entities 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, its subsidiaries and jointly-controlled entities.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)
Years ended March 31, 2012 and 2011
(In thousands of Reais, except otherwise stated)

26. Financial Instruments (Continued)

Financial risk management (Continued)

i) *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 115.5% and 106% respectively, of its face value at March 31, 2012.

The fair market value of Perpetual bonds, described in note 16, at its market price is 105.2%, respectively, of its face value at March 31, 2012.

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.

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 entities 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 calculation. 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.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)
Years ended March 31, 2012 and 2011
(In thousands of Reais, except otherwise stated)

26. Financial Instruments (Continued)

Financial risk management (Continued)

i) *Fair value* (Continued)

Fair value hierarchy

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

- Level 1: quoted prices in an 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.

Assets and liabilities measured at fair value	Level 1	Level 2	Total
March 31, 2012			
Warrants Radar	-	140,820	140,820
Derivative financial assets	17,002	2,588	19,590
Derivative financial liabilities	(8,864)	(748)	(9,611)
Total	8,139	142,660	150,799
March 31, 2011			
Warrants Radar,	-	162,961	162,961
Derivative financial assets	35,577	20,105	55,682
Derivative financial liabilities	(122,084)	(10,205)	(132,289)
Total	(86,507)	172,861	86,354

j) *Sensitivity analysis*

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 entities:

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)
 Years ended March 31, 2012 and 2011
 (In thousands of Reais, except otherwise stated)

26. Financial Instruments (Continued)

Financial risk management (Continued)

j) *Sensitivity analysis* (Continued)

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 March 31, 2012, 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 analysis

Following is the sensitivity analysis on the change in the fair value of the Company's financial derivatives:

	Risk factor	Probable Scenario	Impacts on results (*)	
			Possible Scenario (25%)	Remote Scenario (50%)
Price risk				
Commodity derivatives				
Future agreements				
Selling agreements	Increase of the sugar price	12,001	(148,432)	(296,864)
Purchasing agreements	Decrease of the sugar price	194	(4,971)	(9,941)
Selling agreements	Increase of the Ethanol Hydrated price	(5)	(5,518)	(11,035)
Purchasing agreements	Decrease of the Ethanol Hydrated price	(1)	(3,998)	(7,996)
Option agreements:				
Calls Purchased	Decrease of the sugar price	142	(142)	(142)
Calls Sold	Increase of the sugar price	(140)	(3,835)	(15,945)
Puts Purchased	Increase of the sugar price	389	(389)	(389)
Exchange rate risk				
Exchange rate derivatives				
Future agreements:				
Selling agreements	Increase of the exchange rate R\$/US\$	4,157	(130,685)	(260,079)
Purchasing agreements	Decrease of the exchange rate R\$/US\$	(3,441)	(209,824)	(420,339)
Forward agreements:				
Selling agreements	Increase of the exchange rate R\$/US\$	(4,395)	(32,103)	(64,206)
Exchange lock:				
Selling agreements	Increase of the exchange rate R\$/US\$	1,701	(30,592)	(61,185)
Option agreements:				
Interest rate risk				
Derivatives Interest				
Swap agreement	Decrease in Libor curve	(747)	(1,100)	(2,208)

(*) Results projected to occur within 12 months from March 31, 2012

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)
Years ended March 31, 2012 and 2011
(In thousands of Reais, except otherwise stated)

26. Financial Instruments (Continued)

Financial risk management (Continued)

k) *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.

Occasionally, the Company purchases its own shares on the market, the timing of these purchases depends on market prices.

No changes were made in the objectives, policies or processes for managing capital during the years ended March 31, 2012 and 2011.

27. Pension and other post-employment benefits plan

	2012	2011
Futura	34,725	24,380
Other	2,587	-
Total	37,312	24,380

a) Pension Plan

Defined benefit

The Company's subsidiary Cosan Lubrificantes e Especialidades S.A. has a noncontributory defined benefit pension plan (Futura -former- Previd Exxon) covering certain employees upon retirement. This plan was altered to allow its settlement and was approved by the relevant authority on May 5, 2011. 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.

Defined contribution

Since June 1, 2011, the Company and its subsidiaries sponsor a variable contribution plan, for all employees (Futura II). The Company does not have a legal or constructive obligation to pay further contributions if the fund does not have sufficient assets to pay all benefits owed. During the year ended March 31, 2012 the amount of contributions totaled R\$5,906.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)
 Years ended March 31, 2012 and 2011
 (In thousands of Reais, except otherwise stated)

27. Pension and other post-employment benefits plan (Continued)

a) Pension Plan (Continued)

Defined contribution (Continued)

Since June 1, 2011, the jointly-controlled entities sponsor a defined contribution plan, for all employees (Raiz Prev). The jointly-controlled entities does not have a legal or constructive obligation to pay further contributions if the fund does not have sufficient assets to pay all benefits owed. During the year ended March 31, 2012 the amount of contributions totaled R\$8,887.

b) Actuarial Liability

The pension on Futura (former Previd Exxon) recorded in non-current liabilities at March 31, 2012 amounted to R\$34,725 (R\$24.380 in 2011).

A reconciliation of present value of defined benefit obligation and the fair value of plan assets, with assets and liabilities recognized on the balance sheet:

	2012	2011
Present value of actuarial obligation at beginning of year	(383,823)	(325,534)
Interest costs	(38,345)	(35,107)
Current service cost	(455)	(4,445)
Benefits paid	27,845	24,637
Settlement / curtailment	54,779	-
Actuarial loss on obligation at beginning of year	(22,716)	(43,374)
Present value of actuarial obligation at end of the year	(362,715)	(383,823)
Fair value of plan assets at beginning of the year	359,443	347,703
Expected return on plan assets	39,000	35,918
Contributions received by the fund	3,282	8,702
Benefits Paid	(27,846)	(24,637)
Effect of migration to defined contribution - Settlement	(32,226)	-
Loss in fair value of assets	(13,663)	(8,243)
Fair value of plan assets at year-end	327,990	359,443
Present value of liabilities in excess fair value of assets – actuarial liability	(34,725)	(24,380)

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

27. Pension and other post-employment benefits plan (Continued)

b) Actuarial Liability (Continued)

Total expense recognized in profit or loss:

Expense recognized in profit or loss:	2012	2011
Current service cost	(455)	(4,445)
Interest on obligation	(38,345)	(35,107)
Expected return on plan assets	39,000	35,918
	200	(3,634)

Total amount recognized as accumulated other comprehensive income:

	2012	2011
Amount accumulated at April 1	(22,621)	(42,056)
Unrecognized gains	36,379	29,447
Deferred Income Tax	(12,369)	(10,012)
Amount accumulated at March 31st	1,389	(22,621)

Plan assets include:

	2012		2011	
	Amount	Percentage	Amount	Percentage
CDBs – Bank Deposits	245,993	75%	268,863	74.80%
Equity securities of Brazilian public entities	81,997	25%	90,580	25.20%
Total	327,990	100%	359,443	100%

Plan assets are represented by financial assets with quoted prices in an active market and therefore are included as a Level 1 fair value type. The total expected rate of return on assets is calculated based on market expectations existing at that date applicable to the period over which the obligation should be liquidated. These expectations are reflected in the following main assumptions.

The main assumptions used to determine the pension benefit obligations of the Company are as follows:

Defined benefit plan	2012	2011
Actuarial valuation method	Projected unit credit	Projected unit credit
Mortality table	AT 83 segregated by sex, decreased by 10%	AT 83 segregated by sex, decreased by 10%
Discount rate for actuarial liability	Interest: 9.68% p.a. + inflation: 4.20% p.a.	Interest: 10.77% p.a. + inflation: 4.50% p.a.
Expected rate of return on plan assets	Interest: 11.30% p.a. + inflation: 4.20% p.a.	Interest: 11.20% p.a. + inflation: 4.50% p.a.
Salary growth rate	–N/A	6.07% + inflation: 4.50% p.a.
Increase rate of estimated benefits	0.00% p.a. + inflation: 4.20% p.a.	0.00% p.a. + inflation: 4.50% p.a.

The Company expects contributions at the amount of R\$ 3,037 to be paid in relation to its defined benefit and variable contribution plan in 2013.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

28. Share-Based Payments

In the shareholder's meeting held on July 29, 2011, the guidelines for the outlining and structuring of the stock option compensation plan for Cosan S.A.'s officers and employees were approved, authorizing the issuance of up to 5% of shares comprising Cosan S.A.'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.A.'s shareholders. On August 18, 2011, Cosan S.A.'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.A., 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.

Expected Term - Cosan S.A. expected term represents the period that Cosan S.A. share-based awards are expected to be outstanding and was determined based on the assumption that the officers will exercise their options when the exercise period is over. Therefore, this term was calculated based on the average of 5 and 10 years. Cosan S.A. does not expect any forfeiture as those options are mainly for officers, whose turnover is low.

Expected Volatility - For the options granted on September 22, 2005 Cosan S.A. had its shares publicly-traded for less than 6 months as of April 30, 2006. Therefore, Cosan S.A. opted to substitute the historical volatility by an appropriate global industry sector index, based on the volatility of the share prices, and considering it as an assumption in its valuation model. Cosan S.A. has identified and compared similar public entities for which share or option price information is available to consider the historical, expected, or implied volatility of those entities' share prices in estimating expected volatility based on global scenarios. For the options granted on September 11, 2007 Cosan S.A. used the volatility of its shares as an assumption in its valuation model since Cosan S.A. IPO in Brazil, in 2005.

Expected Dividends - As Cosan S.A. was a relatively new public entity, the expected dividend yield was calculated based on the current value of the stock at the grant date, adjusted by the average rate of the return to shareholders for the expected term, in relation of future book value of the shares.

Risk-Free Interest Rate - Cosan S.A. bases the risk-free interest rate used the SELIC - Special System Settlement Custody.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

28. Share-Based Payments (Continued)

According to the average market value of the shares on a 30 day period ending at issuance, the exercise price was defined to be 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.

The stock options were divided into "Tranche A" and "Tranche B". The vesting period is described below.

Tranche A - The options can be exercised after a waiting period of one year, considering a maximum percentage of 20% per annum of the total stock options offered by Cosan S.A. within a period of 5 years. Exercise period ends August 19, 2016.

Tranche B - The options can be exercised after a waiting period of one year, considering a maximum percentage of 10% per annum of the total stock options offered by Cosan S.A. within a period of 10 years. Exercise period ends August 19, 2021.

The options may be exercised with the issuance of new shares or treasury shares that the company may have. The employees that leave Cosan S.A. before the vesting period will forfeit 100% of their rights.

As of August 19, 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:

	Options granted on August 18, 2011	Options granted on August 18, 2011
	<i>Tranche A</i>	<i>Tranche B</i>
Grant price -R\$	22.8	22.8
Expected life (in years)	1 a 5	1 a 10
Interest rate	12.39%	12.39%
Expected Volatility	31.44%	30.32%
Weighted average fair value at grant date - R\$	6.80	8.15

Expected Term – the expected term considers that the executives will exercise their options after the vesting period of each grant.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

28. Share-Based Payments (Continued)

Expected volatility – Due to the new capital structure and business model after the formation of the JVs, the company opted to use the historic volatility of their shares adjusted by volatility of competitors' shares that operate 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 Bovespa on the grant date and for the equivalent term of the option maturity.

As of March 31, 2012, no options have been exercised or forfeited. A total expense of R\$ 10,800 has been recorded. As of March 31, 2011, the amount of R\$35,354 related to the unrecognized compensation cost from the stock options plan is expected to be recognized.

29. Segment information (consolidated)

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.

Considering the formation of JVs Raízen Energia, Raízen Combustíveis and acquisition of the sugar retail business, Cosan has increased the presentation of its segments to five segments, as shown below. The information for prior periods have been reclassified to make them comparable with the information of this period.

- (i) *Raízen Energia*: production and marketing of a variety of products derived from sugar cane, including raw sugar (VHP), anhydrous and hydrated ethanol, and activities related to energy cogeneration from sugarcane bagasse. In addition, this segment holds interest in companies of research and development in new technologies involved in this segment.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

29. Segment information (consolidated) (Continued)

a) Segment information (Continued)

- (ii) *Raízen Combustíveis*: distribution and marketing of fuels and lubricants, mainly through franchised network of service stations under the brand "Shell" and "Esso" throughout Brazil.
- (iii) *Rumo*: logistics services for the transport, storage and port lifting of sugar for both Raízen Energia and third parties.
- (iv) *Cosan Alimentos*: sale of food, mainly, of sugar in the retail under the brands "União" and "Da Barra".
- (v) *Cosan other business*: sale and distribution of lubricants, investments in agricultural land (through Radar) and other investments, in addition to the corporate activities of the Company.

The following selected information result and segment assets that were measured in accordance with the accounting practices used in the preparation of consolidated information:

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

29. Segment information (consolidated) (Continued)

a) Segment information (Continued)

Balance Sheet:	2012					
	Raizen Energia (*)	Raizen Combustíveis (*)	Cosan Alimentos	Rumo	Cosan other business	Elimi- 50
Property, plant and equipment	9,658,979	2,779,641	45,973	879,469	730,707	(1)
Intangible	2,996,846	3,928,900	83,597	604,963	780,822	(1)
Loans and Long term debt, net of cash and cash equivalent	(4,404,761)	(603,447)	29,834	(217,575)	(706,063)	(1)
Other assets and liabilities, net	1,839,138	252,124	142,455	(52,175)	9,449,796	(1)
Total assets (net of liabilities) allocated by segment	10,090,202	6,357,219	301,859	1,214,682	10,255,262	(1)
Total asset	19,979,070	11,559,239	408,966	2,029,954	15,994,737	(1)
Profit (loss) for the year:						
Net Operating Income	7,247,685	35,096,051	706,431	571,989	1,065,515	(1)
Domestic Market	3,925,829	35,096,051	706,431	567,265	1,065,515	(1)
Foreign Market	3,321,856	-	-	4,724	-	(1)
Gross profit	1,668,941	1,958,726	129,073	177,923	332,646	(1)
Selling, general and administrative expenses	(965,440)	(1,445,358)	(96,001)	(41,541)	(320,343)	(1)
JV formation	-	-	-	-	3,196,632	(1)
Other operating income, net	(18,207)	270,736	23,114	19,461	(12,035)	(1)
Financial income, net	(267,934)	(82,203)	1,911	8,992	(356,292)	(1)
Income tax and social contribution	(27,250)	(192,056)	6,156	(55,035)	(935,179)	(1)
Profit (loss) for the year:	378,269	525,916	64,253	109,801	2,775,139	(1)
Other selected information:						
Additions to PP&E, intangible assets and biological assets (cash)	2,577,859	491,734	2,860	268,985	99,473	(1)
Depreciation and amortization (including the effect of biological assets)	1,549,993	365,603	1,716	57,323	48,329	(1)

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

29. Segment information (consolidated) (Continued)

a) Segment information (Continued)

	2011				
	Raizen Energia (*)	Raizen Combustíveis (*)	Rumo	Cosan other business	Elir
Balance sheet:					
Property, plant and equipment	5,962,230	862,185	931,997	224,112	
Intangible	1,644,350	528,653	358,287	914,384	
Loans and Long term debt, net of cash and cash equivalent	(4,723,833)	(589,229)	(99,829)	(524,334)	
Other assets and liabilities, net	(1,826,735)	(238,736)	(173,826)	6,655,159	(3,12)
Total assets (net of liabilities) allocated by segment	1,056,012	562,873	1,016,629	7,269,321	(3,12)
Total asset	8,567,722	1,777,299	1,713,112	9,915,149	(3,22)
Profit (loss) for the year:					
Net Operating Income	6,389,178	10,966,245	448,003	829,032	(56)
Domestic Market	3,678,207	10,966,245	448,003	829,032	(56)
Foreign Market	2,710,971	-	-	-	
Gross profit	1,988,662	466,989	131,469	314,131	1
Selling, general and administrative expenses	(961,407)	(372,438)	(28,951)	(202,570)	
Other operating income, net	(65,415)	33,754	9,936	(1,977)	(1)
Financial income, net	(101,755)	(22,441)	13,047	(35,539)	
Income tax and social contribution	(305,977)	(40,490)	(42,865)	(25,176)	
Net income	833,343	(126,368)	62,543	240,611	(23)
Other selected information:					
Additions to PP&E, intangible assets and biological assets (cash)	2,817,195	83,266	126,189	10,569	
Depreciation and amortization (including the effect of biological assets)	1,266,142	35,798	20,157	36,903	

(*) The information of Raizen Energia and Raizen Combustíveis represents 100% of the predecessor business, regardless of the fact that the Company lost full control of business Ju occurred. The segment called Raizen Energia is basically the same information as in previous years for the segment called "CAA". The segment Raizen Combustíveis presents the of the Lubricants business. From June 1, 2011 it includes the fuel distribution business contributed by Shell to the JV.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

29. Segment information (consolidated) (Continued)

a) Segment information (Continued)

All non-current assets of the Company are located in Brazil except for certain equity interests.

Detailed net Sales per segment:

	2012	2011
Raízen Energia		
Sugar	3,912,824	3,853,404
Ethanol	2,871,515	2,203,737
Cogeneration	235,129	194,889
Other	228,217	137,148
	7,247,685	6,389,178
Raízen Combustíveis		
Fuel	35,032,782	10,895,655
Other	63,269	70,590
	35,096,051	10,966,245
Alimentos		
Amorphous	631,532	-
Crystal	39,013	-
Other	35,885	-
	706,430	-
Rumo		
Elevation	141,026	118,139
Transportation	413,364	305,780
Other	17,598	24,084
	571,988	448,003
Cosan – other business		
Lubricants	1,018,801	829,032
Other	46,714	-
	1,065,515	829,032
Eliminations	(20,590,788)	(568,978)
Total	24,096,881	18,063,480

b) Net Sales per region

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

	2012	2011
Brazil	67.24%	72.63%
Europe	24.18%	24.93%
Latin America (Except Brazil)	3.52%	
Middle East and Asia	1.00%	1.48%
North America	2.94%	0.74%
Other	1.12%	0.22%
Total	100.00%	100.00%

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)
Years ended March 31, 2012 and 2011
(In thousands of Reais, except otherwise stated)

29. Segment information (consolidated) (Continued)

b) Net Sales per region (Continued)

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.

c) Concentration of customers

Raízen Energia

There are several clients in this segment, one of which represents more than 10% of the segment net sales during 2012 and 2011-- the SUCDEN Group (10% and 25%, respectively).

Raízen Combustíveis

In this segment there are no clients that represent more than 10% of the net sales.

Rumo

In 2012, 55% of the segment net sales were generated from sales to the Raízen Energia segment (33% in 2011).

Cosan Other Business

No customers or specific groups represent 10% or more of sales in 2012 and 2011.

30. Subsequent Events

a) Companhia de Gas de Sao Paulo - Comgás

On May 3, 2012, Cosan S.A. signed a memorandum of understanding with BG Group (British Gas) to acquire its interest of 60.1% on Companhia de Gas de Sao Paulo – Comgás for R\$3.3 billion.

On May 28, 2012, Cosan S.A. signed the purchase and sale agreement in connection with this transaction. This acquisition will be effected upon regulatory approval.

Cosan S.A. Indústria e Comércio

Notes to the financial statements (Continued)

Years ended March 31, 2012 and 2011

(In thousands of Reais, except otherwise stated)

30. Subsequent Events

b) Association with Camil Alimentos S.A. – Camil

On May 28, 2012, Cosan S.A. signed an association agreement with Arfei Comercio e Participações S.A. (“Arfei”) and GIF Codajas Participações S.A. (“GIF Codajas”), an investment fund managed by Gávea Investimentos Ltda. whereby Cosan S.A. will contribute its sugar retail business in exchange for R\$345 million cash and a 11.72% interest in Camil, this transaction will be effected upon the fulfilling of certain contractual conditions.

Report of Independent Auditors to the Shareholders of Cosan S.A. Indústria e Comércio

We have audited the accompanying consolidated financial statements of Cosan S.A. Indústria e Comércio, which comprise the consolidated statement of financial position as at March 31, 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cosan S.A. Indústria e Comércio as at March 31, 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

São Paulo, June 6, 2011

ERNST & YOUNG TERCO
Auditores Independentes S.S.

Luiz Carlos Nannini
Partner

COSAN S.A. INDÚSTRIA E COMÉRCIO

Consolidated Statements of Financial Position
March 31, 2011, 2010 and April 1, 2009
(In Thousands of Reais)

	Note	March 31, 2011	March 31, 2010	April 1, 2009
Assets				
Current				
Cash and cash equivalents	4	1,254,070	1,078,366	719,356
Restricted cash	5	187,944	44,972	11,757
Accounts receivable	7	594,857	766,415	599,163
Derivatives	26	55,682	230,561	17,022
Inventories	8	670,331	612,683	719,656
Advances to suppliers		229,325	201,573	206,032
Related parties	10	14,669	27,246	57,232
Recoverable taxes	9	374,991	327,864	265,417
Other current assets		80,385	75,157	69,508
		3,462,254	3,364,837	2,665,143
Non-current				
Deferred income taxes	18	715,333	686,139	809,218
Advances to suppliers		46,037	63,741	48,035
Related parties	10	91,954	81,411	-
Recoverable taxes	9	55,066	45,018	21,374
Judicial deposits		218,371	167,562	171,266
Other financial assets	6	420,417	355,370	303,467
Other non-current assets		443,752	450,819	392,023
Equity method investments	12	304,142	260,814	323,077
Biological assets	13	1,561,132	963,244	754,231
Property, plant and equipment	14	7,980,524	6,114,531	3,923,623
Intangible assets	15	3,445,674	3,381,466	2,465,955
		15,282,402	12,570,115	9,212,269
Total Assets		18,744,656	15,934,952	11,877,412

COSAN S.A INDÚSTRIA E COMÉRCIO

Consolidated Statements of Financial Position
March 31, 2011, 2010 and April 1, 2009
(In Thousands of Reais)

	<u>Nota</u>	<u>March 31, 2011</u>	<u>March 31, 2010</u>	<u>April 1, 2009</u>
Liabilities				
Current				
Current portion of long-term debt	16	916,400	795,001	1,449,504
Derivatives	26	132,289	76,703	66,895
Trade accounts payable		558,766	569,399	456,116
Salaries payable		183,560	141,584	93,156
Taxes payable	17	245,284	215,862	168,596
Dividends payable	21	190,285	116,569	-
Related parties	10	41,163	16,105	4,458
Other current liabilities		189,629	182,434	85,794
		<u>2,457,376</u>	<u>2,113,657</u>	<u>2,324,519</u>
Non-current				
Long-term debt	16	6,274,895	5,136,529	2,885,456
Taxes payable	17	639,071	592,854	328,760
Legal proceedings	19	666,282	611,983	1,277,165
Related parties	10	4,444	-	405,871
Pension	27	24,380	-	65,108
Deferred income taxes	18	1,510,965	1,122,408	528,969
Other non-current liabilities		382,897	375,344	362,393
		<u>9,502,934</u>	<u>7,839,118</u>	<u>5,853,722</u>
Equity				
Common stock	21	4,691,822	4,687,826	3,819,770
Treasury shares		(19,405)	(4,186)	(4,186)
Capital reserve		537,468	491,329	45,841
Profit reserves		1,248,976	744,089	-
Accumulated losses		-	-	(193,075)
Equity attributable to owners of the Company		<u>6,458,861</u>	<u>5,919,058</u>	<u>3,668,350</u>
Equity attributable to non-controlling interests		<u>325,485</u>	<u>63,119</u>	<u>30,821</u>
Total Equity		<u>6,784,346</u>	<u>5,982,177</u>	<u>3,699,171</u>
Total Liabilities and Equity		<u>18,744,656</u>	<u>15,934,952</u>	<u>11,877,412</u>

See accompanying notes to consolidated financial statements.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Consolidated Income Statements

Years ended March 31, 2011 and 2010

(In thousands of Reais, except otherwise stated)

	Note	2011	2010
Net sales	22	18,063,480	15,336,055
Cost of goods sold	23	(15,150,079)	(13,271,331)
Gross profit		2,913,401	2,064,724
Operational income /(expenses)			
Selling	23	(1,026,000)	(862,726)
General and administrative	23	(541,002)	(496,346)
Other, net	25	(33,828)	37,523
Gain on tax recovery program	17	-	270,333
		(1,600,830)	(1,051,216)
Income before financial results, equity income of associates and income taxes		1,312,571	1,013,508
Equity income of associates	12	25,187	4,178
Financial results, net	24	(146,688)	455,168
		(121,501)	459,346
Income before income taxes		1,191,070	1,472,854
Income Taxes			
Current	18	(85,437)	(78,381)
Deferred	18	(329,071)	(344,923)
Net income for the year		776,562	1,049,550
Net income attributable to non-controlling interests		(4,997)	4,183
Net income attributable to Cosan		771,565	1,053,733
Earnings per share (in Reais)	21		
Basic		1.90	2.81
Diluted		1.90	2.72

See accompanying notes to consolidated financial statements.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Consolidated Statements of Changes in Equity Years ended March 31, 2011 and 2010 (In Thousands of Reais)

			Capital Reserve		Profit Reserves		Accumulated earnings (losses)	Total	Non- controlling interests	Total Equity
	Common Stock	Treasury shares	Additional paid-in capital	Other Components of equity	Legal reserve	Retained earnings				
April 1, 2009	3,819,770	(4,186)	45,841	-	-	-	(193,075)	3,668,350	30,821	3,699,171
Acquisition of Teapu	-	-	164,976	-	-	-	-	164,976	142,535	307,511
Acquisition of Curupay	334,172	-	232,429	-	-	-	-	566,601	(121,927)	444,674
Exercise of stock option	6,003	-	-	-	-	-	-	6,003	-	6,003
Exercise of common stock warrants	527,881	-	-	-	-	-	-	527,881	-	527,881
Acquisition of TEAS	-	-	-	-	-	-	-	-	15,873	15,873
Cumulative translation adjustment - CTA	-	-	-	(2,944)	-	-	-	(2,944)	-	(2,944)
Pension	-	-	-	42,056	-	-	-	42,056	-	42,056
Share based compensation	-	-	8,971	-	-	-	-	8,971	-	8,971
Net Income	-	-	-	-	-	-	1,053,733	1,053,733	(4,183)	1,049,550
Destination:										
Legal reserve	-	-	-	-	24,541	-	(24,541)	-	-	-
Proposed Dividends (Note 21)	-	-	-	-	-	-	(116,569)	(116,569)	-	(116,569)
Reserves	-	-	-	-	-	719,548	(719,548)	-	-	-
March 31, 2010	4,687,826	(4,186)	452,217	39,112	24,541	719,548	-	5,919,058	63,119	5,982,177
Exercise of stock option	3,995	-	-	-	-	-	-	3,995	-	3,995
Exercise of common stock warrants	1	-	-	-	-	-	-	1	-	1
Issuance of common stock by Rumo to non-controlling shareholders	-	-	206,404	-	-	-	-	206,404	193,596	400,000
Acquisition of Logisport	-	-	-	-	-	-	-	-	64,277	64,277
Hedge accounting	-	-	-	(143,298)	-	-	-	(143,298)	-	(143,298)
Cumulative Translation Adjustment - CTA	-	-	-	346	-	-	-	346	-	346
Pension	-	-	-	(19,435)	-	-	-	(19,435)	-	(19,435)
Acquisition of treasury shares	-	(15,219)	-	-	-	-	-	(15,219)	-	(15,219)
Adjustment from impact recorded directly in equity of subsidiary	-	-	(839)	-	-	-	-	(839)	(504)	(1,343)
Share based compensation	-	-	2,961	-	-	-	-	2,961	-	2,961
Net Income	-	-	-	-	-	-	771,565	771,565	4,997	776,562
Destination:										
Complementary dividends	-	-	-	-	-	(83,431)	-	(83,431)	-	(83,431)
Legal reserve	-	-	-	-	38,578	-	(38,578)	-	-	-
Proposed dividends (Note 21)	-	-	-	-	-	-	(183,247)	(183,247)	-	(183,247)
Reserves	-	-	-	-	-	549,740	(549,740)	-	-	-
Balance at March 31, 2011	4,691,822	(19,405)	660,743	(123,275)	63,119	1,185,857	-	6,458,861	325,485	6,784,346

See accompanying notes to consolidated financial statements.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Consolidated Statements of Comprehensive Income
Years ended March 31, 2011 and 2010
(In Thousands of Reais)

	<u>2011</u>	<u>2010</u>
Net income of the period	776,562	1,049,550
Other Comprehensive Income (Loss):		
Exchange differences on translation of foreign operations - CTA	346	(2,944)
Net movement on cash flow hedges	(217,118)	-
Actuarial gains and losses on defined benefit plans	(29,447)	63,721
Income tax effects	83,832	(21,665)
Other Comprehensive Income (Loss) for the year, net of tax	(162,387)	39,112
Total Comprehensive Income for the year, net of tax	<u>614,175</u>	<u>1,088,662</u>
Attributable to:		
Owners of the Company	619,172	1,084,479
Non-controlling interests	(4,997)	4,183

See accompanying notes to consolidated financial statements.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Consolidated Statements of Cash Flows Years ended March 31, 2011 and 2010 (In Thousands of Reais)

	2011	2010
Operating Activities		
Net Income	771,565	1,053,733
Non-cash adjustments to reconcile profit before tax to net cash flows from operating activities:		
Depreciation and amortization	1,359,000	1,127,960
Biological assets	(381,894)	(44,871)
Equity income	(25,187)	(4,178)
Gain on disposal of property, plant and equipment	(35,295)	(80,466)
Goodwill write-off aviation business	-	41,066
Deferred income taxes	329,071	344,923
Non-controlling interests	4,997	(4,183)
Share based compensation expenses	2,961	8,971
Gain on tax recovery program	-	(270,333)
Interest, monetary variations and foreign exchange variation, net	238,482	(185,280)
Other	4,584	(26,858)
	<u>2,268,284</u>	<u>1,960,484</u>
Change in assets/ liabilities		
Trade accounts receivable	164,693	2,415
Restricted Cash	(142,972)	(33,215)
Inventories	84,581	413,437
Taxes recoverable	(50,068)	(36,572)
Advances to suppliers	16,779	66,542
Suppliers	(32,361)	(46,515)
Provision for legal proceedings	26,859	25,829
Salaries payable	36,224	30,565
Derivatives	13,347	(231,043)
Other assets/ liabilities, net	(48,268)	(20,534)
Net cash flows from operating activities	<u>2,337,098</u>	<u>2,131,393</u>
Investing activities		
Acquisitions , net of cash acquired	(157,345)	(16,041)
Purchase of property, plant and equipment	(2,291,647)	(1,852,215)
Sugar cane planting and growing costs	(745,572)	(647,467)
Proceeds from sale of the aviation business	-	115,601
Proceeds from sale of other investments and property, plant and equipment	48,832	10,613
Net cash flows used in investing activities	<u>(3,145,732)</u>	<u>(2,389,509)</u>
Financing Activities		
Proceeds from long-term debt	2,719,522	3,427,928
Repayment of long-term debt	(1,967,938)	(2,846,648)
Capital increase	3,996	533,884
Cash proceeds from non-controlling interests	400,000	-
Share buy-back program (treasury shares)	(15,219)	-
Dividends paid	(193,095)	-
Cash from/ to related parties	37,072	(498,038)
Net cash flows from financing activities	<u>984,338</u>	<u>617,126</u>
Net increase in cash and cash equivalents	175,704	359,010
Cash and cash equivalents at the beginning of the year	1,078,366	719,356
Cash and cash equivalents at the end of the year	<u>1,254,070</u>	<u>1,078,366</u>
Supplemental disclosure of cash flow information:		
Income taxes paid	(38,844)	(62,337)
Financial interest expenses paid	(450,051)	(388,854)
Issuance of shares for acquisition of Curupay	-	624,192
Issuance of subsidiary shares (Rumo) for acquisition of Teaçu	-	261,777

See accompanying notes to the consolidated financial statements.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

1. Operations

Cosan S.A. Indústria e Comércio (“Cosan” or “the Company”) is a Brazilian Company with its shares traded on the São Paulo Stock Exchange (Bovespa – CSAN 3). Its registered office is located in the city of São Paulo, Brazil. Cosan Limited is the controlling shareholder of Cosan, holding a 62.2% interest therein as of March 31, 2011.

Cosan’s 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, (ii) Fuel Distribution and Lubricants: the marketing and distribution of fuel and lubricants, and the production of lubricants in Brazil, and (iii) Rumos: logistics services including transportation, port lifting and storage of sugar.

On February 1, 2010, the Company announced that it, along with Royal Dutch Shell (“Shell”), had reached a non-binding memorandum of understanding (“MOU”) to form a joint venture for a combined 50/50 investment. On August 25, 2010 the Company announced the conclusion of the negotiations with Shell and signed a binding MOU along with other arrangements. Cosan will contribute its sugar and ethanol and its distribution assets to the joint venture while Shell will contribute its distribution assets in Brazil and its interests on second generation ethanol research and development entities (Logen and Codexis). Shell will also make a fixed cash contribution in the amount of approximately \$1.6 billion over a two year period. The sugar logistics and lubricants distribution business along with the investment in Radar Propriedades Agrícolas S.A. will not be contributed to the joint venture. On January 4, 2011, the Company received unconditional merger clearance from the European Union to form the proposed Joint Venture in Brazil. On June 1, 2011, the Company signed the closing agreement to form the joint venture, named Raízen. During the year ended March 31, 2011, the joint venture did not impact Cosan’s financial statements except for the incurrence of costs and expenses related to its future formation.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements
Years ended March 31, 2011 and 2010
(In thousand Reais, unless otherwise stated)

2. Summary of significant accounting policies

2.1 Basis of preparation

a) Statement of compliance

The consolidated financial statements of Cosan have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These financial statements for the year ended March 31, 2011 are the first Cosan has prepared in accordance with IFRS. Refer to Note 3 for information on how the Company adopted IFRS.

These consolidated financial statements were authorized for issue by the Board of Directors on May 31, 2011.

b) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and biological assets that have been measured at fair value.

c) Functional and presentation currency

The consolidated financial statements are presented in Brazilian reais, which is the Company's functional currency. The financial statements of each subsidiary included in the consolidation and equity method investments are prepared based on the functional currency of each company. For subsidiaries and equity method investments with a functional currency other than Brazilian reais, their assets and liabilities were converted into Brazilian reais at the exchange rate as of year end and their revenues and expenses were converted by applying the average monthly rates.

d) Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the end of the reporting period. Such estimates and assumptions are reviewed on a continuous basis and changes are recognized in the period in which the estimates are revised and in any future periods affected.

A significant change in the facts and circumstances on which judgments, estimates and assumptions are based, may cause a material impact on the results and financial condition of the Company. The significant judgments, estimates and assumptions are as follows:

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

Deferred income taxes and social contribution

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. For further detail on deferred income taxes see Note 18.

Biological Assets

Biological assets are measured at fair value at each reporting date and the effects of changes in fair value between the periods are allocated directly to cost of goods sold. For further detail on the assumptions used see Note 13.

Intangible assets and Property, Plant and Equipment ("P,P&E")

The calculation of depreciation and amortization of intangible assets and P,P&E includes the estimation of the useful lives. Also, the determination of the acquisition date fair value of intangible assets and P,P&E acquired in business combinations is a significant estimate.

The Company annually performs a review of impairment indicators for intangible assets and P,P&E. Also, an impairment test is undertaken for goodwill. An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The key assumptions used to determine the recoverable amount for the different cash generating units for which goodwill is allocated are further explained in Note 15.

Share based payments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The estimation of fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the assumption of the expected life of the share option, volatility and dividend yield. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 29.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

Pension benefits

The cost of defined benefit pension plans and other post employment medical benefits and the present value of the pension obligation is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual results in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. A defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details about the assumptions used are included in Note 27.

Fair value measurement of contingent consideration

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Further details about the assumptions used in accounting for business combinations are included in Note 19.

Fair value of financial instruments

When the fair value of financial assets and liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. For further details on financial instruments refer to Note 26.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

2.2 Basis of consolidation

The following subsidiaries were included in the consolidated financial statements for the years ended March 31, 2011 and 2010:

	Ownership % direct and indirect	
	2011	2010
Administração de Participações Aguassanta Ltda.	91.5%	91.5%
Cosan S.A Açúcar e Álcool	99.6%	99.6%
Águas da Ponte Alta S.A.	91.5%	99.6%
Vale da Ponte Alta S.A.	91.5%	99.6%
Agrícola Ponte Alta S.A.	99.6%	99.6%
Cosan Centroeste S.A. Açúcar e Álcool	99.6%	99.6%
Barra Bioenergia S.A.	99.6%	99.6%
Benálcool Açúcar e Álcool S.A.	99.6%	99.6%
DaBarra Alimentos S.A.	-	99.6%
Docelar Alimentos e Bebidas S.A.	99.9%	99.6%
Barrapar Participações Ltda.	99.6%	99.6%
Aliança Indústria e Comércio de açúcar e Álcool S.A.	99.6%	99.6%
Agrobio Investimentos e Participações S.A.	99.6%	99.6%
Bioinvestments Negócios e Participações S.A.	91.5%	99.6%
Executive Participações S.A.	99.6%	-
Proud Participações S.A.	99.9%	99.9%
Cosan Distribuidora de Combustíveis Ltda.	99.9%	99.9%
Cosan S.A. Bioenergia	100.0%	100.0%
Cosan Energia S.A.	100.0%	100.0%
Cosan Biotecnologia S.A.	99.9%	99.9%
Cosan International Universal Corporation	100.0%	100.0%
Cosan Finance Limited	100.0%	100.0%
CCL Finance Limited	100.0%	100.0%
Cosan Overseas Limited	100.0%	-
Cosan Cayman Limited	100.0%	-
Cosan Cayman Finance Limited	100.0%	-
CCL Cayman Finance Limited	100.0%	-
Grançucar S.A. Refinadora de Açúcar	-	100.0%
Cosan Combustíveis e Lubrificantes S.A.	100.0%	100.0%
Copsapar Participações S.A.	90.0%	90.0%
Novo Rumo Logística S.A.	92.9%	92.9%
Rumo Logística S.A.	69.7%	92.9%
Cosan Operadora Portuária S.A.	69.7%	92.9%
Teaçu Armazéns Gerais S.A.	69.7%	92.9%
Pasadena Empreendimentos e Participações S.A.	100.0%	-
Teas Terminal Exportador de Álcool de Santos S.A.	66.7%	66.7%
Cosan Alimentos S.A. e empresas controladas	100.0%	100.0%
Cosan Araraquara Açúcar e Álcool Ltda. (former Usina Zanin Açúcar e Álcool Ltda.)	100.0%	-
Logisport Armazéns Gerais S.A.	51%	14.3%

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

Subsidiaries are fully consolidated from the date of acquisition, the date on which the Company obtains control, and continue to be consolidated until the Company ceases to have control of the subsidiary. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.3 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements and have been applied consistently by the subsidiaries and preparing the opening balance sheet as at April 1, 2009, except where indicated otherwise. The April 1, 2009 balance sheet was prepared to reflect the transition to IFRS.

a) Revenue recognition

Revenues from the sale of products or goods are recognized when the entity transfers to the buyer the significant risks and rewards incidental to ownership of the goods and merchandise, and when it is probable that the economic benefits associated with the transaction will flow to the Company. The sales prices are fixed based on purchase orders or contracts.

b) Foreign currency transactions

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

c) Financial instruments – Recognition initial and subsequent measurement

(i) Financial assets

Initial recognition and measurement

Financial assets are classified into the following categories: at fair value through profit or loss, held-to-maturity, available for sale and loans and receivables. The Company determines the classification of its financial assets upon initial recognition. Financial assets are initially recognized at fair value, plus, in the case of investments not designated at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of financial assets.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

Financial assets include cash and cash equivalents, restricted cash, trade accounts receivable, other receivables, marketable securities and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification, which can be as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and assets designated upon initial recognition at fair value through profit and loss. They are classified as held for trading if they were acquired with the purpose of selling or repurchasing in the short term. Derivatives are also measured at fair value through profit or loss, except those designated as hedging instruments. Interest, monetary and exchange variations and changes arising from the valuation at fair value are recognized in the income statement when incurred in the line of revenue or expense.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs. Amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity when the Company has the positive intention and ability to hold them to maturity. Interest, monetary, exchange rate, less impairment losses, if any, are recognized in income when incurred in the line of financial income/expense.

Available-for-sale financial assets

Financial assets available for sale are those non-derivative financial assets that are not classified as (a) loans and receivables, (b) investments held to maturity or (c) financial assets at fair value through profit and loss.

The Company has no financial assets classified as available for sale.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

Derecognition

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired; and
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the cash flows received without material delay to a third party under a pass-through arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, carried at amortized cost.

The Company's financial liabilities include payables to suppliers and other payables, loans and borrowings and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss and derivatives, except those designated as hedging instruments. Interest, monetary and exchange variations and changes arising from the valuation at fair value, where applicable, are recognized in the income statement when incurred.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are amortized or derecognized.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(iv) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

The fair value of financial instruments for which there is no active market is determined using valuation techniques. These techniques can include using recent market transactions (interest free) reference to the current fair value of other similar instruments, analysis of discounted cash flows or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 26.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

(v) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Company uses derivative financial instruments such as forward currency contracts, interest rate swaps and forward commodity contracts to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Derivatives designated in hedge transactions are initially recognized at fair value on the date on which the derivative is acquired, and subsequently also revalued to fair value. Derivatives are presented as financial assets when the instrument's fair value is positive and as liabilities when fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges are expected to be highly effective in offsetting changes in fair value or cash flows, being continually assessed to determine whether they were actually highly effective over all the base periods for which they were intended.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the income statement in other operating expenses.

Amounts recognized as other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as other comprehensive income are transferred to the initial carrying amount of the nonfinancial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

The Company uses forward currency contracts as hedges of its exposure to foreign currency risk in forecasted transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. Refer to Note 26 for more details.

Fair value hedge and hedges of a net investment

The Company does not hold derivative financial instruments designated in these types of operations.

d) Cash and cash equivalents and restricted cash

Cash and cash equivalents include cash, bank deposits and other short-term investments of immediate liquidity, redeemable within 90 days from date of issue, readily convertible into a known amount as cash and cash with insignificant risk of change in their market value.

The restricted cash relates mainly to deposits of margin requirements made with brokers who trade commodity derivative instruments linked to Cosan's derivatives instruments and financial transactions.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

e) Trade accounts receivable

Trade accounts receivable are receivables from customers and are reduced to their probable realizable value by a provision.

f) Inventories

Inventories are recorded at average cost of acquisition or production, not to exceed the net realizable value. Provisions for slow-moving or obsolete inventories are recorded when deemed necessary by management.

g) Equity method investments

Entities over which the Company exercises significant influence are accounted for by the equity method. Based on the equity method, investments are recorded on the balance sheet at cost, plus the changes following the acquisition of shares and the Company's share of equity income or loss of the associate.

The income statement reflects the share of operating results of associates based on the equity method. When a change is recognized directly in equity of the associate, the Company recognizes its share of the variations, where applicable, statement of changes in equity.

The financial statements of associates are prepared for the same period of presentation of the Company even if the fiscal year is not coincidental. Where necessary, adjustments are made to conform to the accounting practices of the Company.

After applying the equity method, the Company determines whether it is necessary to recognize additional loss of recoverable value on the Company's investment in its associate. The Company determines, at each year end, if there is objective evidence that investment in associate loss suffered by the impairment. If so, the Company calculates the amount of loss on the impairment as the difference between the recoverable value of the associate and the book value and the amount recognized in the income statement.

When there is loss of significant influence over the associate, the Company evaluates and recognizes the investment at fair value at that moment.

The unrealized gains and losses resulting from transactions between the Company and associate are eliminated in accordance with the participation held in the associate.

h) Biological assets

IAS 41 - *Agriculture* encompasses the accounting treatment of activities involving biological assets, which in the case of Cosan, refers to the sugarcane plantations. Biological assets are recognized at fair value at each balance sheet date and the effects of changes in fair values between the periods are allocated to cost of goods sold. The sugarcane plantation is measured at fair value in accordance with the discounted cash flow method. The harvest of Cosan begins generally in April each year and ends in the months of November and December.

Cosan's own land on which the biological asset is produced is accounted for in accordance with IAS 16 - *Property, Plant and Equipment*.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

i) Property, plant and equipment ("P,P&E")

Items of P,P&E are measured at historical cost of acquisition or construction, less accumulated depreciation and impairment when applicable.

Cost includes expenditures that are directly attributable to the acquisition of an asset. The cost of assets constructed by the entity includes the cost of materials and direct labor, other costs to put the asset in location and condition necessary for them to be able to operate in the manner intended by management, and borrowing costs on qualifying assets. Borrowing costs relating to funds raised for work in progress are capitalized until these projects are completed.

The Company carries out the planned major maintenance activities at its plants on an annual basis in order to inspect and replace components. This occurs between January and March. The principal costs include maintenance costs for labor, materials, third party services and overhead allocated during the interharvest period.

The estimated cost of a component of a piece of equipment that must be replaced each year is recorded as a component of cost of the equipment and depreciated over the following season. Costs of normal periodic maintenance are recorded as expenses when incurred since the components will not improve the production capacity or introduce improvements to equipment.

Depreciation is calculated on a straight line method based on useful life of each asset, following the annual depreciation rates shown below:

Buildings and improvements	4%
Containers	25%
Machinery and equipment	3% to 10%
Agricultural machinery	10%
Industrial equipment and facilities	10%
Furniture and fixtures	10%
Computer equipment	20%
Vehicles	10% to 20%
Locomotives	3.3%
Rail cars	2.9%
Boats and aircrafts	10%

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

j) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date.

Finance leases which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the income statement. A leased asset is depreciated over the useful life of the asset.

Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the lease term.

k) Intangibles

(i) Goodwill

Under Brazilian GAAP, goodwill arising from business combinations that occurred before March 31, 2009 was amortized on a straight line basis over a period of 5 to 10 years. After March 31, 2009 any remaining balances or new goodwill were no longer amortized and subject to impairment testing.

The goodwill considered for IFRS purposes was the ending balance as of March 31, 2009 (under Brazilian GAAP), except for the goodwill arising from the acquisition of Cosan Combustíveis e Lubrificantes S.A. ("Cosan CL"), for which IFRS 3 was applied.

Goodwill is maintained at its cost, less any impairment losses. Goodwill is tested annually for impairment. In order to perform impairment tests goodwill is compared to the recoverable amount of the related cash generating unit to which it was originally allocated.

(ii) Intangible assets with finite lives

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

l) Impairment

In accordance with IAS 36, the Company assesses annually whether there are indications of impairment in its long lived assets. If these indicators are identified, the Company estimates the recoverable amount of the assets. The recoverable amount of an asset or a group of assets is the greater of: (a) the fair value less estimated costs to sell it, and (b) its value in use. Value in use is the discounted cash flow (before taxes) from the continued use of the assets until the end of its useful life.

Regardless of the existence of indicators of loss of value, goodwill and intangible assets with indefinite useful lives are tested for impairment at least once a year.

When the book value of an asset exceeds its recoverable amount, the impairment loss is recognized as an operating expense in the income statement.

m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

The Company capitalizes borrowing costs for all eligible assets where construction was commenced on or after April 1, 2009.

n) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

o) Pension and other employment benefits

i) Defined benefit pension plan

The Company, through its subsidiary "Cosan CL" is the sponsor of a defined benefit pension plan for part of its employees. The cost of providing benefits under the defined benefit plan is determined annually by independent actuaries using the projected unit credit method.

Actuarial gains and losses for the defined benefit plan are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent periods.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

ii) Defined contribution pension plan

The Company, through its subsidiary Cosan Alimentos S.A. ("Cosan Alimentos") sponsors a defined contribution plan, for all employees of that subsidiary. The Company does not have a legal or constructive obligation to pay further contributions if the fund does not have sufficient assets to pay all benefits owed.

iii) Share-based payments

Employees (including senior executives) of the Company receive compensation in the form of equity investments for services rendered (equity-settled transactions).

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The Company uses the binomial model to estimate the fair value of the options at the date of the grant.

p) Treasury shares

The Company's equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.

q) Taxes

i) Income taxes

Income taxes are comprised of income tax and social contribution at a combined rate of 34%.

Deferred income tax assets are recognized for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and unused tax losses can be utilized.

Deferred income tax assets and liabilities are presented as non-current assets or liabilities and measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates that have been enacted at the reporting date

ii) Indirect taxes

Net revenues is recognized net of discounts and sales taxes (IPI, ICMS, PIS and COFINS).

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

r) Business combinations

Business combinations are accounted for using the acquisition method, from December 1, 2008 (transition date of business combinations for IFRS purposes), and the assets and liabilities assumed are measured at fair value for purposes of goodwill calculation. Goodwill represents the excess of the acquisition cost in comparison the fair value of the acquired assets and liabilities. If there is an excess of the acquirer's interest in the fair value of assets and liabilities acquired over the cost, the difference is recognized immediately in the income statement.

s) Asset retirement obligations

The retirement obligations of the subsidiary Cosan CL relate to the legally required obligation to remove underground fuel tanks upon retirement, the initial measurement of which is recognized as a liability discounted to present values and subsequently accreted through earnings. An asset retirement cost equal to the initial estimated liability is capitalized as part of the related asset's carrying value and depreciated over the asset's useful life.

t) Environmental matters

Cosan's production facilities and its plantation activities are both subject to environmental regulations. Cosan diminishes the risks associated with environmental matters, through operating procedures and controls and investments in pollution control equipment and systems. Cosan believes that no provision for losses related to environmental matters is currently required, based on existing Brazilian laws and regulations.

2.4 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 in March 31, 2011. The Management assessed the impact of these new pronouncements and interpretations and does not anticipate that its adoption will lead to a significant impact on the annual information of the Company and its subsidiaries in the year of initial application, as follows:

- IAS 24 Related Party Disclosures (Amendment) It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The amended standard is effective for annual periods beginning on or after 1 January 2011. Management is still evaluating the impact on its financial position or performance.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

- 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. 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 application 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. Earlier application is permitted. Management is still evaluating the impact on its financial position or performance from the adoption of IFRS 11.
- 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. Earlier application 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. Earlier application is permitted. Management is still evaluating the impact on its financial position or performance from the adoption of IFRS 13.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

- IFRIC 14 Prepayments of a minimum funding requirement. This standard applies only to those situations where an entity is subject to minimum funding requirements and anticipated contributions to cover these requirements. The standard allows the entity to account for the benefit of such prepayment as an asset. This standard is effective for fiscal years beginning from January 1, 2011. Management is still evaluating the impact on its financial position or performance from the adoption of IFRIC 14.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments - IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. Management is still evaluating the impact on its financial position or performance from the adoption of IFRIC 19.

Improvements to IFRS – The IASB standards for improvements and amendments to IFRS in May 2010 and the amendments will be effective from January 1, 2011:

- IFRS 3 – Business combination.
- IFRS 7 – Financial instrument: Disclosures.
- IAS 1 – Presentation of Financial Statements
- IAS 27 – Consolidated and Separate Financial Statements
- IFRIC 13 – Customer Loyalty Programme

Management is still evaluating the impact on its financial position or performance in relation to the 2010 improvements and amendments.

3. First-time adoption of IFRS

As mentioned in Note 2.1(a), these financial statements for the year ended March 31, 2011 are the first Cosan has prepared in accordance with IFRS.

Accordingly, the Company has prepared financial statements which comply with IFRS applicable for periods ending on March 31, 2011, together with the comparative period data as at and for the year ended March 31, 2010, as described in the accounting policies. In preparing these financial statements, the Company's opening statement of financial position was prepared as of April 1, 2009, the Company's date of transition to IFRS. This note explains the principal adjustments made by Cosan in restating its Brazilian GAAP statement of financial position as at April 1, 2009 and its previously published Brazilian GAAP financial statements as of and for the year ended March 31, 2010.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

IFRS 1 *First-Time Adoption of International Financial Reporting Standards* allows first-time adopters certain exemptions from the retrospective application of certain IFRS. The Company has applied the following exemptions:

- Business combinations: the Company used the exemption of IFRS 1 and has applied IFRS 3 - Business combinations - for acquisitions from December 1, 2008, date of purchase of Cosan CL (formerly known as Esso Brasileira de Petróleo Ltda.) and elected not to remeasure and restate business combinations that occurred before that date.
- Deemed cost: the Company elected to measure its farming land at fair value at the date of transition to IFRS. The effects of the deemed cost increased fixed assets with a corresponding increase in equity, net of income tax effects (see Note 14). The Company elected not to remeasure the remaining fixed assets. Remaining cost basis differences between inflation indexed asset values under IFRS and Brazilian GAAP attributable to Brazil's hyper-inflationary designation until 1997 are immaterial as of the IFRS transition date.
- Defined benefit pension plan: the Company elected to recognize all actuarial gains and losses against the retained earnings as at the date of transition to IFRS. See Note 27 for further details.
- Borrowing costs: The Company has applied the transitional provisions in IAS 23 *Borrowing Costs* and capitalizes borrowing costs on assets where construction was commenced on or after the date of transition.
- Cumulative currency translation differences: cumulative currency translation differences are deemed to be zero as at April 1, 2009.

Estimates

The estimates at April 1, 2009 and at March 31, 2010 are consistent with those made for the same dates in accordance with Brazilian GAAP (after adjustments to reflect any differences in accounting policies) apart from the following items where application of Brazilian GAAP did not require estimation:

- Biological assets
- Contingent consideration
- Certain financial instruments

The estimates used by the Company to present these amounts in accordance with IFRS reflect conditions at April 1, 2009, the date of transition to IFRS and as of March 31, 2010.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements
Years ended March 31, 2011 and 2010
(In thousand Reais, unless otherwise stated)

In preparing its opening balance sheet under IFRS, the Company has reclassified and adjusted amounts presented under Brazilian GAAP. An explanation of the effects of the transition from Brazilian GAAP to IFRS as follows:

3.1 Reconciliation of the statement of financial position

	Note	April 1, 2009				March 31, 2010			
		BRGAAP	Reclassification	Adjustments to IFRS	IFRS	BRGAAP	Reclassification	Adjustments to IFRS	IFRS
Assets									
Current									
Cash and cash equivalents		719,356	-	-	719,356	1,078,366	-	-	1,078,366
Restricted cash		11,757	-	-	11,757	44,972	-	-	44,972
Accounts receivable		599,163	-	-	599,163	766,415	-	-	766,415
Derivatives		17,022	-	-	17,022	230,561	-	-	230,561
Inventories	A	1,106,185	(386,529)	-	719,656	1,046,730	(434,047)	-	615,683
Advances to suppliers		206,032	-	-	206,032	235,552	(33,979)	-	201,573
Related parties		57,232	-	-	57,232	24,859	1,689	-	26,548
Deferred income taxes	i.ii	42,471	(42,471)	-	-	76,310	(76,310)	-	-
Recoverable taxes		265,417	-	-	265,417	327,864	-	-	327,864
Other current assets		50,277	19,231	-	69,508	61,163	13,994	-	75,157
		3,074,912	(409,769)	-	2,665,143	3,892,792	(528,653)	-	3,364,139
Non-current									
Deferred income taxes	ii	700,044	42,471	66,703	809,218	560,114	76,310	-	636,424
Advances to suppliers	.ii	48,035	-	-	48,035	63,741	-	-	63,741
Related parties		-	-	-	-	81,411	-	-	81,411
Recoverable taxes		21,374	-	-	21,374	45,018	-	-	45,018
Judicial deposits	i.	-	171,266	-	171,266	-	167,562	-	167,562
Other financial assets	gi	177,626	-	125,841	303,467	205,657	-	-	205,657
Other non-current assets		434,491	(42,468)	-	392,023	500,556	(49,737)	-	442,319
Equity method investments	f	278,209	-	44,868	323,077	193,123	-	-	193,123
Biological assets	a	-	942,533	(188,302)	754,231	-	1,106,675	-	1,106,675
Property, plant and equipment	a a, b, d, e	3,465,236	(592,171)	1,050,558	3,923,623	5,561,065	(678,342)	-	4,882,721
Intangible assets	b	2,447,464	59,404	(40,913)	2,465,955	2,901,307	75,436	-	2,976,743
		7,572,479	581,035	1,058,755	9,212,269	10,111,993	697,904	-	10,809,897
Total assets		10,647,391	171,266	1,058,755	11,877,412	14,004,785	169,251	-	14,174,036

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements
Years ended March 31, 2011 and 2010
(In thousand Reais, unless otherwise stated)

	Note	April 1, 2009				March 31, 2010			
		BRGAAP	Reclassification	Adjustments to IFRS	IFRS	BRGAAP	Reclassification	Adjustments to IFRS	IFRS
Liability									
Current									
Current portion of long-term debt	b	1,449,504	-	-	1,449,504	800,902	-	-	(588,592)
Derivatives		66,895	-	-	66,895	76,703	-	-	9,808
Trade accounts payable		456,116	-	-	456,116	569,399	-	-	113,283
Salaries payable		93,156	-	-	93,156	141,584	-	-	48,428
Taxes payable		168,596	-	-	168,596	215,862	-	-	47,266
Dividends payable		-	-	-	-	116,569	-	-	116,569
Related parties		5,169	(711)	-	4,458	14,416	1,689	-	12,727
Other current liabilities		85,794	-	-	85,794	182,434	-	-	96,640
		2,325,230	(711)	-	2,324,519	2,117,869	1,689	-	2,119,158
Non-current									
Long-term debt		2,885,456	-	-	2,885,456	5,136,529	-	-	2,251,073
Taxes payable	b	328,760	-	-	328,760	593,505	-	-	264,745
Legal proceedings	i.i	1,105,899	171,266	-	1,277,165	444,421	167,562	-	1,109,603
Related parties		405,160	711	-	405,871	-	-	-	405,871
Pension	hh	60,378	-	4,730	65,108	61,788	-	-	3,320
Deferred income taxes		-	-	528,969	528,969	346,599	-	-	182,370
Other non-current liabilities	bb	139,882	-	222,511	362,393	146,493	-	-	215,899
		4,925,535	171,977	756,210	5,853,722	6,729,335	167,562	-	5,561,715
Equity									
Common stock		3,819,770	-	-	3,819,770	4,687,826	-	-	868,056
Treasury shares		(4,186)	-	-	(4,186)	(4,186)	-	-	-
Capital reserves		45,841	-	-	45,841	51,868	-	-	6,027
Profit reserves	b, h	-	-	-	-	374,247	-	-	374,247
Accumulated earnings (losses)		(495,678)	-	302,603	(193,075)	-	-	-	302,603
Equity attributable to owners of the Company		3,365,747	-	302,603	3,668,350	5,109,755	-	-	1,441,405
Equity attributable to non-controlling interests	c	30,879	-	(58)	30,821	47,826	-	-	17,345
Total Equity		3,396,626	-	302,545	3,699,171	5,157,581	-	-	1,458,746
Total Liabilities and Equity		10,647,391	171,266	1,058,755	11,877,412	14,004,785	169,251	-	13,835,534

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

3.2 Reconciliation of the income statement – Year ended March 31, 2010

	Note	BR GAAP	Adjustments to IFRS	IFRS
Net sales		15,336,055	-	15,336,055
Cost of goods sold	b	(13,210,692)	(60,639)	(13,271,331)
Gross profit		2,125,363	(60,639)	2,064,724
Operational income /(expenses)				
Selling		(864,601)	1,875	(862,726)
General and administrative		(497,153)	807	(496,346)
Other, net	b	(22,781)	60,304	37,523
Gain on tax recovery program		270,333	-	270,333
		(1,114,202)	62,986	(1,051,216)
Income before financial results, equity income of associate and income taxes		1,011,161	2,347	1,013,508
Equity income of associates	f	(18,645)	22,823	4,178
Financial results, net	b	420,353	34,815	455,168
Income before income taxes		1,412,869	59,985	1,472,854
Income Taxes				
Current		(78,381)	-	(78,381)
Deferred		(355,454)	10,531	(344,923)
		(433,835)	10,531	(423,304)
Net income for the year		979,034	70,516	1,049,550
Net income attributable to non-controlling interests	c	7,461	(3,278)	4,183
Net income attributable to Cosan		986,495	67,238	1,053,733

3.3. Reconciliation of equity

	Note	01/04/2009	31/03/2010
BR GAAP equity		3,365,747	5,109,755
IFRS adjustments:			
Biological assets	a	(188,302)	(143,431)
Business combinations	b	57,891	376,510
Pension plan – defined benefit	h	(4,730)	61,786
Deemed cost of Property, plant and equipment	d	366,150	366,151
Borrowing costs	e	-	42,154
Other adjustments		(2,729)	(2,372)
Warrants on equity method investment	g	125,841	149,713
Investment property in associate	f	44,868	67,691
Deferred income tax on IFRS adjustments	ii	(96,444)	(107,578)
Non-controlling interest	c	58	(1,321)
IFRS equity excluding non-controlling interest		3,668,350	5,919,058
Presentation of non-controlling interest inside equity		30,821	63,119
IFRS equity		3,699,171	5,982,177

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

3.4 Reconciliation of net income – Year ended March 31, 2010

	<u>Note</u>	<u>Year ended March 31, 2010</u>
BR GAAP net income		986,495
IFRS adjustments:		
Biological assets	a	44,871
Business combinations	b	(76,886)
Pension plan – defined benefit	h	2,797
Borrowing costs	e	42,152
Other adjustments		355
Warrants on equity method investment	g	23,873
Investment property in associate	F	22,823
Deferred income tax on IFRS adjustments	li	10,531
Non-controlling interest	c	(3,278)
IFRS net income		1,053,733

The transition from Brazilian GAAP to IFRS did not result in a material impact on the statement of cash flows.

The significant adjustments as a consequence of the adoption of IFRS are described as follows:

a) Biological assets

According to the IAS 41, biological assets of the Company are measured at fair value at each reporting period, using the discounted cash flow method.

In accordance with accounting practices prior to the adoption of IFRS, the biological assets were recorded at their historical cost less amortization and were classified and presented in the statement of financial position as inventories or fixed assets. The costs classified in inventories related to maintenance costs of the crop to be harvested within 12 months, and the costs recognized in fixed assets related to the costs of the initial crop of sugarcane plants, which are amortized over five years, the estimated useful life.

The negative adjustment of biological assets to fair value as of the IFRS transition date was not considered an indicator of impairment of the previous carrying value of the previously classified inventory or fixed assets under Brazilian GAAP. Rather, such previous asset values were deemed recoverable as of April 1, 2009 based on the estimated future cash flows of all crops to be grown on the land as they are used to produce sugar and ethanol, as compared to the current fair value of biological assets which is based on the current status on crops in process.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

b) Business combinations

Under IFRS 3, all assets and liabilities of businesses acquired after the transition date, including any intangible assets are valued at their fair value at the date of transaction. In addition, purchases of businesses with payment in shares or other securities issued by the purchaser must also be measured at fair value for purposes of determining the purchase price, which consequently affects the value of goodwill calculated. Cosan considered the transition date for application of IFRS 3 to be December 1, 2008, the date of acquisition of Cosan CL.

The buyer must recognize contingent consideration at fair value at the acquisition date as part of the consideration for obtaining control of the acquiree.

If the Company's interest in the fair value of identifiable assets and liabilities acquired exceeds the acquisition cost, such excess is recorded as an immediate gain in income.

According to Brazilian GAAP, goodwill in a business combination was calculated based on the amount paid in cash. Amounts paid with shares considered the equity value of the shares given and not their market value and determination of the amounts did not consider the existence of any intangible assets to be recorded. Total consideration was then compared with the book value of the acquired company. If a discount was identified, it would be recorded in noncurrent liabilities.

Under Brazilian GAAP, up to March 31, 2010, goodwill on a business combination was calculated as the difference between the purchase price and the historical net assets of the business acquired. The purchase price, if not cash, and the net assets did not reflect any fair value considerations. Any negative goodwill would be presented as a liability.

c) Non-controlling interests

Under IAS 27 - Consolidated and Separate Financial Statements, the participation of non-controlling interest is presented as a component of equity.

According to Brazilian GAAP, up to March 31, 2010, non-controlling interests were presented between non-current liabilities and equity on the statement of financial position.

Also, some first time adoption adjustments impacted non-controlling interests.

d) Deemed cost

The Company elected to measure its farming land at fair value at the date of transition to IFRS. The adjustment was recorded against equity net of deferred taxes.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

e) Borrowing costs

Under Brazilian GAAP, up to March 31, 2010, the Company did not capitalize borrowing costs. The Company has applied the transitional provisions in IAS 23 *Borrowing Costs* and capitalizes borrowing costs on assets where construction was commenced on or after the date of transition

f) Investment property in associate

Radar Propriedades Agrícolas S.A. ("Radar") is an equity method investment of the Company that invests in farming land for rent and future appreciation. Under Brazilian GAAP, up to March 31, 2010, such land was recorded at cost. With the adoption of IFRS, Radar treated such land as investment property and elected to measure it at fair value. Fair value is measured at each reporting date, impacting the equity income of Cosan in regard to Radar.

g) Warrants on equity method investment

The Company holds warrants on Radar, exercisable at any time up to maturity (August 2018). Such warrants permit Cosan to purchase additional shares, equivalent to 20% of total shares as of the date of exercise. The exercise of warrants will not change the classification of this investment as an equity investment. Those warrants were not considered to be a financial instrument under Brazilian GAAP up to March 31, 2010 as they cannot be net settled. Radar is a privately owned entity. Under IFRS the warrants are treated as a separate financial instrument measured at fair value.

h) Pension plan - defined benefit

Under Brazilian GAAP, up to March 31, 2010, the Company recorded its defined benefit plan under the corridor approach with respect to actuarial gains and losses. With the adoption of IAS 19, the Company elected to recognize actuarial gain and losses in the period they occur as a component of other comprehensive income.

i) Reclassifications

The major reclassifications made in connection with the adoption of IFRS were as follows:

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

i) Judicial deposits

Under IFRS, judicial deposits related to provisions for legal proceedings are presented on a gross basis in non-current assets as they do not satisfy the requirements for compensation with the related liability under IAS 1. Previously, under Brazilian GAAP up to March 31, 2010, provisions for legal proceedings were presented net of related judicial deposits.

ii) Deferred income taxes

As required by IAS 12, all deferred income taxes have been reclassified to non-current assets or liabilities. Also, the balance of deferred income taxes was impacted by the adjustments previously mentioned.

4. Cash and cash equivalents

	2011	2010	April 1, 2009
<u>Local currency</u>			
Cash	289	384	125
Bank accounts	64,437	22,740	74,586
Highly liquid investments	1,076,599	877,017	528,539
<u>Foreign currency</u>			
Bank accounts	78,353	127,755	48,969
Highly liquid investments	34,392	50,470	67,137
	<u>1,254,070</u>	<u>1,078,366</u>	<u>719,356</u>

On March 31, 2011, the Company had unused lines of credit with BNDES, at the amount of R\$1,064,930 (2010: R\$765,075). The use of these lines of credit depends upon fulfillment of certain contractual conditions.

5. Restricted cash

	2011	2010	April 1, 2009
Restricted Financial Investments	61,072	-	-
Deposits in connection with			
Derivative Transactions	126,872	44,972	11,757
	<u>187,944</u>	<u>44,972</u>	<u>11,757</u>

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

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

6. Other financial assets

	2011	2010	April 1, 2009
Fair value of Radar option (1)	162,961	149,713	125,841
Treasury certificates – CTN (2)	257,456	205,657	177,626
	<u>420,417</u>	<u>355,370</u>	<u>303,467</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 for inflation (IPCA), 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 receivable

The balances of accounts receivables as of March 31, 2011, 2010 and April 1, 2009 are composed as follows:

	2011	2010	April 1, 2009
Domestic	678,498	715,481	539,326
Foreign	7,556	148,655	162,822
Allowance for doubtful accounts	(91,197)	(97,721)	(102,985)
	<u>594,857</u>	<u>766,415</u>	<u>599,163</u>

The analysis of the maturity of the accounts receivable is as follows:

	2011	2010	April 1, 2009
Current	555,826	483,279	359,644
Overdue			
Up to 30 days	21,097	273,435	228,943
From 31 to 60 days	4,317	4,760	1,882
From 61 to 90 days	553	4,146	4,227
From 91 to 180 days	4,096	717	327
More than 180 days	8,968	78	4,140
	<u>39,031</u>	<u>283,136</u>	<u>239,519</u>
	<u>594,857</u>	<u>766,415</u>	<u>599,163</u>

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

Changes in the allowance for doubtful accounts are as follows:

On April 1, 2009	(102,985)
Provision	(14,011)
Reversal	15,389
Write-offs	11,748
Addition from business combination	(7,862)
On March 31, 2010	(97,721)
Provision	(16,573)
Reversal	18,238
Write-offs	6,130
Addition from business combination	(1,271)
On March 31, 2011	(91,197)

8. Inventories

	2011	2010	April 1, 2009
Finished goods:			
Sugar	77,673	93,610	109,265
Ethanol	42,840	97,791	200,980
Fuel and Lubricants	326,634	226,248	274,430
Raw material	51,598	42,022	45,721
Spare parts and other	191,153	178,272	112,362
Provision for inventory realization and obsolescence	(19,567)	(25,260)	(23,102)
	<u>670,331</u>	<u>612,683</u>	<u>719,656</u>

Change in the provision for inventory realization and obsolescence is as follows:

On April 1, 2009	(23,102)
Addition	(14,528)
Reversal	12,370
On March 31, 2010	(25,260)
Addition	(13,483)
Reversal	19,176
On March 31, 2011	(19,567)

9. Recoverable taxes

	2011	2010	April 1, 2009
Income Tax	66,274	107,675	66,083
COFINS	121,474	74,571	81,024
PIS	27,338	24,263	21,667
ICMS – State VAT	151,161	119,404	76,474
IPI	47,741	21,911	35,204
Others	16,069	25,058	6,339
	<u>430,057</u>	<u>372,882</u>	<u>286,791</u>
Current	<u>(374,991)</u>	<u>(327,864)</u>	<u>(265,417)</u>
Non Current	<u>55,066</u>	<u>45,018</u>	<u>21,374</u>

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

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 Company has land leased from entities controlled by Group Aguassanta ("Aguassanta") a group of entities under common control, being Mr. Rubens Ometto de Silveira de Mello ultimate controlling shareholder. The lease costs are paid considering the ATR price published by CONSECANA and contracts having terms expiring between 2026 and 2027.

- **Radar**

The Company has land leased from entities controlled by Radar our associate. These lease costs are paid also considering the ATR price published by CONSECANA and most of the lease contracts have terms expiring in 2027.

- **Rezende Barbosa**

The Company holds a receivable originated from the acquisition of Curupay which are ultimately guaranteed by shares issued by the Company.

The Company executed a long-term sugar-cane supply agreement with Rezende Barbosa. Prices paid to them are based on ATR price published by CONSECANA .

- **Vertical UK LLP**

The Company sells and buys ethanol from Vertical UK ("Vertical") in the normal course of business. Vertical is a Trading Company headquartered in Switzerland for which we have a 50% stake .

- **Logispot**

In the year ended March 31, 2010 The Company acquired a minority stake in this entity and the installments outstanding represented the March 31, 2010 balance payable in regard to the share acquisition. In March 2011 The Company acquired the control of such entity as disclosed in Note 11.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

- Cosan Limited

Following the acquisition of Esso Brasileira de Petróleo Ltda. (CCL) which occurred in 2008, Cosan Limited purchased floating rate notes issued by this company in the past. The notes were denominated in US Dollars with interest based on Libor plus 2.8% per year. During the year ended March 31, 2010 the Company repaid such notes using resources raised from the issuance of Senior Notes due in 2014.

a. Summarized balances with related parties

	2011	2010	April 1, 2009
Current assets			
Vertical	6,430	5,015	26,850
Aguassanta	-	14,003	-
Rezende Barbosa	7,298	7,349	-
Other	941	879	30,382
Total current assets	14,669	27,246	57,232
Non-current assets			
Rezende Barbosa	91,954	81,411	-
Total assets	106,623	108,657	57,232
	2011	2010	April 1, 2009
Current Liabilities			
Rezende Barbosa	37,664	1,689	-
Logisport	-	11,244	-
Other	3,499	3,172	4,458
Total current liabilities	41,163	16,105	4,458
Non-current liabilities			
Cosan Limited	-	-	405,871
Other	4,444	-	-
Total non-current liabilities	4,444	-	405,871
Total Liabilities	45,607	16,105	410,329

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements
Years ended March 31, 2011 and 2010
(In thousand Reais, unless otherwise stated)

b. Summarized transactions with related parties

	2011	2010
Sales of products/ services		
Vertical UK	160,202	154,042
Aguassanta	39,131	101,902
Other	832	-
	<u>200,165</u>	<u>255,944</u>
Purchase of goods/ services		
Rezende Barbosa	(352,195)	(155,615)
Leased land		
Aguassanta	(26,459)	(18,817)
Radar	(28,446)	(23,852)
	<u>(54,905)</u>	<u>(42,669)</u>
Financial income/ (expense)		
Cosan Limited	(12)	78,615
Rezende Barbosa	233	18,045
Other	524	(84)
	<u>745</u>	<u>96,576</u>

c. Officers and directors compensation

Fixed and variable compensation for key management, including officers and directors were recorded as general, administrative and other expenses and amounted to as follows:

	2011	2010
Regular compensation	7,894	6,589
Stock option expense	2,961	8,971
Bonuses and other variable compensation	23,791	6,325
Total compensation recorded as expense	<u>34,646</u>	<u>21,885</u>

11. Business combination and acquisitions of non-controlling interest

a. Logisport Armazéns Gerais S.A. ("Logisport")

On March 14, 2011, Cosan, through its indirect subsidiary Rumo Logística S.A. ("Rumo"), purchased 874,226 common shares of Logisport, totaling R\$ 48,888 cash which increased its participation in the common shares of Logisport from 14.28% to 51.00%.

Logisport is located in the city of Sumaré and is an important link between plants in the state of São Paulo and Santos Port. The terminal is accessed by all railroads that cross the state of São Paulo and is beside the Anhanguera, Bandeirantes and Dom Pedro highways. The site has a static capacity of 400,000 tons, a structure to receive and send both through roads, as well as by rail, but the potential to carry a composition of 120 railcars of 90 tonnes per day (unaudited information).

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

The fair value at the acquisition date of the consideration transferred totaled R\$ 68,880, which consisted of the following:

Cash	48,888
Fair value of 14.28% of Cosan in Logisport immediately before the business combination	19,992
Total	<u>68,880</u>

The estimated fair value of assets acquired and liabilities assumed at the date of acquisition of Logisport were as follows:

Description	
Trade accounts receivable	1,297
Others assets	677
Property, plant and equipment	218,638
Deferred income and social contribution taxes	(64,394)
Others liabilities	(26,942)
Non-controlling interest	(63,901)
Net assets acquired	<u>65,375</u>
Consideration transferred, net of cash acquired	67,745
Provisional goodwill	<u>2,370</u>

The purchase price for the acquisition of Logisport was allocated on a preliminary basis based on the estimated fair value of assets acquired and liabilities assumed. The provisional goodwill has been allocated in the segment Rumo.

a. Cosan Araraquara Açúcar e Álcool Ltda. ("Usina Zanin")

On February 18, 2011, the Company acquired 100% of the share capital of Usina Zanin, for R\$90,000 cash.

Usina Zanin is located in the city of Araraquara and has a production capacity of 300m³ / day of anhydrous ethanol, 220m³ / day of hydrous ethanol, 925 tons / day of sugar and storage capacity of 35,000 m³ of ethanol and 25,000 tons of sugar (unaudited information).

The estimated fair value of assets acquired and liabilities assumed at date of acquisition of Usina Zanin, was as follows:

Description	
Inventories	8,511
Biological assets	87,115
Others assets	57,527
Property, plant and equipment	257,473
Intangible assets	4,407
Loans and Long-term debt	(280,941)
Provision for judicial demands	(21,471)
Deferred income and social contribution taxes	(45,277)
Others liabilities	(47,819)
Net assets acquired	<u>19,525</u>
Consideration transferred, net of cash acquired	88,927
Goodwill	<u>69,402</u>

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements
Years ended March 31, 2011 and 2010
(In thousand Reais, unless otherwise stated)

The purchase price of the acquisition of Usina Zanin was preliminarily allocated based on the estimated fair value of assets acquired and liabilities assumed. The preliminary goodwill has been allocated in the S&E segment.

b. TEAS Terminal Exportador de Álcool de Santos S.A. ("TEAS")

On November 24, 2009, the Company acquired, for R\$ 20,260 cash, an additional 26.7% interest, represented by 10,527,295 common shares, of TEAS from Crystalsev Comércio e Representação Ltda and Plínio Nastari Consultoria e Participações Ltda.. As a result of this transaction, Cosan increased its direct share ownership in TEAS from 40.0% to 66.7% and obtained control of TEAS. TEAS has a port concession and operates a dedicated terminal for export of ethanol.

The acquisition date fair value of the consideration transferred totaled R\$ 39,911, which consisted of the following:

Cash	20,260
Fair value of share of 40% of Cosan in TEAS immediately before the combination	19,651
Total	<u>39,911</u>

The following table summarizes the fair values of assets acquired and liabilities assumed at the acquisition date:

Description	
Property, plant and equipment	21,162
Others assets and liabilities, net	405
Non-controlling interest	(6,258)
Net assets acquired	<u>15,309</u>
Consideration transferred, net of cash acquired	22,610
Goodwill	<u><u>7,301</u></u>

The goodwill has been allocated in the S&E segment.

c. Curupay S.A. Participações ("Curupay")

On June 18, 2009, Cosan S.A. acquired 100% of the outstanding shares of Curupay S.A. Participações from Rezende Barbosa S.A. Administração e Participações ("Rezende Barbosa"), through the issuance of 44,300,389 common shares valued at R\$14.09 per share (fair value at the acquisition date) with a value of R\$ 624,192. The assets acquired include the non-controlling interest in Novo Rumo Logística S.A. ("Novo Rumo") representing 28.82% of its outstanding shares which were issued in the Teaçu Armazéns Gerais S.A. (Teaçu") acquisition, and 100% of the outstanding shares of two operating companies, Nova América S.A. Trading and Cosan Alimentos (collectively referred to as "Nova América").

With the acquisition of the noncontrolling interest of Novo Rumo, Cosan increased its share ownership in Novo Rumo to 92.88%. This transaction was a change in ownership interest without a loss of control and accounted for as a transaction in equity.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements
Years ended March 31, 2011 and 2010
(In thousand Reais, unless otherwise stated)

The following table summarizes the assets acquired and liabilities assumed in relation to Nova America:

Description	
Inventories	119,212
Related parties	67,741
Property, plant and equipment	885,786
Intangible assets	243,955
Noncontrolling interest in Novo Rumo	132,539
Others assets	340,776
Loans and Long-term debt	(1,174,631)
Taxes payables	(56,028)
Deferred income and social contribution taxes	(47,354)
Others liabilities	(303,651)
Net assets acquired	208,345
Consideration transferred, net of cash acquired	572,710
Goodwill	364,365

The goodwill of R\$ 364,365 arising from the acquisition was assigned to the Sugar and Ethanol operating segment ("S&E").

The purchase price to acquire Curupay was allocated based on the fair value of assets acquired and liabilities assumed. The Company obtained an independent valuation of property, plant and equipment, intangible assets, loans and long-term debt and internally determined the fair value of other assets and liabilities of the acquired business

d. Teaçu Armazéns Gerais S.A. ("Teaçu")

On April 9, 2009, the Company, through its 90% owned subsidiary, Copsapar Participações SA, which owns 100% of the Novo Rumo, acquired 100% of the shares of Teaçu of Rezende Barbosa for R\$ 121,131 and issue of 90,736,131 shares of Novo Rumo, equivalent to 28.82% of their capital. Teaçu holds a port concession and operates a dedicated terminal for export of sugar and other agricultural products.

As a result of this transaction, the Company reduced its indirect participation in Novo Rumo to 64.06%.

The acquisition date fair value of the consideration transferred totaled R\$ 382,908, which is formed by:

Cash	121,131
Common stock at fair value	261,777
Total consideration transferred	<u>382,908</u>

In the absence of a market price, the fair value of shares included in the consideration transferred was calculated using an income approach, using the present value of estimated future cash flows.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

The table below shows the fair values of assets acquired and liabilities assumed at the date of acquisition.

Description	
Property, plant and equipment	101,711
Intangible assets	316,977
Inventories	2,768
Others assets	61,740
Loans and Long-term debt	(43,355)
Suppliers	(1,111)
Provision for judicial demands	(7,532)
Deferred income and social contribution taxes	(104,551)
Others liabilities	(7,138)
Net assets acquired	319,511
Consideration transferred, net of cash acquired	382,432
Goodwill	62,921

The goodwill was assigned to Rumo operating segment.

The purchase price for the acquisition of Teaçu was allocated based on the fair value of assets acquired and liabilities assumed. The Company obtained an independent valuation of property, plant and equipment, intangible assets, loans and Long-term debt and internally determined the fair value of other assets and liabilities of the acquiree.

e. Additional information (unaudited)

If entities acquired during 2011 had been included in the income statement since the beginning of the year the additional revenue would be R\$ 254,368 and net income would be decreased in R\$ 6,461.

12. Equity Method Investments (associates)

	Investments			Equity income (loss) associates	
	2011	2010	April 1 2009	2011	2010
Radar (interest of 18.92%)	260,756	222,525	184,211	28,658	24,639
Uniduto Logística Ltda. (interest of 36.45%)	9,561	17,783	7,506	(12,391)	-
Logum Logística S.A.	18,300	-	-	-	-
Other investments	15,525	20,506	131,360	8,920	(20,461)
	304,142	260,814	323,077	25,187	4,178

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

Changes in investments

Balances at April 1, 2009	323,077
Equity income (loss)	4,178
Additions to investments	48,805
Change from associate to subsidiary	(119,051)
Others	3,805
Balances at March 31, 2010	260,814
Equity income (loss)	25,187
Additions to investments	37,979
Change from associate to subsidiary	(20,015)
Others	177
Balances at March 31, 2011	304,142

Information on investments

On March 31, 2011	Assets	Liabilities	Equity	Net income (loss)
Radar	1,804,609	426,355	1,378,254	151,421
Uniduto Logística Ltda.	27,836	1,608	26,228	(18,786)
Logum Logística S.A.	101,982	8,343	93,639	(4,289)

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements
Years ended March 31, 2011 and 2010
(In thousand Reais, unless otherwise stated)

13. Biological assets

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

	<u>Consolidated</u>
Balances at April 1, 2009	754,231
Change in fair value	44,871
Increase due to planting and growing costs	647,467
Harvested cane transferred to inventory	(483,325)
Balances at March 31, 2010	<u>963,244</u>
Change in fair value	381,894
Increase due to planting and growing costs	745,572
Harvested cane transferred to inventory	(616,693)
Increase resulting from business combination	87,115
Balances at March 31, 2011	<u>1,561,132</u>

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:

	<u>2011</u>	<u>2010</u>
Crop area (hectares)	340,386	297,864
Expect productivity (tons of cane per hectare)	84.74	90.36
Total amount of recoverable sugar – ATR (kg)	138.54	134.08
Price kg ATR projected average (R\$/kg)	0.4228	0.3781

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.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements
Years ended March 31, 2011 and 2010
(In thousand Reais, unless otherwise stated)

14. Property, plant and equipment

	Land and rural properties	Buildings and improvements	Machinery and Equipment	Aircraft	Rail cars and locomotives	Boats and vehicles	Furniture, fixtures and computer equipment	Construction in progress	Advances purchase property plant and equipment
Cost or valuation:									
Balances at April 1, 2009	1,025,824	806,335	1,994,666	14,131	-	212,983	103,590	881,561	203,49
Addition	4,297	5,313	49,580	-	-	313	494	1,326,213	-
Write-offs	(5,657)	(11,537)	(44,046)	(736)	-	(19,986)	(6,063)	-	(23,22
Transfers	635	133,202	1,025,250	4,691	-	28,985	15,182	(1,208,111)	-
Addition by acquisition	16,751	-	581,788	-	-	1,050	5,891	408,589	20,36
Balances at March 31, 2010	1,041,850	933,313	3,607,238	18,086	-	223,345	119,094	1,408,252	200,63
Addition	12,500	6,684	81,133	-	-	312	1,806	1,577,620	-
Write-offs	(4,445)	(10,001)	(29,556)	(1,148)	-	(2,814)	(5,575)	-	(87,89
Transfers	6,534	164,304	1,170,279	13,965	341,647	102,199	21,728	(1,824,414)	-
Addition by acquisition	206,801	27,956	151,338	-	-	-	153	57,307	36,21
Balances at March 31, 2011	1,263,240	1,122,256	4,980,432	30,903	341,647	323,042	137,206	1,218,765	148,94
Depreciation:									
Balances at April 1, 2009	-	(217,724)	(1,107,817)	(11,133)	-	(126,580)	(72,580)	-	-
Depreciation expenses	-	(43,550)	(198,621)	(2,026)	-	(22,960)	(10,503)	-	-
Disposals	(954)	6,505	33,016	68	-	15,553	4,332	-	-
Transfers	-	970	(795)	-	-	(351)	176	-	-
Addition by acquisition	-	-	-	-	-	-	-	-	-
Balances at March 31, 2010	(954)	(253,799)	(1,274,217)	(13,091)	-	(134,338)	(78,575)	-	-
Depreciation expenses	-	(46,053)	(218,193)	(2,133)	(6,128)	(18,348)	(14,467)	-	-
Disposals	(2,164)	5,947	24,776	29	-	2,487	5,160	-	-
Transfers	-	6,285	(4,878)	-	-	53	422	-	-
Addition by acquisition	-	-	-	-	-	-	-	-	-
Balances at March 31, 2011	(3,118)	(287,620)	(1,472,512)	(15,195)	(6,128)	(150,146)	(87,460)	-	-
Net salvage value:									
Balances at:									
March 31, 2011	1,260,122	834,636	3,507,920	15,708	335,519	172,896	49,746	1,218,765	148,94
March 31, 2010	1,040,896	679,514	2,333,021	4,995	-	89,007	40,519	1,408,252	200,63
April 1, 2009	1,025,824	588,611	886,849	2,998	-	86,403	31,010	881,561	203,49

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements
Years ended March 31, 2011 and 2010
(In thousand Reais, unless otherwise stated)

Capitalization of borrowing costs

On March 31, 2011, borrowing costs capitalized amounted to R\$ 70,543 (R\$ 43,302 in 2010). The weighted average interest rate, used for capitalization of interest on the balance of construction in progress, was 9.13% at March 31, 2011 (6.47% in 2010).

15. Intangible assets

	Software license	Trademarks	Goodwill	Customer base	Favorable operating leases	Distribution rights	Others	Total
Cost or valuation:								
Balances at April 1, 2009	66,090	341,221	1,770,176	266,443	-	59,404	-	2,503,334
Addition	7,139	-	-	-	-	42,607	-	49,746
Write-off	(5,972)	-	(41,066)	-	-	-	-	(47,038)
Transfers	633	-	-	-	-	-	-	633
Addition by acquisition	2,507	88,450	434,587	316,977	155,505	-	14,226	1,012,252
Others	-	-	15,554	-	-	-	-	15,554
Balances at March 31, 2010	70,397	429,671	2,179,251	583,420	155,505	102,011	14,226	3,534,481
Addition	33,709	-	-	-	-	68,280	30,157	132,146
Write-off	(6,103)	-	-	-	-	-	(600)	(6,703)
Transfers	-	-	-	-	-	-	(1,546)	(1,546)
Addition by acquisition	60	-	71,772	-	-	-	1,026	72,858
Others	-	-	2,297	-	-	-	-	2,297
Balances at March 31, 2011	98,063	429,671	2,253,320	583,420	155,505	170,291	43,263	3,733,533
Amortization								
Balances at April 1, 2009	(37,379)	-	-	-	-	-	-	(37,379)
Amortization expense	(14,153)	(49,134)	-	(20,030)	(6,479)	(26,576)	(2,433)	(118,805)
Write-off	5,874	-	-	-	-	-	-	5,874
Addition by acquisition	(2,186)	-	-	-	-	-	(519)	(2,705)
Balances at March 31, 2010	(47,844)	(49,134)	-	(20,030)	(6,479)	(26,576)	(2,952)	(153,015)
Amortization expense	(16,924)	(49,576)	-	(21,008)	(8,639)	(35,811)	(5,524)	(137,482)
Write-off	5,969	-	-	-	-	-	-	5,969
Transfers	(7,265)	-	-	-	-	-	3,829	(3,436)
Addition by acquisition	(47)	-	-	-	-	-	152	105
Balances at March 31, 2011	(66,111)	(98,710)	-	(41,038)	(15,118)	(62,387)	(4,495)	(287,859)
Net book value:								
Balances at March 31, 2011	31,952	330,961	2,253,320	542,382	140,387	107,904	38,768	3,445,674
Balances at March 31, 2010	22,553	380,537	2,179,251	563,390	149,026	75,435	11,274	3,381,466
Balances at April 1, 2009	28,711	341,221	1,770,176	266,443	-	59,404	-	2,465,955

Intangible asset	Annual amortization rate	2011	2010	April 1, 2009
Software license	20%	31,952	22,553	28,711
Trademarks				
Trademark Esso (a)	20%	68,696	93,677	118,657
Trademark Mobil (b)	10%	176,911	199,737	222,564
Trademark União (c)	2%	85,354	87,123	-
Customer base (d)	3.45%	247,907	257,176	266,443
Customer base (e)	3.70%	294,475	306,214	-
Favorable operating leases (f)	5.56%	140,387	149,026	-
Distribution rights	Straight line over contract term	107,904	75,436	59,404
Others		38,767	11,272	-
Total		1,192,353	1,202,214	695,779

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

- (a) refers to the right to use the trademark Esso, arising from the acquisition of Cosan CL.
- (b) refers to the right to use the trademark of Mobil lubricants arising from the acquisition of Cosan CL.
- (c) refers to the right to use the trademark sugar União arising from the acquisition of Curupay.
- (d) refers to the customer of Cosan CL acquired in its business combination.
- (e) refers to the customer base of Teaçu acquired in its business combination.
- (f) refers to favorable lease contracts arising from the acquisition of Curupay.

Impairment testing of goodwill

For the purpose of impairment testing, goodwill is allocated to the operating segments of the Company, at which goodwill is monitored for purposes of internal administration. Goodwill acquired through business combinations has been allocated to three cash-generating units, which are also the Company's operating segments, as presented below:

- Sugar and ethanol cash-generating unit ("S&E");
- Distribution of fuels and lubricants cash-generating unit ("CCL");
- Logistic cash-generating unit ("Rumo").

The combined value of goodwill allocated to each unit is as follows:

Carrying amount of goodwill	2011	2010	April 1, 2009
S&E cash-generating unit	1,433,982	1,374,437	1,003,378
CCL cash-generating unit	755,524	747,895	766,798
Rumo cash-generating unit	63,814	56,919	-
Total goodwill	2,253,320	2,179,251	1,770,176

As defined in the accounting policy described in note 2.3 (k), the Company tests annually the recoverable amount of goodwill.

The Company uses the value in use method to determine the recoverable amount of the cash-generating unit. The value in use calculation is based on the projection of the expected cash flows of the cash-generating units. The key assumptions used to determine the value in use include (i) sales prices of commodities, (ii) operating costs, (iii) capital expenditures and (iv) discount rates.

Management determines its cash flows based on its annual budgets taking into account for each cash generating unit (i) S&E: the expected long-term sales price of commodities, productivity of agricultural areas, the performance of total recoverable sugar ("ATR"), and related costs, (ii) CCL : the expected growth in operations based on gross domestic product and other macroeconomic aspects, (iii) Rumo: expectations of the Brazilian sugar production destined designated mainly for export. All these cash flows are discounted at rates that reflect specific risks relating to assets relevant to each cash generating unit.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

Management has not identified any impairments for its cash generating units. The determination of the recoverable amount depends on certain key assumptions as described above which are influenced by market conditions, technological and economic forces present at the time that the impairment test is undertaken and thus management cannot determine if impairment losses will occur in the future.

16. Loans and long-term debt

Description	Index	Average annual interest rate	2011	2010	April 1, 2009	Maturity date
Senior Notes Due 2014	Dollar (USD)	9.5%	576,814	631,246	-	July/2014
Senior Notes Due 2017	Dollar (USD)	7.0%	658,954	720,573	936,704	February/2017
Commercial promissory notes	DI – Interbank Deposits	3.0%	-	-	1,161,971	November/2009
BNDES	URTJLP	2.61%	1,308,034	1,053,337	230,504	October/2025
	Upon fixed	4.5%	242,508	-	-	July/2020
	UMBND	7.1%	38,947	-	-	July/2019
Bank Credit Notes	CDCA	0.6%+CDI	31,378	62,497	-	December/2011
ACC	Dollar (USD)	1.60%	228,229	296,375	143,250	March/2012
Perpetual Notes	Dollar (USD)	8.3%	1,236,209	810,896	1,054,119	November/2015
Resolution 2471 (PESA)	IGP-M	3.95%	674,392	603,504	579,856	April/2023
	Pre fixed	3.0%	114	121	129	October/2025
Rural Credits	Pre fixed	6.7%	92,352	-	-	October/2011
Pre Payments	Dollar (USD) + <i>Libor</i>	6.78%	736,472	976,277	-	February/2016
Credit Notes	125,0% CDI	-	303,719	380,140	-	February/2014
	Dollar (USD)	6.25%	314,105	182,831	-	February/2013
	Pre fixed	19.7%	10,142	-	-	October/2012
Finame	Pre fixed	4.92%	517,842	104,214	1,014	July/2020
	URTJLP	2.84%	187,336	94,775	43,653	March/2021
Others	Diverse	Diverse	33,748	14,744	183,760	Diverse
			7,191,295	5,931,530	4,334,960	
Current			(916,400)	(795,001)	(1,449,504)	
Non Current			6,274,895	5,136,529	2,885,456	

All loans and long-term debt are guaranteed by promissory notes and endorsements, 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:

	2011	2010	2009
13 to 24 months	745,454	612,101	42,322
25 to 36 months	762,649	748,966	49,799
37 to 48 months	1,010,797	235,191	83,140
49 to 60 months	777,963	849,737	23,882
61 to 72 months	878,092	113,057	19,447
73 to 84 months	222,289	825,623	16,676
85 to 96 months	453,711	109,472	943,421
Thereafter	1,423,940	1,642,382	1,706,769
	6,274,895	5,136,529	2,885,456

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

Resolution No. 2471 - Special Agricultural Financing Program (Programa Especial de Saneamento de Ativos), or PESA

From 1998 to 2000, the Company and its subsidiaries 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 6.

Senior Notes due 2014

On August 4, 2009, the indirect subsidiary CCL Finance Limited issued US\$ 350,000 of senior notes in the international capital markets. These senior notes, listed on the Luxembourg Stock Exchange, mature in August 2014 and bear interest at a rate of 9.5% per annum, payable semi-annually in February and August of each year, from February of 2010.

Senior Notes due 2017

On January 26, 2007, the wholly-owned subsidiary Cosan Finance Limited issued US\$400,000 of senior notes in the international capital markets. These senior notes, listed on the Luxembourg Stock Exchange, mature in November 2017 and bear interest at a rate of 7% per annum, payable semi-annually. The senior notes are guaranteed by Cosan, and its subsidiary, Cosan Açúcar e Álcool.

Promissory Notes

On November 17, 2008, the Company issued one series of 44 registered promissory notes. On November 12, 2009, the Company fully paid this debt.

BNDES

Refers to the financing of cogeneration projects, as well as the financing of greenfields (sugar and ethanol mills).

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

Perpetual Notes

On January 24 and February 10, 2006, Cosan issued perpetual notes which are listed on the Luxembourg Stock Exchange - EURO MTF. These notes bear interest at a rate of 8.25% per year, payable quarterly on May 15, August 15, November 15 and February 15 of each year, beginning May 15, 2006. These notes may, at the discretion of Cosan, be redeemed on any interest payment date subsequent to February 15, 2011. The notes are guaranteed by Cosan and by Cosan S.A. Açúcar e Alcool.

On November 5, 2010 the subsidiary Cosan Overseas Limited issued \$300,000 of perpetual notes in the foreign market, in accordance with "Regulation S". These notes bear interest at a rate of 8.25% per year, payable quarterly.

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

ACC contracts, pre payments and credit notes have been signed with several financial institutions and will be cleared through exports made from 2011 to 2014. These transactions are subject to interest rates ranging from 1.0% to 6.25% per annum payable semiannually and on maturity.

Finame

Finame borrowings are financing related to financing of machinery and equipment. These loans are subject to interest rates ranging from 1.15% to 9.73% per annum, payable monthly and are secured by underlying financed assets.

Covenants

The Company and its subsidiaries are subject to certain restrictive financial covenants set forth in existing loans and financing agreements. At March 31, 2011, Cosan was in compliance with its debt covenants.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

17. Taxes payable

	2011	2010	April 1, 2009
ICMS – State VAT	72,265	49,197	24,847
IPI	30,661	6,379	25,776
INSS	25,309	23,891	20,376
PIS	7,229	8,129	6,113
COFINS	33,721	32,077	23,492
Recovery program – REFIS IV	670,645	665,470	-
Recovery program - REFIS (1)	-	-	273,507
Recovery program – PAES (1)	294	409	69,813
Income Tax	20,928	1,945	41,099
Others	23,303	21,219	12,333
	884,355	808,716	497,356
Current	(245,284)	(215,862)	(168,596)
Non Current	639,071	592,854	328,760

- (1) These tax recovery programs have been reassessed and transferred to the Tax Recovery from Brazilian Law No 11.941/09 and MP 470/09, except for the recovery program related to PAES – salário educação.

Maturities of long-term taxes payables are as follows:

	2011	2010	April 1, 2009
13 – 24 months	67,848	59,698	44,549
25 - 36 months	61,205	57,933	43,409
37 - 48 months	60,396	54,991	42,644
49 - 60 months	60,008	51,241	28,837
61 - 72 months	52,243	51,026	24,067
73 - 84 months	46,707	44,303	24,067
85 - 96 months	45,799	38,911	24,067
As from 97 months	244,865	234,751	97,120
	639,071	592,854	328,760

Tax recovery program – Law 11.941/09 e Provisional Measure 470/09 (“Refis IV”)

On May 27, 2009 and October 13, 2009, Law 11.941 and MP 470 were approved by the Brazilian government creating a tax recovery program, permitting the taxpayer to settle its federal tax debts, previous recovery programs, and other federal taxes under court discussions with discounts on previously charged penalties and interest and in installments. Such discounts generated a gain of R\$270,333, recorded in the income statement.

Additionally, it was permitted for the taxpayer to offset a portion of the penalties and interest due with its balance of income tax loss carry forwards. MP470 also allowed taxpayers to use tax losses to offset the principal balance related to IPI taxes.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

18. Income taxes and social contribution

a) Reconciliation of income and social contribution tax expenses:

	2011	2010
Pretax income	1,191,070	1,472,854
Income tax and social contribution at nominal rate (34%)	(404,963)	(500,770)
Adjustments made for determining the effective rate		
Equity pick up	8,563	1,421
Non deductible donations and contributions	(9,130)	(4,167)
Tax effect due to tax recovery program – REFIS IV	-	59,038
Stock options expense	(1,007)	(3,050)
Others	(7,971)	24,224
Total of deferred and current taxes	(414,508)	(423,304)
Effective rate	34.80%	28.74%

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

	2011				2010	2009
<u>Assets</u>	Basis	IRPJ 25%	CSLL 9%	Total		
Tax losses:						
Tax losses	1,094,220	273,555	-	273,555	217,360	209,859
Negative social contribution	1,106,768	-	99,609	99,609	79,375	75,558
Temporary differences:						
Provisions for legal proceedings and other temporary differences	978,093	244,523	88,030	332,553	339,689	442,064
Temporary differences from IFRS adoption	28,284	7,071	2,545	9,616	49,715	81,737
	3,207,365	525,149	190,184	715,333	686,139	809,218
<u>Liability</u>						
Temporary differences:						
Exchange rate	(806,438)	(201,610)	(72,579)	(274,189)	(183,449)	-
Depreciation	(18,384)	(4,596)	-	(4,596)	-	-
Goodwill	(742,129)	(185,532)	(66,791)	(252,323)	(114,152)	-
Temporary differences from IFRS adoption:						
Business combination	(1,843,862)	(460,965)	(165,948)	(626,913)	(564,934)	(361,548)
Deemed cost	(366,150)	(91,573)	(32,953)	(124,490)	(124,490)	(124,490)
Others	(671,919)	(167,982)	(60,472)	(228,454)	(135,383)	(43,931)
	(4,448,882)	(1,112,222)	(398,743)	(1,510,965)	(1,122,408)	(528,969)
Total deferred taxes, net	<u>(1,192,488)</u>	<u>(587,073)</u>	<u>(208,559)</u>	<u>(795,632)</u>	<u>(436,269)</u>	<u>280,249</u>

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

In assessing the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment. There is no expiration term for the net operating loss carry forwards. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that Cosan will realize the benefits of these deductible differences at March 31, 2011, as well as the net operating loss carry forwards. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced. Income tax losses carry forwards and social contribution tax losses may be offset against a maximum of 30% of annual taxable income, with no statutory limitation period.

19. Provision for judicial demands

	2011	2010	April 1, 2009
Tax	418,744	397,051	1,121,338
Civil	82,599	66,556	77,406
Labor	164,939	148,376	78,421
	<u>666,282</u>	<u>611,983</u>	<u>1,277,165</u>

	Tax	Civil	Labor	Total
Balance at March 31, 2010	397,051	66,556	148,376	611,983
Provision	36,103	61,217	38,818	136,138
Settlements	(6,648)	(11,278)	(27,901)	(45,827)
Write off	(45,094)	(59,767)	(4,418)	(109,279)
Addition from acquisition	14,722	3,404	4,882	23,008
Monetary variation	22,610	22,467	5,182	50,259
Balance at March 31, 2011	<u>418,744</u>	<u>82,599</u>	<u>164,939</u>	<u>666,282</u>

Judicial demands deemed as probable loss

a) Tax

The major tax legal proceeding as of March 31, 2011, 2010 and April 1, 2009 are described as follows:

	2011	2010	April 1, 2009
Credit premium – IPI (i)	-	-	269,157
IPI credits (i)	-	-	92,722
Contribution to IAA (i)	-	-	84,904
IPC – 89 (ii)	80,273	86,503	81,546
Compensation with Finsocial (iii)	183,706	172,960	163,668
ICMS credits (iv)	56,880	60,240	46,226
PIS and COFINS	8,220	21,212	144,830
IPI	20,759	8,357	54,699
Income and social contribution taxes	2,093	789	43,463
Other	66,813	46,990	140,123
	<u>418,744</u>	<u>397,051</u>	<u>1,121,338</u>

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

(i) The Company and its subsidiaries opted to settle tax related claims in installments as provided by Brazilian Law No 11.941/09 and in MP 470/09 – Tax recovery program. The Company and its subsidiaries used accumulated tax losses to pay the related fines and interest. Consequently there was a full reduction of the claims related to IPI tax credit, as well as the installment payment of other federal taxes, that were recorded as Taxes Payable (Note 17)

(ii) In 1993 subsidiary Cosan CL filed a suit to challenge the balance sheet restatement index (IPC) established by the federal government in 1989, considering that 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 CL 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 which led the Company to record a provision in relation to those court rulings.

(iii) From June to December of 1994, the subsidiary Cosan CL used tax credits on COFINS taxes based on a favorable court ruling and compensated with other federal taxes. During 2008 the federal tax authorities in Brazil issued an assessment invalidating such compensation and therefore a provision related to this matter was recorded.

(iv) The provision for ICMS credits is comprised of: (a) tax assessment received, in which, despite the defense filed at the administrative and judicial levels, the legal counsel of the Company understand it is more likely than not that a loss will occur, (b) recovery of credits and financial charges on issues in which Company's management has a differing view from the tax authorities.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

b) Civil and labor claims

The Company and its 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.

The Company and its 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.

Judicial demands deemed as possible loss

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:

	2011	2010	April 1, 2009
Withholding income taxes (i)	194,498	182,824	161,440
ICMS – State VAT (ii)	490,896	322,340	178,390
IPI – Federal VAT (iii)	270,817	263,597	75,667
Compensation with IPI – IN 67/98 (iv)	181,292	174,867	157,525
Contribution to IAA – sugar & ethanol institute	9,107	2,544	73,184
INSS - social security (v)	72,616	4,061	1,839
PIS and Cofins (vi)	163,129	143,556	35,953
Other	188,777	117,784	80,686
	<u>1,571,132</u>	<u>1,211,573</u>	<u>764,684</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.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

(ii) ICMS – State VAT

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 nº 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.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

(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.

(v) 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 and 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

b) Civil and labor

The main civil and labor claims for which the unfavorable outcome is deemed possible are as follows:

	2011	2010	April 1, 2009
Civil	377,608	235,010	145,936
Labor	302,289	255,483	73,080
	679,897	490,493	219,016

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements
Years ended March 31, 2011 and 2010
(In thousand Reais, unless otherwise stated)

20. Commitments

Sales

Considering that the Company is mainly engaged in the commodities market, sales are substantially performed at the price on the date of sale. However, the Company has several agreements in the sugar market, which undertake to sell volumes of those products in future harvests.

The commitments for the sale of sugar, in tons, March 31, 2011 and 2010 are as follows (unaudited):

Year	2011	2010
2011	-	2,005,434
2012	2,279,000	1,828,134
Total	2,279,000	3,833,568

Purchases

Cosan has several commitments for the purchase of sugarcane from third parties in order to secure part of its production in subsequent years. The amount of sugarcane to be acquired has been calculated based on an estimate of the quantity to be ground by area. The amount to be paid by the Company is determined at the end of each harvest, according to prices published by CONSECANA.

Purchase commitments by harvest in tons on March 31, 2011 and 2010 are as follows (unaudited):

Year	2011	2010
2011	-	27,029,473
2012	25,129,648	23,600,912
2013	21,998,612	20,112,639
2014	18,060,914	16,345,120
2015	15,448,964	13,667,148
Thereafter	119,467,512	120,129,217
Total	200,105,650	220,884,509

At March 31, 2011, Cosan had a normal to crush 63 million tons (unaudited) of sugarcane during its harvest.

The Company has entered into contracts to purchase industrial equipment intended for maintenance and expansion of the mills, and to meet the demand of the electric energy co-generation project, in the total amount of R\$ 396,536 on March 31, 2011.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

Additionally, the Company through its subsidiary Rumo Logística S.A. entered into a commitment to purchase railcars, locomotives and invest in rail track improvements aimed at the expansion of the logistics business, as follows:

Year	2011	2010
2011	341,647	652,678
2012	178,431	126,892
2013	44,000	94,682
Total	564,078	874,252

Lease Agreements

Operating Leases

The Company and its subsidiaries have operating lease contracts on land used for planting sugarcane and the concession contract to operate the port terminal, which will end within 20 years.

The minimum payments related to these obligations are calculated on a straight-line basis over the term of the lease. The costs for these contracts during the year ended March 31, 2011 and 2010 consisted of the following:

	2011	2010
Minimum installment	155,800	113,953
Variable installment	186,484	112,990
Total	342,284	226,943

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of March 31, 2011 and 2010 are:

	2011	2010
Within 1 year	189,530	131,362
More than 1 year, less than 5 years	754,695	470,223
More than 5 years	1,379,313	1,354,501
Total	2,323,538	1,956,086

21. Equity

a) Common stock

The authorized common stock may be increased up to the limit of R\$5,000,000, with no need of an amendment to the Company's Bylaws, upon a decision of the Board of Directors.

As of March 31, 2011, the Company's capital is represented by 407,214,353 common shares (406,560,317 as of March 31, 2010 and 328,284,884 as of April 1, 2009), with no par value.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

Common shares issued and paid-in capital

Shares issued	Common share	Paid-in capital
As at April 1, 2009	328,284,884	3,819,770
Issuance on June 18, 2009 related to the business acquisition of Curupay	44,300,389	334,172
Issuance on July 15, 2009 for purposes of meeting needs of the Stock Option Plan	224,819	1,374
Issuance on August 7, 2009 due to the exercise of subscription warrants by the holders (A)	50	-
Issuance on October 5, 2009 for purposes of meeting needs of the Stock Option Plan	169,500	1,036
Issuance on October 28, 2009 due to the exercise of subscription warrants by the holders (A)	23,753,953	380,063
Issuance on December 15, 2009 due to the exercise of subscription warrants by the holders (A)	84,000	1,344
Issuance on December 15, 2009 for purposes of meeting needs of the Stock Option Plan	571,194	3,490
Issuance on December 22, 2009 due to the exercise of subscription warrants by the holders (A)	8,072,976	129,16
Issuance on December 31, 2009 due to the exercise of subscription warrants by the holders (A)	1,081,552	17,305
Issuance on March 29th, 2010 for purposes of meeting needs of the Stock Option Plan	17,000	10
As at March 31, 2010	406,560,317	4,687,826
Issuance on July 29, 2010 for purposes of meeting needs of the Stock Option Plan	449,879	2,749
Issuance on September 17, 2010 for purposes of meeting needs of the Stock Option Plan	91,657	560
Issuance on March 4, 2011 for purposes of meeting needs of the Stock Option Plan	112,500	687
As at March 31, 2011	407,214,353	4,691,822

- (A) In connection with a capital increase of R\$880,000 on September 19, 2008 through the issuance of 55,000,000 nominal shares, the subscribers of each new share also received one Subscription Warrant (Warrant) which resulted in 55,000,000 Warrants being issued. Each Warrant granted its holder the right to subscribe 0.6 common shares, with the distribution of fractional shares not being permitted. Therefore, the Warrants issued permitted the holders to purchase 33,000,000 shares. The Warrants were valid from their issue date up to December 31, 2009. The exercise price of each amount of Warrants which totals one share was R\$16.00 per share. As of December 31, 2009, 54,987,552 Warrants were exercised, the remaining 12,448 warrants expired.

b) Dividends

According to Cosan's by-laws, shareholders are entitled to minimum compulsory dividends of 25% of the year's net income, adjusted in accordance with article 202 of Law 6404/76 (Brazilian Corporate Law). For the year ended March 31, 2011 the minimum mandatory dividends were calculated and recorded as a liability as follows:

Net income attributable to Cosan	771,565
(Less) Legal reserve – 5%	(38,578)
	732,987
Dividends payable – 25%	183,247

Management has also proposed dividends above the minimum compulsory in the amount of R\$ 16,753, which is subject to approval by the shareholders, and will total R\$200,000 in dividends to be paid.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

c) Reserves

i) Legal reserve

On March 31, 2011, the Company designated 5% of net income as legal reserve, according to the Company's by-law and as required by the Brazilian corporate law.

ii) Profit retention reserve

In the shareholder's meeting, the Management will propose retention of part of net income in connection with the Company's Capital Expenditures' Program.

d) Program of shares purchase

On November 22, 2010, the Board of Directors approved a program to buy back the Company's common shares, to be held in treasury for future sale or cancellation. The validity period for this operation is up to 365 days (until November 22, 2011) and the maximum number of shares to be repurchased during the period is 6,640,091 shares, with no par value.

During the year ended March 31, 2011, the Company acquired 591,400 shares for R\$15,219 cash. The average amount of the acquired shares in the period was R\$25.71, and the maximum and minimum amount paid were R\$26.95 and R\$24.86, respectively, per share.

On March 31, 2011 the Company held in treasury 934.539 shares (343,139 at March 31, 2010), which market value per share, as of that date, amounted to R\$27.61.

e) Additional paid-in capital and noncontrolling interest

On September 2, 2010, the shareholders approved a capital increase at subsidiary Rumo through issuance of shares in exchange for cash provided by investors. As a result of this transaction, Cosan recorded noncontrolling interest in the amount of R\$193,596. The cash contribution in excess of the book value the investors interest in Rumo has been accounted for as an equity transaction, leading to an additional paid-in capital of R\$206,404.

f) Earnings per share

Earnings per share are computed by dividing net income by the weighted average number of common shares outstanding during the year. Diluted earnings per share are calculated by adjusting average outstanding shares for the impact of conversion of all potentially dilutive options

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

The table below reflects the income and share data used in the basic and diluted earnings per share calculation:

Basic:

	<u>2011</u>	<u>2010</u>
Numerator:		
Net income for Cosan	771,565	1,053,733
Denominator:		
Weighted average shares outstanding	406,430,612	375,564,513
Basic earnings per share	R\$ 1.90	R\$ 2.80

Diluted:

	<u>2011</u>	<u>2010</u>
Numerator		
Net income for Cosan	771,565	1,053,733
Denominator:		
Weighted average shares outstanding	406,430,612	375,564,513
Effect of stock options	294,718	11,358,372
	<u>406,725,330</u>	<u>386,922,885</u>
Diluted earnings per share	R\$ 1.90	R\$ 2.72

22. Gross sales

	<u>2011</u>	<u>2010</u>
Gross Sales	19,783,250	16,685,884
Indirect taxes and discounts	(1,719,770)	(1,349,829)
Net Sales	<u>18,063,480</u>	<u>15,336,055</u>

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

23. Expense by nature

Reconciliation of expenses by nature

The expenses are presented in the consolidated results by function. The reconciliation of income by nature/purpose for the years ended March 31, 2011 and 2010 is detailed as follows:

a) Expenses by Nature:

	2011	2010
Raw materials	(3,657,462)	(3,902,508)
Resale fuels	(10,084,103)	(8,393,136)
Payroll	(901,062)	(694,939)
Commercial expenses	(179,283)	(221,332)
Depreciation and amortization	(742,307)	(664,635)
Other expenses	(1,544,374)	(1,178,113)
	<u>(16,717,081)</u>	<u>(14,630,403)</u>

b) Segregated by:

	2011	2010
Cost of goods sold	(15,150,079)	(13,271,331)
Selling	(1,026,000)	(862,726)
General & Administrative	(541,002)	(496,346)
	<u>(16,717,081)</u>	<u>(14,630,403)</u>

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

24. Financial results, net

	2011	2010
<u>Financial expenses</u>		
Interest	(586,887)	(556,466)
Monetary variation (loss)	(81,341)	(64,395)
Other	(4,678)	(1,527)
	<u>(672,906)</u>	<u>(622,388)</u>
<u>Financial Income</u>		
Interest	63,791	96,521
Monetary variation (income)	34,018	13,374
Investment income	90,345	52,530
Other	603	1,333
	<u>188,757</u>	<u>163,758</u>
<u>Foreign exchange variation, net</u>	<u>282,705</u>	<u>558,977</u>
<u>Derivatives, net</u>		
Commodities derivatives	6,524	(186,268)
Exchange rate and interest derivatives	34,984	517,216
Warrants in associate	13,248	23,873
	<u>54,756</u>	<u>354,821</u>
	<u>(146,688)</u>	<u>455,168</u>

25. Other income (expense), net

	2011	2010
Other Income		
Gain on sale of aviation fuel distribution business	-	52,031
Gain on sale of fixed assets	43,708	3,707
Gain on sale of investments	6,704	-
Scrap and waste sales	6,950	6,417
Rental and leasing income	4,111	6,215
	<u>61,473</u>	<u>68,370</u>
Other Expenses		
Provision for judicial demands	(26,859)	(25,829)
Internal costs on Rumo transaction	(20,319)	-
Donations	(12,335)	-
Expenses on Zanin acquisition	(6,517)	-
Assets' non realization accrual	(15,985)	-
Other expenses	(13,286)	(5,018)
	<u>(95,301)</u>	<u>(30,847)</u>
	<u>(33,828)</u>	<u>37,523</u>

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

26. Financial instruments

Financial risk management

a) Overview

The Company is 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 exposure for which risk above, the object of the Company's risk management policies, the policies and processes for measurement, risk management and capital management

b) Risk management structure

The Company has two committees related to risk management: (i) Risk management committee, formed by three Board Director's members, one of them independent member, that meet, at least once by year, to discuss and determine the Company's hedge policies; (ii) Executive risk committee, formed by management of the Company, that meets on a weekly basis to analyze the foreign exchange and commodities market trends. The committee also reviews cover positions and the strategy of pricing exports of sugar in order to reduce the adverse effects of changes in sugar prices and the foreign exchange rate as well as monitoring the liquidity risks and counterparty (credit).

The Company is exposed to market risks, mainly related to the volatility of sugar prices and foreign exchange rates. Management analyzes these risks and uses financial instruments to hedge a portion of the risk exposure.

On March 31, 2011, 2010 and April 1, 2009, 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 S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

	Notional			Fair Value		
	March 31, 2011	March 31, 2010	April 1, 2009	March 31, 2011	March 31, 2010	April 1, 2009
Price risk						
Commodity derivatives						
Future contracts	1,308,033	1,177,437	423,691	(68,906)	112,382	9,629
Options contracts	10,364	1,074,579	149,021	(17,484)	(11,730)	(6,728)
Swap contracts	-	100,794	-	-	1,081	-
				<u>(86,390)</u>	<u>101,733</u>	<u>2,901</u>
Exchange rate risk						
Future contracts	(114,204)	2,103,056	861,787	(117)	471	7,384
Forward contracts	694,599	963,100	433,462	9,900	36,559	(53,330)
Options contracts	345,00	671,502	-	-	15,719	-
Swap agreements	-	-	570,700	-	-	(6,828)
				<u>9,783</u>	<u>52,749</u>	<u>(52,774)</u>
Interest rate risk						
Interest derivative	-	518,790	-	-	(624)	-
Total				<u>(76,607)</u>	<u>153,858</u>	<u>(49,873)</u>
Total Assets				<u>55,682</u>	<u>230,561</u>	<u>17,022</u>
Total Liabilities				<u>(132,289)</u>	<u>(76,703)</u>	<u>(66,895)</u>

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:

Price risk: commodity derivatives outstanding on March 31, 2011							
Derivatives	Long/Short	Market	Agreement	Maturity	Notional	Notional	Fair value
<i>Composition of derivatives financial instruments designated in hedge accounting</i>							
Future	Short	NYBOT	#11	1-May-11	23,150 T	26,442	(392)
Future	Short	NYBOT	#11	1-May-11	208,239 T	200,552	(2,154)
Future	Short	NYBOT	#11	1-Jul-11	520,877 T	424,617	(43,705)
Future	Short	NYBOT	#11	1-Oct-11	513,460 T	388,694	(56,734)
Future	Short	NYBOT	#11	1-Mar-12	139,656 T	121,973	2,827
Sub-total of futures of Sugar Sold					<u>1,405,382 T</u>	<u>1,162,278</u>	<u>(100,159)</u>
<i>Composition of derivatives financial instruments not designated in hedge accounting</i>							
Future	Long	NYBOT	#11	1-May-11	(55,883 T)	(49,591)	4,807
Future	Long	NYBOT	#11	1-Jul-11	(7,620 T)	(6,786)	66
Future	Long	NYBOT	#11	1-Oct-11	(50,802 T)	(40,314)	3,758
Future	Long	NYBOT	#11	1-Mar-12	(84,027 T)	(49,064)	22,623
Sub-total of futures of Sugar Purchased					<u>(198,333 T)</u>	<u>(145,755)</u>	<u>31,253</u>
Call	Short	NYBOT/OTC	#11	1-Oct-11	43,182 T	985	(6,559)
Call	Short	NYBOT	#11	1-Oct-11	55,883 T	3,651	(7,826)
Call	Short	NYBOT	#11	1-Jul-12	101,605 T	1,177	(4,597)
Sub-total of Call Sold					<u>200,669 T</u>	<u>5,813</u>	<u>(18,981)</u>
Put	Long	NYBOT/OTC	#11	1-Oct-11	43,182 T	985	574
Put	Long	NYBOT/OTC	#11	1-Oct-11	55,883 T	3,566	923
Sub-total de Put Purchased					<u>99,065 T</u>	<u>4,551</u>	<u>1,497</u>
Total de Commodities						<u>1,026,888</u>	<u>(86,390)</u>

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements
Years ended March 31, 2011 and 2010
(In thousand Reais, unless otherwise stated)

The fair value of these derivatives was measured by observable factors, such as quoted prices in active markets and, in some cases, by means of models whose assumptions are observable in the market.

d) Foreign Exchange risk

This arises from the possibility of fluctuations in the exchange rates of the foreign currencies used by the Company for the export revenues of products, imports, debt cash flow and other assets and liabilities denominated in a foreign currency. The Company uses 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 March 31, 2011 of derivatives used to hedge exchange rates:

Exchange risk : exchange derivatives outstanding on March 31, 2011						
Derivatives	Long/Short	Market	Agreement	Maturity	Notional	Fair value
<u>Composition of derivatives financial instruments designated in hedge accounting</u>						
Forward	Short	OTC/Cetip	NDF	1-Apr-11	166,150	3,279
Forward	Short	OTC/Cetip	NDF	31-May-11	117,782	2,094
Forward	Short	OTC/Cetip	NDF	1-Jul-11	84,645	1,349
Forward	Short	OTC/Cetip	NDF	1-Aug-11	85,300	1,422
Forward	Short	OTC/Cetip	NDF	3-Oct-11	396,618	11,046
Forward	Short	OTC/Cetip	NDF	2-Jan-12	91,075	3,744
Sub-total of Forward Sold					941,570	22,932
<u>Composition of derivatives financial instruments not designated in hedge accounting</u>						
Future	Long	BMFBovespa	Commerc. U.S. dollar	2-May-11	(114,204)	(117)
Sub-total of Future Purchased					(114,204)	(117)
Forward	Long	OTC	NDF (Offshore)	4-May-11	(10,780)	(625)
Forward	Long	OTC	NDF (Offshore)	4-Aug-11	(11,014)	(619)
Forward	Long	OTC	NDF (Offshore)	4-Nov-11	(11,246)	(613)
Forward	Long	OTC	NDF (Offshore)	3-Feb-12	(11,489)	(604)
Forward	Long	OTC	NDF (Offshore)	4-May-12	(11,722)	(584)
Forward	Long	OTC	NDF (Offshore)	3-Aug-12	(11,978)	(586)
Forward	Long	OTC	NDF (Offshore)	1-Nov-12	(12,239)	(595)
Forward	Long	OTC	NDF (Offshore)	4-Feb-13	(12,504)	(595)
Forward	Long	OTC	NDF (Offshore)	3-May-13	(12,739)	(571)
Forward	Long	OTC	NDF (Offshore)	2-Aug-13	(12,997)	(534)
Forward	Long	OTC	NDF (Offshore)	4-Nov-13	(13,256)	(493)
Forward	Long	OTC	NDF (Offshore)	4-Feb-14	(13,521)	(462)
Forward	Long	OTC	NDF (Offshore)	2-May-14	(13,743)	(476)
Forward	Long	OTC	NDF (Offshore)	4-Aug-14	(14,002)	(617)
Forward	Long	OTC	NDF (Offshore)	4-Nov-14	(14,261)	(754)
Forward	Long	OTC	NDF (Offshore)	4-Feb-15	(14,497)	(872)
Forward	Long	OTC	NDF (Offshore)	4-May-15	(14,726)	(991)
Forward	Long	OTC	NDF (Offshore)	4-Aug-15	(15,003)	(1,152)
Forward	Long	OTC	NDF (Offshore)	4-Nov-15	(15,254)	(1,291)
Sub-total of Forward Purchased					(246,970)	(13,033)
Total of exchange					580,395	9,783

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

On March 31, 2011 and 2010, the Company had the following net exposure to the variation of U.S. dollar assets and liabilities denominated in U.S. dollars:

	Consolidated			
	2011		2010	
	R\$	US\$ (in thousands)	R\$	US\$ (in thousands)
Bank accounts	78,353	48,108	127,755	71,732
Highly liquid investments	34,392	21,116	50,470	28,338
Restricted cash	126,872	77,898	44,972	25,251
Accounts receivable - foreign	7,556	4,639	148,655	83,467
Foreign currency-denominated loans	(542,334)	(332,982)	(479,290)	(269,112)
Export pre-payments	(736,472)	(452,184)	(976,277)	(548,161)
Senior Notes due in 2014	(576,814)	(354,156)	(631,246)	(354,433)
Senior Notes due in 2017	(658,954)	(404,589)	(720,573)	(404,588)
Perpetual bonds	(1,236,209)	(759,016)	(810,896)	(455,303)
Exchange exposure	(3,503,610)	(2,151,166)	(3,246,430)	(1,822,809)

e) Effects of hedge accounting

In the beginning of the year ended at March 31, 2011, the Company 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 Company 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 March 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	2010/11	Total
Future	OTC / NYBOT	#11	(353,930)	2,798	(351,132)
NDF	OTC / CETIP	USD	134,015	-	134,015
			(219,915)	2,798	(217,117)
(-) Deferred income tax			74,771	(951)	73,819
			(145,144)	1,847	(143,298)

During the year ended March 31, 2011, the Company recorded the amount of R\$15,568 on its results of operations due to hedged items that would no longer qualify to be designated under hedge accounting. Also, the Company recorded the amount of R\$18,679 related to the gains and losses of the hedges' ineffectiveness during the year ended March 31, 2011.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

	<u>2011</u>
<i>Cash flow hedge</i>	-
Balance at March 31, 2010	
Gain/(losses) of cash flow hedges for the period	
Commodities futures and swap contracts	(572,161)
Currency forward contracts	179,099
Reclassification adjustments for losses included in the income statement	175,945
Total before tax effect	(217,117)
Tax effect on gain/(losses) of cash flow hedges for the period – 34%	73,819
Balance at March 31, 2011	<u>(143,298)</u>

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 March 31, 2011, the Company has not presented interest rate risk derivatives outstanding (US\$ 300,000, as March 31, 2010, which fair value was R\$624).

g) Credit risk

A significant portion of sales made by the Company 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 buys and sells foreign exchange derivatives on BM&FBovespa and OTC contracts registered with CETIP (OTC clearing house) with banks Goldman Sachs & Co, Banco Santander S.A., Espirito Santo Investment do Brasil S.A., Deutsche Bank S.A. – Banco Alemão, Banco Bradesco S.A., Banco JP Morgan S.A., Banco Standard de Investimentos S.A., e Banco BTG Pactual S.A..

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

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. As of March 31, 2011, the total credit limit used as initial margin was R\$136,420 (R\$68,646 as of March 31, 2010). As a requirement to trade in BM&FBovespa, the Company posted on March 31, 2011, the amount of R\$50,000 (R\$83,042 as of March 31, 2010) as guarantee in the form of a settlement bond issued by a first-class banking institution. Over-the-counter derivative transactions of the Company are exempt from margin guarantees.

h) Liquidity risk

Liquidity risk is the risk that the Company 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) 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 is 116.25% 108.75% and, respectively, of its face value at 31 March 2011.

The fair market value of Perpetual bonds, described in note 16, at its market price is 100,6%, respectively, of its face value at 31 March 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.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

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

The Company enters 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 has the following hierarchy to determine and disclose the fair value of financial instruments by the technical evaluation:

- Level 1: quoted prices in an 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.

Assets and Liabilities measured at fair value	Level 1	Level 2	Total
March 31, 2011			
Warrants Radar	-	162,961	162,961
Derivative financial assets	35,577	20,105	55,682
Derivative financial liabilities	(122,084)	(10,205)	(132,289)
	<u>(86,507)</u>	<u>172,861</u>	<u>86,354</u>
March 31, 2010			
Warrants Radar	-	149,713	149,713
Derivative financial assets	128,658	101,903	230,561
Derivative financial liabilities	(51,880)	(24,823)	(76,703)
	<u>76,778</u>	<u>226,793</u>	<u>303,571</u>
April 1, 2009			
Warrants Radar		125,841	125,841
Derivative financial assets	9,638	7,384	17,022
Derivative financial liabilities	(6,738)	(60,157)	(66,895)
	<u>2,900</u>	<u>73,068</u>	<u>75,968</u>

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

j) Sensitivity analysis

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:

Assumptions for sensitivity analysis

For the analysis, the Company adopted three scenarios, being one probable and two that may have effects from impairment of the fair value of the Company's financial instruments. The probable scenario was defined based on the futures sugar and US dollar market curves as of March 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

Following is the sensitivity exhibit on the change in the fair value of the Company's financial derivatives:

		Impacts on the result (*)		
		Probable scenario	Possible scenario (25%)	Remote scenario(50%)
Price risk				
Commodity derivatives				
Futures agreements:				
Sale Commitments	Increase in sugar price	(100,160)	(312,284)	(625,326)
Purchase Commitments	Decrease in sugar price	(31,253)	(44,252)	(88,504)
Sales Commitments	Increase in hydrated ethanol	-	-	-
Options agreements:				
Call options sold	Increase in sugar price	(18,981)	(26,125)	(58,820)
Put options purchased	Increase in sugar price	1,496.71	(1,246)	(1,459)
		-	-	-
Exchange rate risk				
Exchange rate derivatives				
Futures agreements:				
Sale Commitments	R\$ / US exchange rate appreciation	(117)	(28,094)	(56,187)
Purchase Commitments	R\$ / US exchange rate depreciation	-	-	-
Forward agreements:				
Sale Commitments	R\$ / US exchange rate appreciation	(22,932)	(220,298)	(440,597)
		(13,033)	(46,871)	(92,877)

(*) Result expected for up to 12 months as from March 31, 2011

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

k) 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.

Occasionally, the Company purchases its own shares on the market, the timing of these purchases depends on market prices.

No changes were made in the objectives, policies or processes for managing capital during the years ended March 31, 2011 and 2010.

27. Pension and other post-employment benefits plan

a) Pension plan

Defined benefit

The Company's subsidiary Cosan CL has a noncontributory defined benefit pension plan (Previd Exxon) covering substantially all of its employees upon their retirement.

Defined contribution

The Company, through its subsidiary Cosan Alimentos S.A. ("Cosan Alimentos") sponsors a defined contribution plan, for all employees of that subsidiary. The Company does not have a legal or constructive obligation to pay further contributions if the fund does not have sufficient assets to pay all benefits owed.

During the years ended March 31, 2011 and 2010, the amount of contributions totaled R\$4,701 and R\$5,407 respectively.

b) Actuarial liability

The actuarial liability on Previd Exxon demonstrated in non-current liabilities at March 31, 2011 amounting to R\$24,380 (\$0 in 2010 and R\$ 65,108 on April 1, 2009).

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

Reconciliation of present value of defined benefit obligation and the fair value of plan assets, with assets and liabilities recognized on the balance sheet:

	2011	2010
Present value of actuarial obligation at beginning of the year	(325,534)	(362,339)
Interest cost	(35,107)	(32,583)
Current service cost	(4,445)	(5,478)
Benefits paid	24,637	18,985
Actuarial gain (loss) on obligation at beginning of the year	(43,374)	55,881
Present value of actuarial obligation at end of the year	(383,823)	(325,534)
Fair value of plan assets at beginning of the year	347,703	297,231
Expected return on plan assets	35,918	31,046
Contribution received by the fund	8,702	8,403
Benefits paid	(24,637)	(18,985)
Gain in fair value of assets	(8,243)	30,008
Fair value of plan assets at end of the year	359,443	347,703
Present value of liabilities in excess of fair value of assets	(51,703)	(61,788)
Actuarial gains and losses unrecognized	27,323	61,788
Actuarial liability	(24,380)	-

Total expense recognized in profit or loss:

Expense recognized in profit or loss	2011	2010
Current service cost	(4,445)	(5,478)
Interest on obligation	(35,107)	(32,583)
Expected return on plan assets	35,918	31,046
	(3,634)	(7,015)

Total amount recognized as other comprehensive income:

	2011	2010
Amount accumulated at 1 April	(42,056)	-
Unrecognized gains	29,447	(63,721)
Deferred income taxes	(10,012)	21,665
Amount accumulated at 31 March	(22,621)	(42,056)

Plan assets include:

	2011		2010	
	Value	Percentage	Value	Percentage
CDBs – Bank deposits	268,864	74.80%	261,690	74.83%
Equity securities of Brazilian Public Entities	90,580	25.20%	88,023	25.17%
Total	359,444	100%	349,713	100%

Plan assets are represented by financial assets with quoted prices in an active market and therefore are included as a Level 1 fair value type. The total expected rate of return on assets is calculated based on market expectations existing at that date applicable to the period over which the obligation should be liquidated. These expectations are reflected in the following main assumptions.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

The main assumptions used to determine the pension benefit obligations of the Company are as follows:

Defined benefit plan	2011	2010
Actuarial valuation method	Project unit credit	Project unit credit
Mortality table	AT 83 segregated by sex, decreased by 10%	AT 83 segregated by sex, decreased by 10%
Discount rate for actuarial liability	Interest:: 10.77% p.a. + inflation: 4.50% p.a.	Interest:: 11.08% p.a. + inflation: 4.50% p.a.
Expected rate of return on plan assets	Interest: 11.20% p.a. + inflation: 4.50% p.a.	Interest: 10.48% p.a. + inflation: 4.50% p.a.
Salary growth rate	6.07% + inflation: 4.50% p.a.	6.07% + inflation: 4.50% p.a.
Rate in increase of estimated benefits	0.00% p.a. + inflation: 4.50% p.a.	0.00% p.a. + inflation: 4.50% p.a.

During the year ended March 31, 2011 contributions to Previd Exxon – Sociedade Previdência Privada totaled R\$ 8,702 (R\$ 8,403 on March 31, 2010).

The Company expects contributions at the amount of R\$ 9,458 to be paid in relation to its defined benefit plan in 2012.

28. Shared-based payments

In the ordinary and extraordinary general meeting held on August 30, 2005, the guidelines for the outlining and structuring of a stock option plan for Cosan officers and employees were approved, thus authorizing the issue of up to 5% of shares comprising Cosan's share capital. This stock option plan was outlined to attract and retain services rendered by officers and key employees, offering them the opportunity to become shareholders of Cosan. On September 22, 2005, Cosan's board of directors approved the distribution of stock options corresponding to 4,302,780 common shares to be issued or treasury shares held by Cosan related to 3.25% of the share capital at the time, authorized by the annual/extraordinary meeting. The remaining 1.75% remained to be distributed. On September 22, 2005, the officers and key employees were informed regarding the key terms and conditions of the share-based compensation arrangement.

On September 11, 2007, the board of directors approved an additional distribution of stock options, in connection with the stock option plan mentioned above, corresponding to 450,000 common shares to be issued or purchased by Cosan related to 0.24% of the share capital at September 22, 2005. The remaining 1.51% may still be distributed.

On August 7, 2009, the board of directors approved an additional distribution of stock options, in connection with the stock option plan mentioned above, corresponding to 165,657 common shares to be issued or purchased by Cosan, due to changing in the management at that date.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

According to the market value at the date of issuance, the exercise price is R\$ 6.11 per share, without any discount. The exercise price was calculated before the valuation mentioned above based on an expected private equity agreement was not achieved. The options can be exercised after a waiting period of one year, considering a maximum percentage of 25% per annum of the total stock options offered by the Company within a period of 5 years.

The exercise of options may be settled only through issuance of new common shares or treasury shares.

The employees that leave Cosan before the vesting period will forfeit 100% of their rights. However, if the employment is terminated by Cosan without cause, the employees will have right to exercise 100% of their options of that particular year plus the right to exercise 50% of the options of the following year.

On March 31, 2011 all stock options related to that plan were exercised by issuance of new shares.

The number and weighted average exercise price of stock options are the following:

	Shares	Weighted average exercise price
Outstanding April 1, 2009	1,470,832	6.11
Exercised (July 17, 2009)	(224,819)	6.11
Option granted (August 8, 2009)	165,657	6.11
Exercised (October 10, 2009)	(169,500)	6.11
Exercised (December 15, 2009)	(571,194)	6.11
Exercised (March 29, 2010)	(17,000)	6.11
Outstanding March 31, 2010	653,976	6.11
Exercised (July 29, 2010)	(449,819)	6.11
Exercised (September 17, 2010)	(91,717)	6.11
Exercised (March 4, 2011)	(112,440)	6.11
Outstanding March 31, 2011	-	-

The fair value of share-based awards was estimated using a binominal model with the following assumptions:

	Options granted on September 22, 2005	Options granted on September 11, 2007	Options granted on August 7, 2009
Grant price	6.11	6.11	6.11
Expected life (in years)	7.5	7.5	Immediate
Interest rate	14.52%	9.34%	(1)
Expected Volatility	34.00%	46.45%	(1)
Expected Dividend yield	1.25%	1.47%	(1)
Weighted-average fair value at grant date	12.35	18.19	(1)

(1) The options were fully vested at the date of issuance so the fair value was the quoted market price as of the grant date

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

Expected Term - Cosan's expected term represents the period that Cosan's share-based awards are expected to be outstanding and was determined based on the assumption that the officers will exercise their options when the exercise period is over. Therefore, this term was calculated based on the average of 5 and 10 years. Cosan does not expect any forfeiture as those options are mainly for officers, whose turnover is low.

Expected Volatility – For the options granted on September 22, 2005 Cosan had its shares publicly-traded for less than 6 months as of April 30, 2006. Therefore, Cosan opted to substitute the historical volatility by an appropriate global industry sector index, based on the volatility of the share prices, and considering it as an assumption in its valuation model. Cosan has identified and compared similar public entities for which share or option price information is available to consider the historical, expected, or implied volatility of those entities' share prices in estimating expected volatility based on global scenarios. For the options granted on September 11, 2007 Cosan used the volatility of its shares as an assumption in its valuation model since Cosan's IPO in Brazil, in 2005.

Expected Dividends – As the Company was a relatively new public entity, the expected dividend yield was calculated based on the current value of the stock at the grant date, adjusted by the average rate of the return to shareholders for the expected term, in relation of future book value of the shares.

Risk-Free Interest Rate - Cosan bases the risk-free interest rate used the SELIC - Special System Settlement Custody.

29. 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. The Company presents three segments: Sugar and Ethanol ("S&E"), Fuel distribution and lubricants ("CCL") and sugar logistics ("Rumo") .

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 sugar cane bagasse.

The CCL segment includes the distribution and marketing of fuels and lubricants, mainly through franchised network of service stations under the brand "Esso" throughout the national territory

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

All non-current assets of the Company are located in Brazil.

b) Detailed net Sales per segment

	<u>2011</u>	<u>2010</u>
S&E		
Sugar	3,853,404	3,377,832
Ethanol	2,203,737	1,747,646
Cogeneration	194,889	93,583
Other	137,148	161,073
	<u>6,389,178</u>	<u>5,380,134</u>
CCL		
Fuels	10,902,267	9,437,316
Lubricants	822,420	634,045
Other	70,590	69,152
	<u>11,795,277</u>	<u>10,140,513</u>
Rumo		
Port lifting	118,139	142,120
Logistics	305,780	16,129
Other	24,084	4,541
	<u>448,003</u>	<u>162,790</u>
Adjustment/elimination	<u>(568,978)</u>	<u>(347,382)</u>
Total	<u><u>18,063,480</u></u>	<u><u>15,336,055</u></u>

c) Net Sales per region

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

	<u>2011</u>	<u>2010</u>
Brazil	72.63%	86.40%
Europe	24.93%	9.20%
Latin American (Except Brazil)	0.20%	2.80%
Middle east and Asia	1.48%	1.20%
North America	0.74%	0.30%
Other	0.02%	0.10%
Total	<u>100.0%</u>	<u>100.0%</u>

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

COSAN S.A. INDÚSTRIA E COMÉRCIO

Notes to the consolidated financial statements

Years ended March 31, 2011 and 2010

(In thousand Reais, unless otherwise stated)

d) Concentration of customers

S&E

There are several clients in this segment, one of which represents more than 10% of the segment net sales during 2011 and 2010-- the SUCDEN Group (25% and 17%, respectively).

CCL

In this segment there are no clients that represent more than 10% of the net sales.

Rumo

In 2011, 55% of the segment net sales were generated from sales to the S&E segment (33% in 2010), with another customer with revenues of more than 10% of this segment, Sucden Group representing 11% (14% in 2010).

Independent auditor's report

To the Board of Directors and Shareholders
Companhia de Gás de São Paulo - COMGÁS

We have audited the accompanying financial statements of Companhia de Gás de São Paulo, which comprise the balance sheet as at December 31, 2012 and the statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Companhia de Gás de São Paulo - COMGÁS

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Companhia de Gás de São Paulo as at December 31, 2012, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil, and in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Other matters

Supplementary information - statement of value added

We also have audited the statement of value added for the year ended December 31, 2012, which is the responsibility of the Company's management. The presentation of this statement is required by the Brazilian corporate legislation for listed companies. This statement was subject to the same audit procedures described above and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

São Paulo, January 30, 2013

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Renato Barbosa Postal
Contador CRC 1SP187382/O-0

Companhia de Gás de São Paulo - COMGÁS

Balance sheet at December 31

All amounts in thousands of reais

Assets	2012	2011	Liabilities
Current assets			Current liabilities
Cash and cash equivalents (Note 9)	169,725	41,110	Derivative financial instruments
Trade receivables (Note 10)	560,709	402,537	Borrowings
Other receivables (Note 11)	12,826	17,660	Non-current liabilities
Inventories (Note 12)	103,400	89,784	Trade payables
Indirect tax credits (Note 15)	58,305	46,227	Related parties
Gas/transportation paid and not used (Note 13)	119,902	111,927	Salaries and wages
Derivative financial instruments (Note 21)	34,675		Taxes payable
Other (Note 14)	32,535	30,156	Dividends payable
	1,092,077	739,401	Income taxes payable
Assets for sale (Note 16)	18,712	19,581	Advances from customers
	1,110,789	758,982	Other payables
Non-current assets			Non-current liabilities
Long-term receivables			Borrowings
Deferred income tax and social contribution (Note 24)	1,043,055	108,616	Non-current liabilities
ICMS recoverable (Note 17)	14,999	10,745	Advances from customers
Trade receivables (Note 18)	26,085	22,512	Bonus
Judicial deposits	21,932	18,494	Retirement benefits
Derivative financial instruments (Note 21)	125,768	82,164	Provisions
Other	1,320	1,666	
	1,233,159	244,197	Equity
Intangible assets (Note 19)	3,624,159	3,304,491	Share capital
	4,857,318	3,548,688	Capital reserves
			Revaluation reserves
			Revenue reserves
			Total equity
Total assets	5,968,107	4,307,670	Total liabilities and equity

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

Companhia de Gás de São Paulo - COMGÁS

Statement of income

Years ended December 31

All amounts in thousands of reais unless otherwise stated

	<u>2012</u>	<u>2011</u>
Net sales revenue (Note 29)	5,279,523	4,102,660
Sale of gas	4,790,535	3,747,530
Construction revenue - ICPC 01	447,044	326,591
Other income	41,944	28,539
Cost of gas	(3,881,871)	(2,996,617)
Cost of gas	(3,070,899)	(2,310,631)
Transportation and other	(363,928)	(359,395)
Construction - ICPC 01	(447,044)	(326,591)
Gross profit	1,397,652	1,106,043
Selling expenses (Note 30)	(126,491)	(115,696)
General and administrative expenses (Note 30)	(589,959)	(512,643)
Other operating expenses (Note 30)	(9,450)	(2,015)
Operating profit	671,752	475,689
Finance result, net (Note 31)	(163,650)	(159,960)
Finance income	45,884	25,920
Finance costs	(209,534)	(185,880)
Profit before income tax and social contribution	508,102	315,729
Income tax and social contribution (Note 24)	(141,447)	(79,590)
Profit for the year	<u>366,655</u>	<u>236,139</u>
Basic and diluted earnings per share attributable to the owners of the Company - R\$ per share (Note 32)		
Preference shares	3.29	2.12
Common shares	3.00	1.93

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

Companhia de Gás de São Paulo - COMGÁS

Statement of changes in equity

All amounts in thousands of reais

	Capital res			
	Share capital	Tax incentives	For future capital increase	pre re
At December 31, 2010	636,985	1,201	91	
Realization of revaluation reserve				
Income tax and social contribution on the realization of revaluation reserve				
Profit for the year				
Dividends paid				
Allocation of profit for the year				
Legal reserve				
Interest on capital				
Retention of profits				
At December 31, 2011	636,985	1,201	91	
Realization of revaluation reserve				
Income tax and social contribution on the realization of revaluation reserve				
Profit for the year				
Interim dividends				
Allocation of profit for the year				
Legal reserve				
Interest on capital				
Retention of profits				
Merger - Provence Participações S.A. (Note 1)			41	84
At December 31, 2012	636,985	1,201	132	84

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

Companhia de Gás de São Paulo - COMGÁS

Statement of cash flows

Years ended December 31

All amounts in thousands of reais

	<u>2012</u>	<u>2011</u>
Profit before income tax and social contribution	<u>508,102</u>	<u>315,729</u>
Adjustments		
Depreciation and amortization (Note 19)	290,563	242,081
Loss on write-off of intangible assets (Note 19)	5,925	1,220
Interest and monetary correction on borrowings and debentures	175,530	178,176
Provision for labor, civil and administrative contingencies/ judicial deposits	(4,627)	(5,991)
Post-employment benefit - CVM No. 600	16,444	14,086
Provision for impairment of trade receivables (Note 10)	<u>29,627</u>	<u>20,445</u>
	1,021,564	765,746
Changes in assets and liabilities		
Trade receivables	(188,788)	(59,686)
Tax credits and ICMS recoverable - Property, plant and equipment	(12,328)	(9,687)
Inventories	(13,616)	(7,777)
Trade payables	71,292	170,032
Taxes and social contributions	8,860	631
Provisions for vacation pay and profit sharing	3,473	924
Sundry credits, prepaid expenses and other	(6,887)	(45,219)
Advances from customers and other	<u>(2,263)</u>	<u>21,322</u>
Cash from operations	881,307	836,286
Interest paid on borrowings	(141,669)	(127,391)
Income tax and social contribution paid	<u>(251,554)</u>	<u>(183,121)</u>
Cash provided by operating activities	<u>488,084</u>	<u>525,774</u>
Cash used in investing activities	<u>(616,156)</u>	<u>(509,713)</u>
Additions to intangible assets	(616,156)	(509,713)
Net cash provided by (used in) financing activities	<u>256,687</u>	<u>(120,331)</u>
New borrowings	1,852,133	1,297,374
Repayment of principal of borrowings	(1,399,629)	(973,850)
Interest on capital	(66,854)	(63,942)
Payment of dividends	<u>(128,963)</u>	<u>(379,913)</u>
Increase (decrease) in cash and cash equivalents	128,615	(104,270)
Cash and cash equivalents at the beginning of the year	<u>41,110</u>	<u>145,380</u>
Cash and cash equivalents at the end of the year	<u><u>169,725</u></u>	<u><u>41,110</u></u>

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

Companhia de Gás de São Paulo - COMGÁS

Statement of value added

Years ended December 31

All amounts in thousands of reais

	<u>2012</u>	<u>2011</u>
Revenue	6,526,889	5,135,045
Sale of gas	6,072,320	4,799,170
Other operating expenses	46,498	31,732
Provision for impairment of trade receivables	(29,523)	(20,433)
Construction revenue - ICPC 01	447,044	326,591
Other expenses	(9,450)	(2,015)
Expenses and costs	(4,913,698)	(3,848,699)
Cost of gas and transportation	(4,290,153)	(3,363,796)
Cost of sales and services	(18,697)	(17,913)
Construction costs - ICPC 01	(447,044)	(326,591)
Materials, services and other expenses	(157,804)	(140,399)
Gross value added	<u>1,613,191</u>	<u>1,286,346</u>
Retentions	(290,008)	(240,595)
Amortizations	(290,008)	(240,595)
Net value added generated by the Company	<u>1,323,183</u>	<u>1,045,751</u>
Value added received through transfer	45,884	25,920
Finance income	45,884	25,920
Value added to distribute	<u>1,369,067</u>	<u>1,071,671</u>
Distribution of value added	1,369,067	1,071,671
Personnel and social charges	145,473	132,069
Taxes and contributions	615,588	485,132
Finance costs and rentals	241,351	218,330
Interest on capital	71,007	69,799
Retained earnings	295,648	166,341

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

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements at December 31, 2012

All amounts in thousands of reais unless otherwise stated

1 General information

The main activity of Companhia de Gás de São Paulo - COMGÁS ("Company") is the distribution of piped natural gas in part of the State of São Paulo (in approximately 180 municipalities, including the region referred to as Greater São Paulo) to industrial, residential, commercial, automotive, thermal-power generation and co-generation consumers.

The Company is a public company headquartered in São Paulo, State of São Paulo, Brazil, and is listed on the São Paulo Stock Exchange (BOVESPA).

At the Extraordinary General Meeting of the Company's shareholders held on December 19, 2012, the Board approved the Protocol of Merger and Justification referring to the downstream merger carried out by the Company of its parent company Provence Participações S.A. ("Provence"), a corporation headquartered at Avenida Presidente Juscelino Kubitschek, nº 1327, 4º andar, sala 16, in the city of São Paulo, São Paulo, enrolled under the National Corporate Taxpayers' Registry (CNPJ) No. 12.623.886/001-09. This protocol was signed by the Company and Provence on December 3, 2012.

Consequently, as from that date, the Company became a direct subsidiary of Cosan S.A. Indústria e Comércio, which holds 60.05% of the Company.

As disclosed in the balance sheet at that date, the main assets of Provence Participações S.A. were its investments in the Company's share capital and goodwill amounting to R\$ 2,482,767, calculated based on the statutory tax books, recorded when the investment was acquired on November 5, 2012. Due to this merger, goodwill will become deductible from the calculation basis of the Company's Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL), in accordance with the Article 386 of the Income Tax Regulations (Decree No. 300/99) and the Regulatory Instruction No. 11/99 of the Brazilian Federal Revenue Secretariat. In addition, a provision (R\$ 1,638,626) was recorded in the amount equivalent to the difference between the goodwill and the tax benefit arising from its amortization, as established by Article 6, Paragraph 1, of Brazilian Securities Commission (CVM) Instruction No. 319/99, with subsequent amendments.

Accordingly, on December 19, 2012, the net assets of our direct parent company Provence Participações S.A., which was merged into the Company's equity, was as follows:

Assets		Liabilities	
Current assets		Current liabilities	
Taxes recoverable	41	Related companies	1
	<u>41</u>		<u>1</u>
Non-current assets		Equity	
Investments	917,234		1,761,415
Tax benefit	<u>844,141</u>		
	<u>1,761,375</u>		<u></u>
Total assets	<u><u>1,761,416</u></u>	Total liabilities	<u><u>1,761,416</u></u>

Due to the merger, a share premium reserve was recorded in the Company in the amount of R\$ 844,141, equivalent to the tax benefit to arise from the amortization of this goodwill.

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

The Concession Contract for the Exploration of Public Piped Gas Distribution Services was signed on May 31, 1999 with the conceding authority - represented by the Sanitation and Energy Regulatory Agency for the State of São Paulo (ARSESP, formerly Energy Public Utilities Commission (CSPE)).

The Contract grants and regulates the concession for the exploration of public piped gas distribution services for a period of 30 years, which may be extended for a further period of 20 years at the concessionaire's request.

ARSESP is responsible for the enforcement of the agreement and for regulating, controlling and overseeing the operations of energy operators in the State of São Paulo.

The aforementioned Concession Contract describes the obligations of COMGÁS, the rules for tariff review, and the quality and safety indicators with which the Company must comply. ARSESP Ordinance 160/01 sets out the general conditions of piped gas supply.

The Concession Contract determines that the Company's tariffs are to be revised once a year, in the month of May, to realign the prices it charges with the cost of the gas it purchases and adjust its distribution margin for inflation.

These financial statements were approved by the Company's Board of Directors on January 22, 2013, considering the subsequent events occurred up to this date.

2 Summary of significant accounting policies

The main accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

2.1 Basis of preparation

- (a) These financial statements, including its notes, are being presented in thousands of reais unless otherwise stated, and were prepared in accordance with accounting practices adopted in Brazil, based on the provisions of the Brazilian Corporate Law, the standards of the Brazilian Securities Commission (CVM) and the Pronouncements and Guidelines issued by the Brazilian Accounting Pronouncements Committee (CPC), complemented by the Chart of Accounts of the Public Piped Gas Distribution Services, established by ARSESP Ordinance No. 22 of November 19, 1999. These financial statements are also presented in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

The Company does not have investments in subsidiaries/associated companies and/or other transactions from which the effects generated should to be included in the statement of comprehensive income.

- (b) There are no new CPC/IFRS pronouncements or interpretations effective as from 2012 that would be expected to have a material impact on the Company's financial statements.

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

2.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Board that makes the Company's strategic decisions.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured and disclosed using the currency of the primary economic environment in which the Company operates (the "functional currency").

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation, where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of income within "finance income or cost".

2.4 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with banks and other short-term highly liquid investments which are readily convertible into known amounts of cash and are subject to immaterial risk of change in value.

2.5 Financial assets

2.5.1 Classification and measurement

The Company classifies its financial assets in the following categories: (a) held-for-trading at fair value through profit or loss; (b) loans and receivables; (c) held-to-maturity; and (d) available-for-sale. The classification depends on the purpose for which the financial assets were acquired. At December 31, 2012 and 2011, the Company had no financial instruments classified in the following categories: (i) held-for-trading at fair value through profit or loss; (ii) held-to-maturity, except for derivatives, as disclosed in Note 2.7; and (iii) available-for-sale.

Loans and receivables

These comprise loans and receivables with fixed or determinable payments that are not quoted in an active market. They are recognized initially at fair value and subsequently adjusted according to the effective rate of the related transaction. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

The effective rate is established in contracts and adjusted by the related costs of each transaction.

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

2.5.2 Recognition and measurement

Purchases and sales of financial assets are recognized on the trade-date - the date on which the Company commits to purchase or sell the asset, when applicable. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

2.5.3 Offsetting of financial instruments

Financial assets and liabilities are not offset, except for derivatives, whose net amount reported in the balance sheet when there is a legal right to offset the amounts recorded and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.5.4 Impairment of financial assets

Assets carried at amortized cost

The Company periodically evaluates whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2.6 Fair value

Fair values of investments with publicly quotations are based on current market prices. For financial assets without an active market, the Company determines fair value through valuation techniques, which include the comparison of recent transactions with third parties, references to other substantially similar instruments, discounted cash flow analyses and the options pricing models.

2.7 Derivative financial instruments and hedging activities

Derivative financial instruments are recorded at fair value, and the monetary corrections are recorded in the statement of income for the year.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Company only applies fair value hedge accounting for hedging fixed interest and foreign exchange risks on borrowings, using floating rates in the local market (percentage of the Interbank Deposit Certificate rate (CDI)). The gain or loss relating to the effective portion of swaps is recognized in the statement of income within "Finance result". The gain or loss relating to the ineffective portion is recognized in the statement of income within "Finance result". Changes in the fair value of the hedged borrowings attributable to interest rate and/or foreign exchange risks are recognized in the statement of income within "Finance result".

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest method is used, is amortized to profit or loss over the period to maturity.

2.8 Trade receivables

Trade receivables are recognized at the amounts billed, adjusted to present value, when applicable. The provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to realize the amounts due under the original terms of the accounts receivable.

2.9 Inventories

Sundry materials are stated at the lower of cost and net realizable value. Cost is determined using the weighted average cost method.

Materials for construction in progress are recorded as inventories.

2.10 Non-current assets held for sale

Assets of the disposal group are classified as held for sale when their carrying value is recoverable, particularly in the case of a sale and when the completion of such sale is practically certain. These assets are stated at the lower of the carrying value and fair value, less sales cost, if the carrying value can be recovered, particularly by means of a sale transaction and not due to continuing use.

2.11 Intangible assets

(a) Concession agreement

The Company has an agreement for the public concession of gas distribution service, as disclosed in Note 1, in accordance to which the Conceding Authority, which, at the end of the concession, will hold a significant portion of the infrastructure, controls what services must be rendered and what prices will be applied. This concession agreement represents the right to charge from customers for the supply of gas during the effective period of the agreement. Therefore, the Company recognizes this right as an intangible asset.

Accordingly, the construction of the infrastructure necessary for the gas distribution is considered as a service rendered to the Conceding Authority, and the related income is recognized in the statement of income in the same amount of the cost. The financing costs directly related to the construction are also capitalized.

The Company does not recognize a margin in the infrastructure construction, since such margin is mainly linked to the services contracted from third-parties by amounts which reflect the fair value. Moreover, the ARSESP regulations do not support gains accrued in this activity.

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

The amortization of intangible assets reflects the pattern expected for the utilization of the future economic benefits by the Company, which correspond to the useful lives of the assets comprising the infrastructure consonant to the ARSESP provisions, as disclosed in Note 19.

The amortization of the intangible assets is discontinued when the related asset is fully used or written-off, and no longer is included in the calculation basis of the tariff for the rendering of the concession services, whichever occurs first.

The Company may request for one time only the extension of the distribution services for another 20 years, being subject to evaluation by the Conceding Authority. When the concession is terminated, the assets linked to the rendering of gas distribution services will be returned to the Conceding Authority, and the Company will be entitled to receive an indemnity to be determined based on assessments and evaluations considering the book values to be calculated at the time.

(b) Contracts with customers - loyalty programs

Costs with the implementation of the gas system (includes pipeline, valves, and general equipment) for new clients are recognized as intangible assets and amortized over the contract period.

(c) Computer software

Computer software licenses are capitalized and amortized over the estimated useful life of the software, at the rates disclosed in Note 19.

Ongoing costs of software development or maintenance are expensed as incurred. The expenditures directly related to identifiable and exclusive software controlled by the Company, which will probably generate economic benefits exceeding the costs for more than one year, are recognized as intangible assets. Directly attributable expenditures include the software development employee costs and the appropriate portion of applicable overheads. Computer software development costs recognized as assets are amortized on the straight-line method over their useful lives, at the rates disclosed in Note 19.

2.12 Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever significant events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Non-financial assets that suffered impairment are subsequently reviewed for possible reversal of the impairment at the reporting date.

2.13 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business and are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

Trade payables are recognized initially at fair value and subsequently, when significant, measured at amortized cost using the effective interest rate method.

2.14 Borrowings

Borrowings are initially recognized at fair value upon receipt of funds, and are subsequently carried at amortized cost, that is, plus charges and interest proportional to the time elapsed (pro rata temporis) or by the fair value, when hedged. When relevant, transaction costs are accounted for as a reduction of borrowings and recognized in the statement of income over the period of the debt, using the effective interest rate method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.15 Contingent liabilities and legal obligations

Contingent liabilities are provisioned when: (a) the Company has a present legal or constructive obligation as a result of past events; (b) it is probable that an outflow of resources will be required to settle the obligation; and (c) the amount can be reliably estimated. The contingent liabilities assessed as possible losses are only disclosed in a note to the financial statements and the contingent liabilities assessed as remote losses are neither provided for nor disclosed; and legal obligations are recorded as liabilities.

2.16 Other assets and liabilities (current and non-current)

An asset is recognized in the balance sheet when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. A liability is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past events, and it is probable that assets will be surrendered to settle the obligation. Liabilities include, when applicable, the related charges and monetary or foreign exchange variations incurred. The provisions are recorded based on the best estimates of the risk involved.

Assets and liabilities are classified as current when the realization or settlement is probable within the next 12 months. Otherwise, they are presented as non-current.

2.17 Current and deferred income tax and social contribution

The income tax and social contribution expenses for the period comprise current and deferred taxes. Income taxes are recognized in the statement of income, except to the extent that they relate to items recognized directly in equity. In this case, the tax is also recognized directly in equity.

The current income tax and social contribution are calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken by the Company in income tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

Deferred income tax and social contribution are recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax and social contribution are determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax and social contribution assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

2.18 Retirement benefit obligations

(a) Post-employment benefits

The Company offers the following post-employment benefits:

- Health care paid to former employees and their dependents who retired on or before May 31, 2000 or after, provided that, at the retirement date, the employee has contributed for 20 years to National Social Security and accumulated 15 years of uninterrupted work in COMGÁS.
- Supplemental retirement benefits through a defined benefit plan - Free Benefit Generating Plan - PGBL.

The liability recognized in the balance sheet in respect of the benefits for post-retirement benefit plans is calculated on an annual basis by independent actuaries.

The amount recognized in the balance sheet in respect of liabilities for post-retirement benefit plans represents the present value obligations, excluding actuarial gains and losses not recognized. The cost of providing post-retirement benefits is charged to the statement of income over the periods benefiting from the employee's services. Current service costs are reflected in operating profit and financing costs are reflected in finance expenses in the period in which they arise. In compliance with the "corridor" method, actuarial gains and losses that exceed 10% of plan obligations are spread over the average remaining service lives of the employees participating in the plan and are reflected in operating profit.

(b) Profit sharing

The Company recognizes a liability and an expense for profit sharing based on a formula that takes into account several targets besides the profit attributable to the Company's shareholders after certain adjustments. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

2.19 Leases

Lease agreements are classified when they are contracted. Leases in which the Company assumes substantially all the risks and rewards of ownership to the Company are classified as finance leases. Other types of lease agreements are classified as operating leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased item and the present value of the minimum lease payments. Each lease payment is allocated in the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in financial liabilities. The interest element of the finance cost is charged to the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The intangible assets acquired under finance leases are amortized over the useful life of the asset. Payments made under operating leases are charged to the statement of operations on a straight-line basis over the period of the lease.

2.20 Distribution of dividends and interest on capital

The distribution of dividends and interest on capital to the Company's shareholders is recognized as a liability in the Company's financial statements at year-end based on the Company's bylaws. Any amount that exceeds the minimum required is only provided on the date it is approved according to the bylaws.

The tax benefit of interest on capital is recognized in the statement of income.

2.21 Share capital

Common and preference shares are classified as equity.

2.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the distribution of gas in the ordinary course of the Company's activities. Revenue is shown net of taxes, rebates and discounts.

The Company recognizes revenue when its amount can be reliably estimated, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities, as described below. The estimates are based on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Billed revenue

Revenue from gas distribution services is recognized when its amount can be reliably measured, and is recognized in the statement of income when the volumes are delivered to the customers.

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

(b) Unbilled revenue

Unbilled gas refers to the portion of gas supplied for which metering and billing to customers have not yet occurred, as disclosed in Note 10. This amount is estimated based on the period after the monthly measurement and up to the last day of the month. The actual volume billed may be different than the estimates. The Company believes that, based on previous experiences with similar operations, the unbilled amount will not significantly differ from the actual amounts.

(c) Construction revenue - ICPC 01 (IFRIC 12)

Revenue from construction services is recognized in accordance with the CPC 17 (IAS 11) - "Construction Contracts", based on the asset construction progress. Unrecognized contract costs are recognized in the statement of income as costs of services rendered, when incurred.

Considering that there is no margin defined by the Conceding Party for this service, and that Management does not consider that construction is a source of revenue and, consequently, of profit, the Company does not record a margin of construction of infrastructure.

(d) Interest income

Interest income is recognized according to the elapsed term, using the effective interest method.

With the passage of time, interest is incorporated into trade receivables, with a corresponding entry to interest income.

3 New standards, amendments and interpretations to existing standards that are not yet effective

The following new standards, amendments and interpretations to existing standards were issued by IASB but were not effective for the year ended December 31, 2012. The early adoption of these standards, even though encouraged by the IASB, has not been permitted in Brazil by the CPC.

- . CPC 33 (IAS 19) - "Employee Benefits", was amended in June 2011. The standard is applicable as from January 1, 2013. The main impacts on the Company's financial statements are expected to be as follows: (a) immediate recognition of past service costs (the unrecognized loss at December 31, 2012 was R\$ 126,594); (b) replacement of interest on liabilities and expected return on assets with a single net interest rate that will generate a slight increase in plan cost in the statement of income.
- . CPC 40 (IFRS 7) - "Financial Instruments: Disclosures". The standard is applicable as from January 1, 2013. The main impacts on the Company's financial statements are expected to be as follows: (i) evaluation of the significance of the financial instruments to the Company's financial position and performance; (ii) the nature and extension of the risks arising from financial instruments to which the Company is exposed; and (iii) how the Company manages these risks.

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

- CPC 46 (IFRS 13) - "Fair value Measurement". The standard is applicable as from January 1, 2013. The main expected impacts of the adoption to the Company's financial statements are as follows: improvement of consistency and reduction of the complexity of the fair value measurement, by providing a more precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

4 Critical accounting estimates and judgments

Based on assumptions, the Company makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are addressed below.

(a) Impairment of trade receivables

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

The Company makes an individual analysis for significant debtors and on an aggregated basis for the others. If there is any evidence that the Company will not receive any outstanding amount, an impairment provision is recorded.

(b) Provisions

Provisions are recognized in the period when it becomes probable that there will be an outflow of resources resulting from operations or past facts that can be reliably estimated. The recognition requires judgment for existing facts and circumstances, which are subject to changes.

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as finance costs.

Notwithstanding the possibility of outcomes outside the expected ranges in the past few years, the Company's experience has been that the estimates used in determining the appropriate level of provisions have been materially adequate in anticipating actual outcomes.

(c) Fair value of derivatives and other financial instruments

The Company has financial instruments traded in active markets. The Company uses best practices to select methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Company does not have available-for-sale financial assets, which are not traded in active markets.

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

(d) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Company, together with its external actuaries, determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 27.

(e) Unbilled revenue

As described in Note 2.21.2, - "Revenue recognition" - letter (b) - the unbilled revenue refers to the supplied portion of gas of which the measurement and billing to customers have not yet occurred.

5 Financial risk management

(a) Main risks associated with the Company's financial strategy

Risk management and derivative utilization policy

The Company maintains a Treasury Policy, approved by a decision of the Board of Directors and with periodical reviews, which determines the standardization and the target towards which the financial transactions must follow within the Company. In addition, this policy establishes the counterparty credit risk evaluation methodology (foreign exchange transactions, derivatives, financial investments and guarantees) and determines what financial instruments are allowed.

The management of risks associated with financial transactions is made by applying the Treasury Policy and the strategies defined by the Company's Management. These rules establish guidelines for the management of risks, as well as the measurement and consequent mitigation of market risks, cash flow forecasting and the definition of exposure limits. For such, only the best financial and economical non-speculative transactions must be performed; the Company's exposure must always justify the contracting of such transaction.

In order to carry out the best cash management, the Company follows the internal policy of maintenance of facilities used for the management of working capital and in investments aligned with future cash flow projections, whose estimates are not significantly different from the realized cash, due to the Company's business stability.

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

The Company is exposed to risks in its operations, arising from fluctuations in the interest and foreign exchange rates, and uses derivative financial instruments to control such exposures, in conformity with the treasury policies. The Company enters into future exchange and currency swap contracts in order to reduce the foreign exchange risk of certain cash flows in foreign currency and to manage the composition of the foreign currency of its assets and liabilities. Some of these contracts combine simultaneously in foreign currency and interest rate swap transactions.

When there is sufficient liquidity in the financial market, the Company will contract derivative transactions in amounts and terms that are identical to the cash flows of the exposures under negotiation. This will be made by analyzing always the best alternative and following the risk management policy mentioned above, in relation to the minimum hedge percentage to be contracted, that is 75% of the notional value, for amounts above US\$ 500 thousand.

The Company calculates the fair value of the interest rate and the variation of the foreign exchange rate using market valuation, when available; if not available, the calculation is made discounting all future cash flows by the market interest curve at the reporting date.

(b) Capital management

The Company's objectives when managing capital are to safeguard the its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the policy for dividends paid.

The Company monitors capital based on financial leverage indices, involving cash generation (EBITDA), short-term indebtedness and total indebtedness. These indices (covenants) are used by financial institutions in borrowing contracts. The results of these covenants at December 31, 2012 and December 31, 2011 were within the parameters established in contractual agreements.

One of the financial leverage indices used by Management is shown below:

	<u>2012</u>	<u>2011</u>
Net debt	2,190,700	1,832,951
EBITDA	<u>961,760</u>	<u>716,284</u>
(=) Net debt/EBITDA	<u>2.28</u>	<u>2.56</u>

(c) Associated risks

(i) Interest rate risk

The Company is exposed to the interest rate risk due to its asset and liability positions. This risk can be covered by using interest rate swaps, where the Company can exchange fixed positions for floating positions in Brazilian reais (percentage of the Interbank Deposit Certificate (CDI) or other floating rate in Brazilian reais).

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

(ii) Foreign exchange risk

The Company is present in the bank credit market, obtaining funds in local and foreign currency for financing its investments and working capital, and thus is exposed to risks arising from the variations of foreign exchange and interest rates of foreign currencies.

The risk arising from this possibility is the cash loss and restrictions due to exchange rate fluctuations, which could increase the balances of liabilities denominated in these currencies. The exposure related to obtaining funds in foreign currency is covered by hedging transactions, allowing the Company to exchange the risk of variation of these currencies, which are usually linked to the variations of the CDI, using foreign exchange forwards or swaps instruments.

For the hedging against foreign exchange and interest rates of the financing contracts in foreign currency, the Treasury Policy establishes the foreign exchange coverage of the principal and interest up to the financial maturity of the borrowing to at least 75% of the total gross amount (notional value).

When there is no foreign exchange swap available in the financial market to cover the total period of the operation, it must be made at the more extensive possible period.

The Treasury Policy does not allow the utilization of derivative instruments for speculative purposes, but only for hedging against previously identified risks (hedge transactions - only swaps and forwards instruments are authorized).

Transactions with gas suppliers can be linked to foreign currencies. The resulting risk is reflected on the variation of trade payables and gas cost. The exposure to foreign currency variations are absorbed by the regulatory assets (liabilities), which are periodically transferred to customers through tariff adjustments.

(iii) Credit risk

There is no concentration of credit risk in large individual consumers at a volume higher than 10% of sales. This risk is represented by trade receivables from customers of the Company in all segments which, however, is attenuated because the Company's sales are made to a diluted basis of customers.

At December 31, 2012, the Company's main financial instruments included:

- . Cash and cash equivalents - as Note 9.
- . Trade receivables - customers - as Note 10.
- . Borrowings - as Note 20.
- . Derivative financial instruments - as Note 21

(iv) Liquidity risk

Liquidity risk is represented by cash flow mismatches, resulting from difficulties to rapidly carry out the disposal of an asset or obtain funds, thus affecting the financial capacity.

The Company is exposed to liquidity risk, including risks associated with refinancing borrowings as they mature, the risk that borrowing facilities are not available to meet the Company's cash requirements and future commitments, and the risk that financial assets cannot readily be converted to cash without loss of value.

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

The Company adopts two general guidelines for the mitigation of this risk:

The Company's policy is to maintain the interest rate to borrowers at floating rates in local currency. If these borrowings are obtained in other rates, the Company may use derivative instruments.

The Company manages liquidity risk by maintaining adequate committed borrowing facilities and holding its financial assets concentrated in short-term deposits in prime institutions with daily liquidity.

The table below analyzes the Company's non-derivative financial liabilities and the derivative financial liabilities settled by the Company into relevant maturity groupings based on the remaining period at the financial statements up to the contractual maturity date. The amounts disclosed in the table are the undiscounted cash flows.

	2012			
	Up to one year	More than one and up to two years	More than two and up to five years	More than 5 years
	Total			
Non-derivative financial instruments				
Borrowings	1,007,950	366,743	937,912	496,188
Trade and other payables	689,564			
	<u>1,697,514</u>	<u>366,743</u>	<u>937,912</u>	<u>496,188</u>
				<u>3,498,357</u>
				2011
	Up to one year	More than one and up to two years	More than two and up to five years	Later than 5 years
	Total			
Non-derivative financial instruments				
Borrowings	479,119	964,950	560,126	309,974
Trade and other payables	618,926			
	<u>1,098,045</u>	<u>964,950</u>	<u>560,126</u>	<u>309,974</u>
				<u>2,933,095</u>
				2012
	Up to one year	More than one and up to two years	More than two and up to five years	More than five years
	Total			
Derivative financial instruments				
Derivatives used for hedging				
Outflows (COMGÁS)	(300,458)	(57,838)	(492,738)	(284,146)
Inflows (COMGÁS)	<u>289,115</u>	<u>27,691</u>	<u>422,258</u>	<u>314,595</u>
				<u>(1,135,180)</u>
				2011
	Up to one year	More than one and up to two years	More than two and up to five years	Later than 5 years
	Total			
Derivative financial instruments				
Derivatives used for hedging				
Outflows (COMGÁS)	60,976	368,021	311,475	290,845
Inflows (COMGÁS)	<u>18,271</u>	<u>302,501</u>	<u>260,213</u>	<u>309,974</u>
				<u>1,031,317</u>
				<u>890,959</u>

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

(d) Swaps of foreign currency financing

As specified in "Derivative financial instruments" - Note 21, swaps convert liabilities in US\$ into liabilities in Brazilian reais indexed to CDI, thus eliminating the exposure to US\$ and international interest rates (fixed or floating rate). The nominal values, rates and maturities of the asset position of swaps are identical to those of financings. Swap operations are carried out in the over the counter market, and the operation does not require any collateral.

The operations are considered as swaps without cash. Details about the operations are presented in the table below.

COMGÁS will hold these swaps until maturity. They are recorded in current and non-current borrowings.

The criteria, methods and assumptions applied in the determination of fair value refer to "Asset market - quoted price" and are in line with the methodology contractually established between the parties.

Below is a summary of derivative financial instruments:

Description	Counterparty	Original currency	Percentage		Final maturity
			Assets	Liabilities	
			Exchange variation (EV) +		
EIB II - first release	Various banks	USD	3.881 p.a.	94.34 CDI	June 2020
EIB II - second release	Various banks	USD	EV + 2.936 p.a.	95.20 CDI	September 2020
EIB II - third release	Various banks	USD	EV + LIBOR 6M + 0.483	88.47 CDI	May 2021
EIB II - fourth release	Various banks	USD	EV + LIBOR 6M + 0.549	81.11 CDI	September 2021
HSBC - Resolution No. 4,131	HSBC	USD	EV + 4.06 p.a.	104.40 CDI	May 2013
Itaú - Resolution No. 4,131	Itaú	USD	EV + 3.35 p.a.	109.50 CDI	August 2013
CHARTERED - Resolution No. 4,131	STD CHARTERED	USD	EV + 2.7412 p.a.	104.90 CDI	September 2013
HSBC (Sumitomo) - Resolution No. 4,131	HSBC	USD	EV + LIBOR 6M + 2.00 p.a.	94.12 CDI	October 2013
SCOTIABANK - Resolution No. 4,131	SCOTIABANK	USD	EV + 3.7975 p.a.	113.75 CDI	July 2017

LIBOR - London Interbank Offered Rate

There are no relevant differences between the market and the fair values of these instruments.

(e) Sensitivity analysis

The Company, as established by CVM Instruction No. 475, prepared a sensitivity analysis identifying the main risk factors that may generate variations in its financial instruments: borrowings and derivatives.

The sensitivity analyses are established with the use of premises and assumptions regarding future events. The settlement of transactions involving these estimates may result in different amounts being payable, due to the subjectivity inherent in the process used for the preparation of such analyses.

These variations may impact the Company's results and/or future cash flows, as described below:

- The exposure scenarios of the financial instruments indexed to variable interest rates (CDI) were maintained based on the calculation curves at December 31, 2012.

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

- . The effects shown here refer to changes in the result for the next 12 months.
- .. Scenario I (probable) - maintenance of the interest and foreign exchange rates according to the levels at December 31, 2012.
- .. Scenario II (25%) - deterioration of 25% in each of the risk factors in relation to the scenario at December 31, 2012.
- .. Scenario II (50%) - deterioration of 50% in each of the risk factors in relation to the scenario at December 31, 2012.

Description	Risk	Scenario I (probable)	Scenario II 25%	Scenario III 50%
Regulatory current account (*)	Change in SELIC**	20,361	16,706	13,050
Debt in foreign currency				
Debt	Change in USD		(255,564)	(511,127)
Derivative (asset position)	Change in USD		255,564	511,127
Net effect				
Derivative (liability position)	Change in CDI	(59,257)	(72,050)	(86,185)
Debt in local currency				
Debt - CDI	Change in CDI	(12,171)	(14,595)	(17,035)
Debt - TJLP***	Variation of the TJLP	(91,220)	(104,198)	(116,938)
Assumptions				
SELIC (regulatory current account)		7.11	5.29	3.49
SELIC		7.11	8.96	10.85
USD		2.044	2.554	3.065
CDI		6.90	8.70	10.53
TJLP		5.50	6.88	8.25

(*) Effects of the regulatory current account are described in Note 6.

(**) SELIC - Variation of the Special System for Settlement and Custody

(***) TJLP - Long-Term Interest Rate

(f) Fair value estimation

The fair value of financial instruments that are traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on method and conditions widely used by the market at each balance sheet date.

The Company adopted the amendments to the CPC 40 (IFRS 7) for financial instruments that are measured in the balance sheet at fair value; this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- . Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- . Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Company's assets and liabilities measured at fair value at December 31, 2012.

	2012		
	Level 1	Level 2	Level 3
Total balance			
Assets			
Derivatives used for hedging		1,022,254	
Total assets		1,022,254	
Liabilities			
Derivatives used for hedging		(861,811)	
Total liabilities		(861,811)	

The following table presents the Company's assets and liabilities measured at fair value at December 31, 2011.

	2011		
	Level 1	Level 2	Level 3
Total balance			
Assets			
Derivatives used for hedging		762,843	
Total assets		762,843	
Liabilities			
Derivatives used for hedging		(719,481)	
Total liabilities		(719,481)	

6 Regulatory assets (liabilities)

	2012	2011
Cost of gas to be recovered/(transferred)	377,884	156,727
Credits of taxes to be recovered/(transferred)	3,144	(6,743)
Adjustment to present value of taxes	(134)	382
	380,894	150,366
Opening assets (liabilities)	150,366	(229,659)
Closing assets (liabilities)	380,894	150,366
Revenue not recognized in the statement of income before income tax and social contribution	230,528	380,025
Regulatory assets (liabilities)	216,397	400,771
Adjustment	22,397	(10,811)
Other	(8,266)	(9,935)

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

The tariffs for the supply of gas to the different customer segments are authorized by the conceding authority. In accordance with the terms of the Concession Agreement, the differences between the cost component of gas included in the tariffs charged to the customers and the actual cost of gas incurred are determined on a monthly basis and charged or credited to a regulation account (regulatory account).

Periodically, charges or credits in the tariffs are determined by the regulator with the objective of amortizing the amounts accumulated in this account.

The balance of this account is considered as an asset or as a liability, pursuant to the regulator's chart of accounts and for income tax purposes. However, this account is excluded from the financial statements prepared in accordance with accounting practices adopted Internationally and in Brazil, because the respective balance is not considered as an asset or as a liability, as its realization or liquidation depends on further purchases by the Company's consumers. Therefore, the balances presented above are not recorded in these financial statements.

7 Financial instruments by category

	2012		
	Loans and receivables	Derivatives used for hedging	Total
Assets as per balance sheet			
Judicial deposits	21,932		21,932
Derivative financial instruments		160,443	160,443
Trade and other receivables, excluding prepayments	693,551		693,551
Cash and cash equivalents/financial investments	169,725		169,725
	<u>885,208</u>	<u>160,443</u>	<u>1,045,651</u>
	2011		
	Loans and receivables	Derivatives used for hedging	Total
Assets as per balance sheet			
Judicial deposits	18,494		18,494
Derivative financial instruments		82,164	82,164
Trade and other receivables, excluding prepayments	507,350		507,350
Cash and cash equivalents/financial investments	41,110		41,110
	<u>566,954</u>	<u>82,164</u>	<u>649,118</u>

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

	2012		
	Liabilities at fair value through profit or loss	Derivative financial liabilities	Other financial liabilities
			Total
Liabilities as per balance sheet			
Borrowings	2,451,909		2,451,909
Derivative financial instruments			
Debentures			68,959
	2,451,909		2,520,868
			2011
	Liabilities at fair value through profit or loss	Derivative financial liabilities	Other financial liabilities
			Total
Liabilities as per balance sheet			
Borrowings	1,812,291		1,812,291
Derivative financial instruments		38,802	38,802
Debentures			105,132
	1,812,291	38,802	1,956,225

8 Credit quality of financial assets

- (a) COMGÁS has a portfolio of approximately 1,215 thousand residential, commercial, industrial, automotive, co-generation and thermal-power generation customers. There is no significant concentration in any of its customers, diluting the risk of default.
- (b) Cash and cash equivalents according to the creditworthiness of the counterparties.

	2012	2011
Cash at bank and short-term bank deposits (*)		
AAA	132,754	24,256
AA	36,971	16,854
A		
	169,725	41,110

(*) Scale widely accepted and recognized by the financial market with the methodology released by international risk rating agencies.

9 Cash and cash equivalents

Cash and cash equivalents are substantially represented by investments in Bank Deposit Certificates (CDBs) and private securities, with immediate liquidity granted by the issuer of such instruments.

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

	<u>2012</u>	<u>2011</u>
Cash at bank and on hand	22,350	16,432
Investments in Bank Deposit Certificates	<u>147,375</u>	<u>24,678</u>
	<u>169,725</u>	<u>41,110</u>

10 Trade receivables - customers

(a) The composition of trade receivables by customers is as follows:

	<u>2012</u>	<u>2011</u>
Gas bills receivable	317,668	221,272
Gas bills receivable - installments	13,433	11,802
Receivable from sale of equipment	23,958	21,566
Receivables from related parties (Note 23)	1,934	1,891
Adjustment to present value	(1,482)	(2,030)
Unbilled revenue	311,344	224,418
Impairment of trade receivables	<u>(106,146)</u>	<u>(76,382)</u>
	<u>560,709</u>	<u>402,537</u>

The amounts receivable from gas bills in installments refer to the payment in installments of amounts due from customers. Cases of default with risks of realization are properly provisioned.

Unbilled gas refers to the portion of gas supplied in the month, for which metering and billing to customers have not yet occurred.

(b) Losses recorded in 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
January 1	76,382	55,820
Provision for impairment of trade receivables	<u>29,764</u>	<u>20,562</u>
December 31	<u>106,146</u>	<u>76,382</u>

Trade receivables from customers are recorded at fair value and disclosed in the financial statements.

(c) Summary of trade receivables from customers by maturity

	<u>2012</u>	<u>2011</u>
Not yet due	132,778	73,786
Overdue		
Up to 30 days	50,340	34,681
Over 30 days	<u>136,484</u>	<u>114,696</u>
	<u>319,602</u>	<u>223,163</u>

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

The amount of R\$ 106,146 from the balance of trade receivables over 30 days was impaired at December 31, 2012 (December 31, 2011 - R\$ 76,382).

11 Other receivables

	<u>2012</u>	<u>2011</u>
Take or pay - customers	2,499	3,867
Financing - marketing program	5,623	6,918
Trade receivables from customers due to network expansion	1,170	1,170
Other	<u>3,534</u>	<u>5,705</u>
	<u>12,826</u>	<u>17,660</u>

Take or pay - customers - it refers to the difference between the actual consumption volume and the minimum mandatory volumes contracted.

The other receivables are recorded at fair value and disclosed in the financial statements.

12 Inventories

	<u>2012</u>	<u>2011</u>
Inventory of construction material	72,799	59,841
Finished products	1,515	1,817
Sundry materials	<u>29,086</u>	<u>28,126</u>
	<u>103,400</u>	<u>89,784</u>

13 Transportation paid and not used

	<u>2012</u>	<u>2011</u>
Ship or pay transport - PETROBRAS	<u>119,902</u>	<u>111,927</u>
	<u>119,902</u>	<u>111,927</u>

The recovery of the balances related to the "transportation paid and not used" will be made automatically, with no charges to the Company, to the extent the transportation is used above the contractually-stipulated percentage, as disclosed in Note 22.

14 Other

	<u>2012</u>	<u>2011</u>
Advances to suppliers	21,649	18,374
Advances to employees	9,050	8,552
Prepaid expenses	1,671	1,750
Other	<u>165</u>	<u>1,480</u>
	<u>32,535</u>	<u>30,156</u>

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

15 Indirect tax credits

The composition of tax credits is as follows:

	<u>2012</u>	<u>2011</u>
State Value-Added Tax (ICMS) recoverable	43,571	37,632
ICMS on assets	10,979	8,896
Prepaid Social Contribution on Net Income (CSSL)	4,005	
Adjustment to present value	(470)	(505)
Other	<u>220</u>	<u>204</u>
	<u>58,305</u>	<u>46,227</u>

16 Assets for sale

On September 24, 2010, Management started negotiations for sale of land and building in Mooca, classified in current assets at the cost value adjusted by the depreciation for the period when the real property was used by Management, that is, until September 2008.

In May, 2011, the amount of R\$ 21,053 was received as an advance for the future sale of the land and building, recorded under "Advances from customers - "Current liabilities", as advances from customers and other.

17 ICMS recoverable - non-current

This balance corresponds to the ICMS installment recoverable on the purchase of assets in the amount of R\$ 14,999 (R\$ 10,745 at December 31, 2011), adjusted to present value, and refers to the credits arising from purchases of assets, which can be used to reduce the ICMS payable in monthly installments over a 48-month period.

18 Trade receivables - non-current

The composition of trade receivables in non-current assets is as follows:

	<u>2012</u>	<u>2011</u>
Collaterals	12,767	10,521
Charge-backs due to network interference	4,387	5,303
Receivable from sale of equipment	7,222	7,184
Financing - marketing program	2,202	
Adjustment to present value	<u>(493)</u>	<u>(496)</u>
	<u>26,085</u>	<u>22,512</u>

The balance of collaterals refers to amounts charged by the public agencies for the period of execution of the Company's construction works. The balance of charge-backs due to network interference refers to amounts to be reimbursed by third-parties due to damages caused to the gas distribution network.

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

19 Intangible assets

		Changes			
	2011	Additions	Transfers	Disposals	2012
Intangible assets in service					
Concession agreement	3,672,089		504,789	(26,437)	4,150,441
Accumulated amortization (ii)	(1,112,776)	(143,771)	(1,885)	21,596	(1,236,836)
	2,559,313	(143,771)	502,904	(4,841)	2,913,605
Customer loyalty efforts	566,275		183,769	(1,494)	748,550
Accumulated amortization (i)	(314,234)	(109,965)	2,770	433	(420,996)
	252,041	(109,965)	186,539	(1,061)	327,554
Software and others	213,075		35,165		248,240
Accumulated amortization (i)	(125,171)	(36,828)	(885)		(162,884)
	87,904	(36,828)	34,280		85,356
Total intangible assets in service	2,899,258	(290,564)	723,723	(5,902)	3,326,515
Intangible assets in progress	405,233	616,156	(723,723)	(22)	297,644
Total intangible assets	3,304,491	325,592		(5,924)	3,624,159

(i) Weighted average rate of 20% p.a.

(ii) Weighted average rate disclosed below:

As a result of the adoption of the ICPC Interpretation 01, at January 1, 2009, the Company reclassified to "Intangible assets" the property, plant and equipment related to the Concession Agreement, disclosed in Note 2.11 (item A). These assets were as follows at December 31, 2012 and 2011:

		Changes				
Net book values	Weighted average rate p.a. - %	2011	Additions/ transfers	Amortization	Disposals	2012
Land		23,095	213			23,308
Pipes	3.4	2,084,904	401,811	(101,693)	(1,524)	2,383,498
Buildings and improvements	2.7	55,298	4,580	(2,099)	(2,144)	55,635
Machinery and equipment	5.4	373,186	68,074	(24,850)	(852)	415,558
Transportation equipment	20	7,287	3,872	(3,654)	73	7,578
Administrative furniture and equipment	10	15,543	24,354	(11,475)	(394)	28,028
		2,559,313	502,904	(143,771)	(4,841)	2,913,605

The amounts recognized as "Intangible assets" and presented above represent the cost of the assets constructed or purchased, net of amortization, which are utilized for concession services.

The amortization, calculated on the estimated useful lives of assets, constructed in accordance with the concession agreement and which form an integral part of the tariff calculation basis of services, was R\$ 143,771 and was charged to the statement of income for the year ended December 31, 2012.

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

The income tax and social contribution on the revaluation balance totaled R\$ 5,259 at December 31, 2012 (December 31, 2011 - R\$ 5,985). The net amount related to the realization of the revaluation reserve is not considered in the dividend distribution calculation basis.

During the year ended December 31, 2012, the Company capitalized R\$ 22,646 (December 31, 2011 - R\$ 25,830), which was related to interest on borrowings obtained for the construction of those assets.

20 Borrowings

	2012		2011	
	Current	Non-current	Current	Non-current
Borrowings	923,094	1,526,479	342,587	1,466,115
Non-convertible debentures	35,619	33,340	38,462	66,670
Finance lease obligations	1,268	1,068	1,253	2,336
	<u>959,981</u>	<u>1,560,887</u>	<u>382,302</u>	<u>1,535,121</u>

(a) Borrowings

		2012		2011	
	Charges - %	Current	Non-current	Current	Non-current
In local currency					
National Bank for Economic and Social Development (BNDES) (Project III)	TJLP + 4.0 p.a.	9,604		38,483	9,570
BNDES (Project IV) - direct	TJLP + 3.2 p.a.	38,036	37,791	38,234	75,581
BNDES (Project IV) - direct w/ surety	TJLP + 2.8 p.a.	91,794	91,184	92,231	182,368
BNDES (Project III) - Bco. Votorantim	TJLP + 4.7 p.a.	3,931		15,754	3,916
BNDES (Project III) - Bco. Bradesco	TJLP + 4.7 p.a.	3,931		15,754	3,916
BNDES (Project V)	TJLP + 2.8 p.a.	115,102	396,319	100,500	442,179
BNDES (Project VI)	TJ462 + 1.8 p.a.	553	61,432		
BNDES (Project VI)	Selic + 1.8 p.a.	3,362	239,270		
BNDES (PEC)	TJLP + 5.5 p.a.			27,372	
BRASESCO - Promissory Note	105.20 CDI	159,846			
SANTANDER - Credit assignment	CDI + 1.3754 p.a.	59,724			
SANTANDER - KG	106.00 of CDI	40,011			
SANTANDER - KG	106.00 of CDI	75,021			
		<u>600,915</u>	<u>825,996</u>	<u>328,328</u>	<u>717,530</u>
In foreign currency (*)					
EIB II - first release - USD	3.881 p.a.	6,727	178,070	3,042	171,350
EIB II - second release - USD	2.936 p.a.	2,453	81,995	1,095	69,423
EIB II - third release - USD	LIBOR 6M	1,787	138,723	1,153	123,418
EIB II - fourth release - USD	LIBOR 6M	2,255	141,441	2,265	118,850
HSBC - USD	4.06 p.a.	41,204			35,930
Itaú - USD	3.35 p.a.	64,806		1,955	56,952
CHARTERED - USD	2.74 p.a.	93,535		2,329	82,074
HSBC (Sumitomo) - Resolution No. 4,131	LIBOR 6M + 2.00 p.a.	103,516		2,420	90,588
SCOTIABANK - Resolution No. 4,131	3.7975 p.a.	5,896	160,254		
		<u>322,179</u>	<u>700,483</u>	<u>14,259</u>	<u>748,585</u>
		<u>923,094</u>	<u>1,526,479</u>	<u>342,587</u>	<u>1,466,115</u>

LIBOR - London Interbank Offered Rate

TJLP - Long-Term Interest Rate

(*) As disclosed in Note 5, for all borrowings in foreign currency, the Company contracts derivative financial instruments to hedge itself against possible variations in the foreign exchange rate.

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

The amounts classified as non-current fall due in the following periods:

	<u>2012</u>
2013	
2014	271,887
2015	211,874
2016	268,164
2017	346,526
2018 onwards	<u>428,028</u>
	<u>1,526,479</u>

The fair values of the current and non-current borrowings approximate their carrying amounts.

There were no cases of non-compliance or breach of contractual agreements with creditors.

The original rates of borrowings in foreign currency before swap transactions are as follows:

<u>Description</u>	<u>Charges - % p.a.</u>
Bank EIB (II) - first release	3.881
Bank EIB (II) - second release	2.936
Bank EIB (II) - third release	LIBOR 6M
Bank EIB (II) - fourth release	LIBOR 6M
HSBC - Resolution No. 4,131	4.06
Itaú - Resolution No. 4,131	3.35
CHARTERED - Resolution No. 4,131	2.74
HSBC (Sumitomo) - Resolution No. 4,131	LIBOR 6M + 2.00
SCOTIABANK - Resolution No. 4,131	3.7975

BNDES borrowings have amortization of principal and payment of interest on a monthly basis, except those in the grace period. For these borrowings, the guarantees provided are:

- . Project III – the Company's receivables, whose custodian is Banco Bradesco.
- . Project IV - direct transaction with BNDES: Company's receivables, whose custodian is Banco Itaú; direct transaction with BNDES: bank guarantee of Banco Itaú, Banco Votorantim, Banco Bradesco and Banco Santander, in the proportion of 25% to each bank.
- . Project V - direct transaction with BNDES: bank guarantee of Banco Itaú BBA, with 100% of the borrowing.
- . Project VI - direct transaction with BNDES: bank guarantee of Banco Bradesco (67.83%), Banco Itaú (14.56%) and Banco Safra (17.61%).

During the first six-month period of 2012, the Company made the last payment of Project V with BNDES in the amount of R\$ 78 million. This contract was drawn down in several tranches during the period from 2009 to 2012, referring to the financing of a portion of the Company's investment program for the period from 2009 to 2011.

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

In the second half of 2012, the Company made the first payment of Project VI with BNDES in the amount of R\$ 300 million.

(b) Non-convertible debentures

Issue	Series	Number	Remuneration - %	2012		2011	
				Current	Non-current	Current	Non-current
Second	Single	1	CDI + 1.5 p.a.	35,619	33,340	38,462	66,670
				<u>35,619</u>	<u>33,340</u>	<u>38,462</u>	<u>66,670</u>

On August 5, 2008, the Company concluded the issue of a single and indivisible debenture non-convertible into shares with par value of R\$ 100,000.

In August 2012 the first repayment of the principal (33.33%) was made. The remaining repayments will be made in August 2013 (33.33%) and August 2014 (33.34%). The payment of interest will be made annually, without renegotiation. In August 2012, the fourth payment of interest was made in the amount of R\$ 11,840.

The fair value of the debenture, according to the comment above on the measurement of borrowing, will be equal to its carrying amount, considering that the impact of the discount granted between its contract and renegotiation rates is not significant.

(c) Finance lease obligations

In local currency	Monthly payments with financial maturity in		2012		2011	
			Current	Non-current	Current	Non-current
Software licenses	2014		1,268	1,068	1,253	2,336
			<u>1,268</u>	<u>1,068</u>	<u>1,253</u>	<u>2,336</u>

The minimum payments of finance leases are as follows:

Years	2012	2011
No later than 1 year	1,540	1,417
Later than 1 year and no later than 5 years	<u>1,432</u>	<u>3,082</u>
	<u>2,972</u>	<u>4,499</u>
Discount effect	<u>(636)</u>	<u>(910)</u>
Present value of lease liabilities	<u>2,336</u>	<u>3,589</u>

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

(d) Commercial promissory notes

On March 15, 2012, the Company concluded the issuance of 150 Commercial Promissory Notes of R\$ 1,000 each, totaling R\$ 150,000, with maturity in 360 days.

The repayment of principal and interest will be made at the maturity date of the related security.

The fair value of the Commercial Promissory Note, according to the comment above on the measurement of borrowing, will be equal to its carrying amount, considering that the impact of the discount granted between its contract and renegotiation rates is not significant.

21 Derivative financial instruments

The amounts recognized in respect of derivative financial instruments are as follows:

In foreign currency	Charges - %	2012		2011	
		Current	Non-current	Current	Non-current
EIB II - first release	94.34 of CDI	(3,220)	34,663	(7,388)	7,610
EIB II - second release	95.20 of CDI	(2,061)	16,488	(4,027)	4,517
EIB II - third release	88.47 of CDI	(5,124)	33,951	(7,264)	15,118
EIB II - fourth release	81.11 of CDI	(4,481)	34,009	(6,898)	16,049
HSBC	104.40 of CDI	6,423			3,757
Itaú	109.50 of CDI	14,158		(3,179)	10,731
Chartered	104.90 of CDI	19,667		(4,962)	14,219
HSBC (Sumitomo) - Resolution No. 4,131	94.12 of CDI	15,173		(5,022)	10,163
SCOTIABANK - Resolution No. 4,131	113.75 of CDI	(5,860)	6,657		
NDF				(62)	
		34,675	125,768	(38,802)	82,164

	2012		2011	
	Assets	Liabilities	Assets	Liabilities
EIB II - first release	184,718	(153,275)	174,393	(174,171)
EIB II - second release	84,369	(69,942)	70,518	(70,028)
EIB II - third release	140,495	(111,667)	124,571	(116,717)
EIB II - fourth release	143,460	(113,933)	121,115	(111,965)
HSBC	41,204	(34,781)	35,930	(32,173)
Itaú	64,806	(50,648)	58,906	(51,354)
Chartered	93,535	(73,868)	84,402	(75,145)
HSBC (Sumitomo) - Resolution No. 4,131	103,517	(88,344)	93,008	(87,866)
SCOTIABANK - Resolution No. 4,131	166,150	(165,353)		
NDF				(62)
	1,022,254	(861,811)	762,843	(719,481)

As mentioned in Note 5 (financial risk management), the Company is exposed to interest rate and foreign exchange risks. All derivative instruments are designated as protection in accordance with the Company's risk management policies.

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

All derivative instruments (swaps) are measured at fair value and their related borrowings.

Management considers that at the calculation made, based on the analysis of the risks and on the characteristics of the mapped exposures and the instruments contracted for the mitigation of risks, at December 31, 2012, the results of derivative transactions will be substantially offset by the related variations in the hedged items.

Therefore, Management understands that the derivative instrument transactions contracted do not expose the Company to significant risks that could generate material losses due to foreign exchange variation, interest rate or any other variation.

22 Trade payables

The composition of trade payables is as follows:

	<u>2012</u>	<u>2011</u>
Gas and transportation suppliers	562,714	513,632
Materials and services suppliers	<u>102,714</u>	<u>80,505</u>
	<u>665,428</u>	<u>594,137</u>

The Company has contracts for the supply of natural gas under the following conditions:

- . A firm contract with PETROBRAS, effective from January 2008 to December 2013 for a contracted daily volume of 5.22 million m³.
- . A firm contract with PETROBRAS, effective until June 2019, for a contracted daily volume of 8.10 million m³ of Bolivian gas.
- . Firm-flexible contract with PETROBRAS, for a contracted daily volume of 1.0 million m³ of natural gas, where PETROBRAS either supplies natural gas or reimburses additional costs incurred by the customer to purchase alternative fuel. This contract is effective from January 2008 to December 2012.
- . Two Gas Agreements with Petrobras in connection with the Priority Thermoelectricity Program (PPT) to purchase 3.06 million m³/day, being 2.76 million m³/day with Thermal Power Plant (UTE)-Fernando Gasparian, effective up to December 31, 2013, and 0.3 million m³/day with Corn Products, effective up to March 31, 2023.
- . In September 2012, a new short-term contract was constituted in order to continue with the auction offerings. This contract is effective up to September 2013. PETROBRAS will not disclose the volume offered; each Local Distribution Company (CDL) will make its volume and price offering. New gas offerings can be made each month for 1, 2 and/or 3 months (seasonality), as a 100% ToP level. This new contract model comprehends the very short-term weekly purchase/sale of gas with PETROBRAS.

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

- . A firm contract with Gás Brasileiro, effective from April 2008 to November 2012, for a contracted volume of 18 million m³ per year. This contract was renewed in November 2012 and is effective up to November 2013.

The contracts for the supply of gas have specific characteristics, such as a minimum gas consumption by COMGÁS (take or pay for the commodity and ship or pay for transportation), i.e., if the Company consumes below the agreed volume, it must make payments in advance of the difference between the consumption and the minimum volume agreed, which may be offset (through consumption) over the life of the contract. The amounts paid were recognized in the line "transportation paid and not used".

The prices of gas supply contracts are composed by two installments: one is indexed to a fuel basket in the international market, adjusted every quarter, and the other is adjusted annually based on the domestic or American inflation. The cost of gas is in R\$/m³, while Bolivian gas is calculated in USD/MMBTU, with monthly adjustment of foreign exchange variation.

23 Related parties

(a) Parent companies

The receivables from parent companies at December 31, 2012 were as follows:

		Changes		
	2011	Revenue	Receipts	2012
Shell Brasil S.A.	149	1,205	(1,196)	158
Shell Brasil Ltda.	1,743	20,878	(20,845)	1,776
	1,892	22,083	(22,041)	1,934

The payables to parent companies at December 31, 2012 were as follows:

	<u>Changes</u>			
	<u>2011</u>	<u>Expenses/ adjustments</u>	<u>Payments</u>	<u>2012</u>
Cosan S.A. Indústria e Comércio		1		1
Grupo BG (CSA)	295	1,812	(2,107)	
Grupo Shell (CSA)	<u>955</u>	<u>4,413</u>	<u>(4,366)</u>	<u>1,002</u>
	1,250	6,226	(6,473)	1,003

The CSA contract is divided as follows:

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

(i) Grupo BG

Commercial Services Agreement (CSA) - the commercial personnel and services of BG was available until November 5, 2012, so as to provide administrative support to the Company's business. This contract was terminated after Provence Participações S.A. acquired control, as disclosed in Note 1.

(ii) Grupo Shell

Commercial Services Agreement (CSA) - the commercial personnel and services of Shell will be available so as to provide administrative support to the Company's business.

(b) Management and officers' remuneration

In 2012, the remuneration of management, which includes members of the Board of Directors and statutory directors, responsible for the planning, management and control of the Company's activities, was as follows:

	<u>2012</u>	<u>2011</u>
Salaries and other short-term benefits	<u>12,769</u>	<u>11,409</u>
	<u>12,769</u>	<u>11,409</u>

24 Income tax and social contribution

(a) Income tax and social contribution - result

The reconciliation between income tax and social contribution expense at the nominal and effective rates is shown below:

	<u>2012</u>	<u>2011</u>
Profit before income tax and social contribution	508,102	315,729
Rates - %	<u>34</u>	<u>34</u>
Nominal income tax and social contribution	<u>(172,755)</u>	<u>(107,348)</u>
Permanent debts/credits		
Interest on capital	24,142	23,731
Tax incentives (Rouanet)	7,924	8,104
Permanent additions	(784)	(4,371)
Other	<u>26</u>	<u>294</u>
	<u>(141,447)</u>	<u>(79,590)</u>

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements at December 31, 2012

All amounts in thousands of reais unless otherwise stated

(b) Deferred income tax and social contribution - balances

The changes in the deferred income tax asset during the year ended December 31, without taking into consideration the offset of balances, were as follows:

	Retirement benefit obligations	Provisions	Fair value losses	Regulatory assets (liabilities)	Goodwill on merger	Other	Total
Deferred tax asset							
At December 31, 2011	50,321	37,191	44,095	51,124		(20,294)	162,437
(Credited)/charged to the statement of income	5,591	9,315	(14,620)	78,379		1,935	80,601
Credited to the special goodwill reserve					844,141		844,141
At December 31, 2012	55,912	46,506	29,475	129,503	844,141	(18,359)	1,087,178
			Fair value gains	Revaluation of real estate		Other	Total
Deferred tax liability							
At December 31, 2011			40,726	5,985		7,110	53,821
Charged/(credited) to the statement of income			9,448	(726)		476	(9,698)
At December 31, 2012			31,278	5,259		7,586	44,123
Net							1,043,055

The credit related to the post-employment benefit plan provision has an estimated period for financial realization of 25 to 30 years, and the tax credits on other temporary differences have an estimated period of three years.

25 Provision for contingencies

	2011	Adjustments/ inputs	Disposals	2012
Labor	10,277	1,422	(1,027)	10,672
Civil	37,025	3,584	(1,538)	39,071
Tax	13,135	2,518	(11,994)	3,659
	60,437	7,524	(14,559)	53,402

Possible losses, not provided for in the balance sheet

The Company is a party to tax, civil and labor lawsuits, presented below, for which an unfavorable outcome is regarded as possible by management, based on the opinion of its legal counsel, for which no provision has been established:

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

	<u>2011</u>	<u>2012</u>
Labor	559	394
Civil	43,622	28,128
Tax	<u>64,270</u>	<u>96,837</u>
	<u>108,451</u>	<u>125,359</u>

- (i) Labor claims refer to salary differences, overtime, hazard and health exposure premiums and joint liability, among others. At December 31, 2012, the remaining balance of lawsuits classified as possible amounted to R\$ 394 (December 31, 2011 - R\$ 559).
- (ii) Civil claims arose in the normal course of the Company's activities, and involve claims for losses and damages relating to accidents in the network. At December 31, 2012, there were other lawsuits of the same nature, totaling R\$ 28,128 (December 31, 2011- R\$ 43,622) which, in the opinion of the Company's legal advisors and management, were evaluated as possible losses, and therefore no related provision was constituted.
- (iii) Tax contingencies refer to tax assessments in prior years. At December 31, 2012, there were other tax lawsuits, totaling R\$ 96,837 (December 31, 2011- R\$ 64,270) which, in the opinion of the Company's legal advisors and management, were evaluated as possible losses, and therefore no related provision was constituted.

Based on the opinion of its legal counsel, the Company's management understands that the provision constituted is sufficient to cover any unfavorable decisions in these lawsuits.

26 Equity

(a) Share capital

The Company's authorized capital amounts to R\$ 671,672. At December 31, 2012, paid-up capital amounted to R\$ 636,985 (December 31, 2011- R\$ 636,985), divided into 93,910,898 registered common shares, with no par value, and 25,911,899 preference shares, with no par value. The composition was as follows:

	<u>Number of shares - thousands</u>					
	<u>Common</u>	<u>Percentage</u>	<u>Preference</u>	<u>Percentage</u>	<u>Total</u>	<u>Percentage</u>
Shareholders						
Cosan S.A. Indústria e Comércio	68,309	72.74	3,649	14.08	71,958	60.05
Integral Investments BV	14,212	15.13			14,212	11.86
MCAP POLAND Fundo Inv. em ações	71	0.08	10,439	40.29	10,510	8.77
Shell Brazil Holding BV	7,594	8.09			7,594	6.34
Skopos Master Fundo de Inv. em ações	940	1.00	555	2.14	1,495	1.25
Other	<u>2,785</u>	<u>2.96</u>	<u>11,269</u>	<u>43.49</u>	<u>14,054</u>	<u>11.73</u>
	<u>93,911</u>	<u>100.00</u>	<u>25,912</u>	<u>100.00</u>	<u>119,823</u>	<u>100.00</u>

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

(b) Retained earnings

At January 1, 2011	
Profit for the year	236,139
Minimum mandatory dividend and interest on capital paid relating to 2011	(69,799)
Transfer to legal reserve	(11,889)
Realization of revaluation reserve	1,639
Transfer to profit retention reserve	(156,090)
At December 31, 2011	
At January 1, 2012	
Profit for the year	366,655
Interest on capital (2012) imputed as the minimum mandatory dividend	(71,007)
Transfer to legal reserve	(18,376)
Realization of revaluation reserve	873
Transfer to profit retention reserve	(278,145)
At December 31, 2012	

(c) Dividends

Under the Company's bylaws (Article 36), shareholders are entitled to a minimum mandatory dividend of 25% of the profit for the year, adjusted in accordance with Corporate Law.

The Company's bylaws (Article 46) also determine that the Board of Directors may approve credits of interest on capital, subject to approval at the Ordinary Meeting of Shareholders that approves the financial statements for the year in respect of which the interest is paid or credited. Such interest may be included or not in the mandatory dividend, at the discretion of the Company's Board of Directors, as permitted by applicable legislation.

In accordance with the Board of Directors' Meetings of December 3, 2012, the shareholders decided to allocate R\$ 128,993, from the profit retention reserve account calculated in the balance sheet for the year ended December 31, 2011, to the distribution of interim dividends, defined in a single installment, which was paid by the Company on December 27, 2012, during the year.

Dividends	
Profit for distribution at December 31, 2012	366,655
Changes in retained earnings	873
	367,528
Transfer to legal reserve (5%)	18,376
Dividend calculation basis	349,152
Minimum dividends - 2012	87,288
Interest on capital - gross	(71,007)
Income tax on interest on capital	8,789
Interest on capital - net	(62,218)
Interim dividends paid	(128,993)
Total dividends and interest on capital paid in 2012	(191,211)
Total dividends to be distributed in December 2012	

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

During 2012, the amount of interest on capital and interim dividends distributed was bigger than the minimum mandatory dividends, therefore not constituting minimum mandatory dividends payable at December 31, 2012.

(d) Interest on capital

On December 15, 2011, the Board of Directors approved the credit of interest on capital, related to the fourth and last installment of 2011, in the amount of R\$ 5,335, paid on January 31, 2012.

On December 3, 2012, the Board of Directors approved the credit of interest on capital, related to 2012, in the amount of R\$ 71,007, paid on December 27, 2012.

Interest on capital paid to shareholders must be ascribed to the minimum mandatory dividends payable in 2013, related to 2012, and these amounts must be added to the amount of dividends to be distributed by the Company, in accordance with the established in the Corporate Law.

In order to comply with corporate publications, the interest on capital was accounted for as a "Finance cost", and then reversed in the same caption to retained earnings, since it is, basically, distribution of profit, as determined by CVM and CPC - "Basic Conceptual Pronouncement".

(e) Allocation of profit for the year

The Profit Retention Reserve refers to the remaining balance of the profit for the year based on Management proposal, in order to meet the Company's project for business growth, in accordance with the capital budgeted to be approved by the Company's management and submitted to the General Meeting of Shareholders.

Shareholders, at the Shareholders' General Meeting, deliberate on the retained earnings exceeding the share capital, pursuant to Article 199 of Law 6,404.

27 Retirement benefit obligations

The amounts related to post-employment benefit plans, which include health care, incentive pensions, sickness allowance and disability allowance, are recorded in accordance with the CVM Deliberation No 600. According to the actuarial appraisal dated December 31, 2012, we utilized the following assumptions:

	2012	2011
Discount rate	9.46	10.25
Inflation rate	5.5	4.5
Expected return on plan assets	9.46	10.75
Future salary increases	8.66	7.65
Future pension increases	5.5	4.5
Aging factor	3	3

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

	<u>2012</u>	<u>2011</u>
Overall mortality (segregated by gender)	AT-2000	AT-83
Disabled mortality table	IAPB-1957	IAPB-57
Entry into disability	UP-1984	UP-84
Turnover	0,3/(service time + 1)	0,3/(service time + 1)

The recognized amount of actuarial gains or losses corresponds to the portion of gain or loss that exceeds the highest of 10% of the present value of the actuarial obligation and 10% of the fair value of the plan assets, amortized over the average future service of the plan's participants.

The composition of the actuarial liability is demonstrated below:

	<u>2012</u>	<u>2011</u>
Value of the actuarial obligations	297,772	210,612
Unrecognized actuarial losses	(126,594)	(56,715)
Fair value of plan assets	<u>(6,732)</u>	<u>(5,895)</u>
Actuarial liability, net	<u>164,446</u>	<u>148,002</u>

The changes in the actuarial liability during the year ended December 31, 2012 were as follows:

	<u>2012</u>
Actuarial liability, net	148,002
Expense in the year	26,623
Employer contributions	<u>(10,179)</u>
Actuarial liability, net	<u>164,446</u>

The expenses recognized in the statement of income at December 31 were as follows:

	<u>2012</u>	<u>2011</u>
Current gross cost of services (with interest)	508	449
Interest on actuarial liability	20,956	20,001
Expected return on plan assets	(636)	(1,429)
Amortization of actuarial losses	<u>5,795</u>	<u>3,855</u>
Expenses	<u>26,623</u>	<u>22,876</u>

The tax effects of this provision are recorded in deferred taxes in non-current assets (see Note 24(b)).

The Company maintains with Bradesco Vida Previdência S.A. a variable-contribution complementary open pension plan denominated Free Benefit Generating Plan (PGBL), structured in the capitalization financial regime, approved by the Superintendency of Private Insurances (SUSEP).

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

The Company's contributions for 2012 amounted to R\$ 673 (2011 - R\$ 4,198), recognized in the statement of income, within General and administrative expenses. This is a fixed-income plan, the objective of which is to provide pension benefits in the form of lifetime monthly pensions.

28 Segment reporting

The Company's management analyzes the financial performance considering the gross economic result divided into business segments. ARSESP, the regulatory agency, determines tariffs by the many business segments.

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements at December 31, 2012

All amounts in thousands of reais unless otherwise stated

The composition of the margin by segment is as follows:

Segments	Residential	Commercial	Industrial	Thermal power generation
Volume (thousands of m ³) (unaudited)	198,872	111,662	3,788,744	527,011
Gross revenue	650,715	252,948	4,345,819	195,811
Deductions	(138,282)	(52,955)	(923,691)	
Net revenue	512,433	199,993	3,422,128	195,811
Regulatory assets (liabilities)	17,453	5,899	190,336	
Cost	(140,693)	(78,730)	(2,652,105)	(177,791)
Economic gross profit	389,193	127,162	960,359	18,020
Reversal of regulatory assets (liabilities)				
Gross profit				
Operating income (expenses)				
Expenses				
Selling				
General and administrative				
Other operating income (expenses)				
Finance result				
Finance income				
Finance costs				
Profit before taxation				
Provision for income tax and social contribution				
Profit for the year				

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements at December 31, 2012

All amounts in thousands of reais unless otherwise stated

Segments	Residential	Commercial	Industrial	Thermal power generation
Volume (thousands of m ³) (unaudited)	183,028	108,272	3,850,930	55,88
Gross revenue	553,786	211,473	3,522,172	17,36
Deductions	(117,679)	(44,239)	(748,469)	
Net revenue	436,107	167,234	2,773,703	17,36
Regulatory assets (liabilities)	12,036	10,323	351,153	
Cost	(105,118)	(61,760)	(2,179,273)	(15,37)
Economic gross profit	<u>343,025</u>	<u>115,797</u>	<u>945,583</u>	<u>1,98</u>
Reversal of regulatory assets (liabilities)				
Gross profit				
Operating income (expenses)				
Expenses				
Selling				
General and administrative				
Other operating income (expenses)				
Finance result				
Finance income				
Finance costs				
Profit before taxation				
Provision for income tax and social contribution				
Profit for the year				

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

29 Revenue

Net sales revenue for the year is comprised as follows:

	<u>2012</u>	<u>2011</u>
Gross sales and services	6,519,841	5,111,514
Taxes on sales	<u>(1,240,318)</u>	<u>(1,008,854)</u>
Net revenue	<u>5,279,523</u>	<u>4,102,660</u>

30 Expenses by nature

The Company elected to present the statement of income for the year by function. As required by CPC 26 (IAS 1), the breakdown of expenses by nature is as follows:

	<u>2012</u>	<u>2011</u>
Personnel	173,423	157,930
Material/services	253,019	229,814
Operating expenses	9,450	2,015
Amortization	<u>290,008</u>	<u>240,595</u>
Expenses by nature	<u>725,900</u>	<u>630,354</u>

31 Finance result

	<u>2012</u>	<u>2011</u>
Finance costs		
Interest on borrowings and debentures	(177,907)	(156,786)
Commissions/bank expenses	(23,690)	(16,127)
Capitalization of interest	22,646	25,830
Interest - CVM No. 600 - post-employment benefit	(21,464)	(20,450)
Adjustment to market value		(9,951)
Other	<u>(2,776)</u>	<u>(4,932)</u>
	<u>(203,191)</u>	<u>(182,416)</u>
Monetary corrections, net		
Borrowings	(730)	(1,357)
Monetary correction gains	42	49
Monetary correction losses	<u>(5,613)</u>	<u>(2,107)</u>
	<u>(6,301)</u>	<u>(3,415)</u>
Finance income		
Interest received from clients (overdue payment)	16,588	11,143
Income from financial investments	12,226	11,825
Interest	641	2,363
Adjustment to market value	15,077	
Other	<u>1,310</u>	<u>540</u>
	<u>45,842</u>	<u>25,871</u>
	<u>(163,650)</u>	<u>(159,960)</u>

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

32 Earnings per share

There is no difference between basic and diluted earnings per share.

	2012			2011		
	Preference	Common	Total	Preference	Common	Total
Profit for the year	85,373	281,282	366,655	54,983	181,156	236,139
Number of shares (thousands)	25,912	93,911	119,823	25,912	93,911	119,823
Earnings per share - R\$	3.29	2.99	3.06	2.12	1.93	1.97

33 Insurance

The main insurance coverage against possible losses in the Company's assets, based on the nature and degree of risks, is as follows:

Risk

Operating risk	100,000
Civil liability	159,000

34 Commitments

(a) Commitments for the acquisition of assets and regulatory targets

The commitments for the acquisition of intangible assets amounting to R\$ 17,911 at December 31, 2012 (December 31, 2011 - R\$ 41,518) refer to expenditures already contracted but not yet incurred related to the acquisition, support and management of the gas distribution network, as well as to administrative and IT expenditures for the maintenance of the Company's business.

The regulatory commitments of R\$ 1,051,942 at December 31, 2012 (December 31, 2011 - R\$ 1,293,251) were defined in the last tariff adjustment, in May 2009, based on the investment plan defined by the regulator, and are expected to be applied up to May 2014, that is, the closing of the current tariff cycle.

(b) Lease agreement commitments

The Company had 15 real estate lease agreements at December 31, 2012, whose expenses recognized during the year totaled R\$ 6,196 (December 31, 2011 - R\$ 6,341).

Lease terms vary from one to six years and most of the lease agreements may be renewed at the end of the lease term at market rates.

Companhia de Gás de São Paulo - COMGÁS

Notes to the financial statements

at December 31, 2012

All amounts in thousands of reais unless otherwise stated

The total minimum future lease payments, in accordance with the operating leases, are as follows:

	<u>2012</u>	<u>2011</u>
Gross lease liabilities - minimum lease payments		
No later than 1 year	1,860	5,848
Later than 1 year and no later than 5 years	<u>526</u>	<u>897</u>
	<u>2,386</u>	<u>6,745</u>

* * *

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